

**Jackson Community Foundation**

**Financial Statements**

**December 31, 2022 and 2021**



**YEO & YEO**

**BUSINESS SUCCESS  
PARTNERS**

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## Independent Auditors' Report

Management and the Board of Trustees  
Jackson Community Foundation  
Jackson, Michigan

### Opinion

We have audited the accompanying financial statements of Jackson Community Foundation (a nonprofit organization), 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 Jackson Community 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 accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Jackson 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.

### Adoption of New Accounting Standards

As described in Note 1 to the financial statements, Jackson Community Foundation changed its method of accounting for leases in 2022 as required by the provisions of FASB Accounting Standards Updates relating to FASB ASC 842, *Leases*. Our opinion is not modified with respect to that matter.

### Responsibilities of Management for the Financial Statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Jackson 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 Jackson 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.

*Yeo & Yeo, P.C.*

Ann Arbor, Michigan  
April 27, 2023

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

	2022	2021
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 521,280	\$ 565,278
Contributions receivable	30,841	301,684
Prepaid expenses	4,297	6,075
Total current assets	556,418	873,037
Investments	38,027,641	43,375,390
Equipment, net	48,331	52,219
Right of use asset - operating lease, net	259,047	-
Beneficial interests in trust	3,054,522	3,919,677
<b>Total assets</b>	<b>\$ 41,945,959</b>	<b>\$ 48,220,323</b>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 4,024	\$ 7,385
Grants payable	11,958	4,278
Accrued payroll	14,864	12,599
Operating lease obligation, current portion	38,214	-
Total current liabilities	69,060	24,262
Long-term liabilities		
Assets held for others (agency)	1,944,681	2,349,217
Operating lease obligation, net of current portion	223,217	-
Total long-term liabilities	2,167,898	2,349,217
Total liabilities	2,236,958	2,373,479
Net assets		
Without donor restrictions	35,174,923	39,722,242
With donor restrictions	4,534,078	6,124,602
Total net assets	39,709,001	45,846,844
<b>Total liabilities and net assets</b>	<b>\$ 41,945,959</b>	<b>\$ 48,220,323</b>

See Accompanying Notes to the Financial Statements

**Jackson Community Foundation**  
**Statements of Activities**  
**Years Ended December 31, 2022 and 2021**

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, gains (losses), and other support</b>						
Contributions	\$ 3,594,123	\$ 80,287	\$ 3,674,410	\$ 7,247,949	\$ 449,164	\$ 7,697,113
Change in value of beneficial interest	-	(865,155)	(865,155)	-	856,214	856,214
Net investment return	(6,045,007)	(245,772)	(6,290,779)	4,742,974	231,723	4,974,697
Miscellaneous income	51,040	-	51,040	60,935	-	60,935
Total revenues, gains (losses), and other support	<u>(2,399,844)</u>	<u>(1,030,640)</u>	<u>(3,430,484)</u>	<u>12,051,858</u>	<u>1,537,101</u>	<u>13,588,959</u>
<b>Net assets released from restrictions</b>						
Restrictions satisfied by payments and time	<u>559,884</u>	<u>(559,884)</u>	<u>-</u>	<u>169,947</u>	<u>(169,947)</u>	<u>-</u>
<b>Expenses</b>						
Program services						
Grants	2,018,556	-	2,018,556	1,673,704	-	1,673,704
Other program services	267,134	-	267,134	188,654	-	188,654
Management and general	308,301	-	308,301	272,812	-	272,812
Fundraising	113,368	-	113,368	109,679	-	109,679
Total expenses	<u>2,707,359</u>	<u>-</u>	<u>2,707,359</u>	<u>2,244,849</u>	<u>-</u>	<u>2,244,849</u>
Change in net assets	<u>(4,547,319)</u>	<u>(1,590,524)</u>	<u>(6,137,843)</u>	<u>9,976,956</u>	<u>1,367,154</u>	<u>11,344,110</u>
Net assets - beginning of year	<u>39,722,242</u>	<u>6,124,602</u>	<u>45,846,844</u>	<u>29,745,286</u>	<u>4,757,448</u>	<u>34,502,734</u>
Net assets - end of year	<u>\$ 35,174,923</u>	<u>\$ 4,534,078</u>	<u>\$ 39,709,001</u>	<u>\$ 39,722,242</u>	<u>\$ 6,124,602</u>	<u>\$ 45,846,844</u>

See Accompanying Notes to the Financial Statements

**Jackson Community Foundation**  
**Statements of Cash Flows**  
**December 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities</b>		
Cash received from contributors	\$ 3,674,410	\$ 7,697,113
Miscellaneous income received	51,040	60,935
Interest and dividends received	764,452	835,677
Proceeds from sale of donated securities	2,585,500	1,399,115
Grants paid	(2,010,876)	(1,723,141)
Payments for payroll and contracted services	(542,853)	(442,472)
Payments for investment fees	(135,219)	(128,014)
Payments to vendors	(136,382)	(118,345)
	<b>4,250,072</b>	<b>7,580,868</b>
<b>Cash flows from investing activities</b>		
Purchase of long-term investments	(16,851,770)	(13,071,968)
Proceeds from maturity or sales of long-term investments	12,557,700	5,802,173
	<b>(4,294,070)</b>	<b>(7,269,795)</b>
Change in cash and cash equivalents	(43,998)	311,073
Cash and cash equivalents - beginning of year	<b>565,278</b>	<b>254,205</b>
Cash and cash equivalents - end of year	<b>\$ 521,280</b>	<b>\$ 565,278</b>

See Accompanying Notes to the Financial Statements

**Jackson Community Foundation**  
**Statements of Functional Expenses**  
**Years Ended December 31, 2022 and 2021**

	2022				2021			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Grants	\$ 2,018,556	\$ -	\$ -	\$ 2,018,556	\$ 1,673,704	\$ -	\$ -	\$ 1,673,704
Payroll and contracted services								
Salaries and wages	141,885	163,029	62,736	367,650	126,785	145,888	59,087	331,760
Employee benefits	14,220	12,973	3,974	31,167	13,666	11,743	3,232	28,641
Payroll taxes	12,697	11,584	3,548	27,829	11,447	9,836	2,708	23,991
Contracted services	58,614	57,593	-	116,207	5,559	52,521	-	58,080
Total payroll and contracted services	227,416	245,179	70,258	542,853	157,457	219,988	65,027	442,472
Office-related expenses								
Rent	14,103	20,513	8,120	42,736	14,218	17,378	7,899	39,495
Depreciation	2,893	4,208	1,666	8,767	1,815	2,218	1,007	5,040
Insurance	1,518	2,208	874	4,600	1,701	2,079	946	4,726
Equipment maintenance	752	686	196	1,634	3,072	2,624	704	6,400
Telephone	2,258	2,062	589	4,909	1,984	1,695	454	4,133
Office expenses	3,729	3,405	974	8,108	4,419	3,775	1,013	9,207
Postage and shipping	546	929	482	1,957	1,281	527	358	2,166
Custodial	792	1,152	456	2,400	864	1,056	480	2,400
Total office-related expenses	26,591	35,163	13,357	75,111	29,354	31,352	12,861	73,567
Other expenses								
Advertising/Marketing	-	-	15,354	15,354	-	-	12,808	12,808
Entertainment	-	419	7,070	7,489	-	-	14,006	14,006
Trustee/staff development	1,386	4,449	-	5,835	-	514	-	514
Bank service fees	-	3,803	-	3,803	-	3,718	-	3,718
Outside printing	2,846	686	3,000	6,532	616	943	3,025	4,584
Conferences and meetings	7,459	2,363	4,154	13,976	1,184	1,577	1,777	4,538
Professional dues	-	15,385	175	15,560	-	12,586	175	12,761
Travel	1,436	854	-	2,290	43	397	-	440
Miscellaneous	-	-	-	-	-	1,737	-	1,737
Total other expenses	13,127	27,959	29,753	70,839	1,843	21,472	31,791	55,106
Total expenses	\$ 2,285,690	\$ 308,301	\$ 113,368	\$ 2,707,359	\$ 1,862,358	\$ 272,812	\$ 109,679	\$ 2,244,849

See Accompanying Notes to the Financial Statements



**Jackson Community Foundation**  
**Notes to the Financial Statements**  
**December 31, 2022 and 2021**

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**Note 1 - Summary of Significant Accounting Policies**

**Nature of Activities**

Jackson Community Foundation (the "Foundation") is a public foundation under Internal Revenue Code Section 501(c)(3) that receives and administers gifts and bequests which are used to support a variety of programs for the benefit of local area residents. The Foundation currently has six community needs priorities for its grant making that include: Financial Stability, Culture of Education, Healthy People, Environmental Quality, Economic Prosperity, and Art, Culture & Recreation.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Basis of Presentation**

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

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net assets with donor restrictions – Net assets subject to donor- (or certain 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. The Foundation does not have any net assets whereby the donor-imposed restriction are perpetual in nature as of December 31, 2022 and 2021.

We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**Cash and Cash Equivalents**

The Foundation considers all highly liquid investments purchased with maturity of three months or less to be cash equivalents except for temporary investment funds considered to be part of the investment portfolio. As of December 31, 2022, \$226,652 of the \$568,480 bank balance was in excess of the amount insured by the FDIC.

**Promises to Give**

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions include the lines described on the statement of activities as contributions. All amounts stated are expected to be collected within one year.

**Investments**

Investments are stated at fair value. Donated investments are reflected as contributions at their fair values at date of receipt. Investment income is reported net of direct investment expenses.

During the years ended December 31, 2022 and 2021, the Foundation received donated securities that were sold when received in the amount of \$2,585,500 and \$1,399,115, respectively.

**Jackson Community Foundation**  
**Notes to the Financial Statements**  
**December 31, 2022 and 2021**

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**Equipment**

The Foundation follows the practice of capitalizing all expenditures in excess of \$1,000 for equipment at cost; the fair value of donated fixed assets is similarly capitalized.

Furniture and equipment are stated at cost or fair market value at the date received. Major improvements are capitalized while ordinary maintenance and repairs are expensed.

The Foundation evaluates long-lived assets for impairment using a discounted cash flow method whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with accounting principles generally accepted in the United States of America.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets.

Gifts of land, buildings, equipment, and other long-lived assets are also reported as revenue without donor restrictions and net assets, unless subject to time restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

**Leases**

The Foundation leases office space. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed. Operating leases are contracts that allow for the use of the underlying asset but there is no ownership transfer at the end of the lease.

Right of use assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments. Right of use assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Foundation's lease terms may include options to extend or terminate the lease when it is reasonably certain that option will be exercised. The weighted-average discount rate is based on the discount rate implicit in the lease. The Foundation has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The Foundation has applied the risk-free rate option to the related asset. Operating lease expense for lease payments is recognized on a straight-line basis over the lease term.

**Beneficial Interest in Charitable Lead Annuity Trust**

The Foundation is party to a split-interest agreement that began in 2012 and a second that began in 2014 upon the donors' deaths. The agreements create trusts in which the Foundation has a remainderman interest. The trustees are required to pay a specified amount each year to the designated beneficiaries until their death. For the 2012 split-interest agreement, the beneficiaries will each receive \$50,000 per year. For the 2014 split-interest agreement, the beneficiary will receive the earnings of the trust each year ((15% and 18% at December 31, 2022 and 2021, respectively). Upon the death of the beneficiaries, the remaining funds become the property of the Foundation.

The Foundation is not the trustee for these agreements and therefore, the present value of the Foundation's interest is determined by taking the market value of the trust assets at December 31 less the present value of future distributions to the beneficiaries. The present value of future distributions is computed based on the normal life expectancy of the beneficiaries, based on the U.S. Department of Social Security life expectancy tables, using an average of the rates of return for 2022, 2021, and 2020 for each trust.

**Jackson Community Foundation**  
**Notes to the Financial Statements**  
**December 31, 2022 and 2021**

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The fair market value of the trusts at December 31, 2022 and 2021 was \$5,119,787 and \$6,240,436, respectively. The present value of future distributions calculated to \$2,065,265 and \$2,320,759, and the beneficial interest in trusts is \$3,054,522 and \$3,919,677 at December 31, 2022 and 2021, respectively. For the years ended December 31, 2022 and 2021, the change in beneficial interest was \$(865,155) and \$856,214, respectively, and is recorded on the statement of activities. The beneficial interests in trusts are recorded as an asset and net assets with donor restrictions for the years ended December 31, 2022 and 2021.

**Grants Payable**

The Foundation recognizes grants as expenses at the time recipients are entitled to receive them. Generally, this occurs when the board of trustees approves a specific grant, pursuant to grant-authorization policies established by the board of trustees. Unconditional grants approved but not yet disbursed are reported as grants payable in the statement of financial position. Conditional grants approved but contingent upon fulfillment of certain specified conditions by the grantee are not recorded until the conditions have been met.

**Revenue and Revenue Recognition**

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

**Assets Held for Others**

Donor designations for specific organizations made by the beneficiary organizations are recognized as a liability to the specified organization.

**Functional Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification

detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The expenses that are allocated and the method of allocation include the following:

Expense	Method and Allocation
Salaries and benefits	Time and effort
Equipment rental	Time and effort
Telephone	Time and effort
Insurance	Square footage
Depreciation	Square footage
Rental expense	Square footage

**Income Tax Status**

The Foundation is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is classified as an organization other than a private foundation, as described in Section 509(a). The Foundation files information returns in the U.S. Federal and Michigan jurisdiction.

**Risks and Uncertainties**

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

**Jackson Community Foundation**  
**Notes to the Financial Statements**  
**December 31, 2022 and 2021**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted 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.

**Date of Management's Review**

Management has evaluated subsequent events through April 27, 2023, which is the date the financial statements were available to be issued.

**Adoption of New Accounting Standard**

The Foundation adopted FASB Topic 842, *Leases*, as of the beginning of the year ended December 31, 2022. This has been adopted using the modified retrospective approach, which restates the balances as of the date of adoption. As of January 1, 2022, the balance of the right to use asset – operating lease, net and the related operating lease obligation were restated from zero to \$298,345.

The Foundation elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Foundation to carry forward the historical lease classification. In addition, the Foundation elected the practical expedient to use hindsight in determining the lease term for existing leases, which resulted in shortening the lease terms for certain existing leases and the useful lives of corresponding leasehold improvements as certain options to renew were not reasonably certain.

**Note 2 - Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2022	2021
Cash and cash equivalents	\$ 521,280	\$ 565,278
Contributions receivable	30,841	301,684
Investments	38,027,641	43,375,390
Beneficial interests in trust	3,054,522	3,919,677
Total financial assets - end of year	\$ 41,634,284	\$ 48,162,029
Less: Financial assets unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions		
Restricted by donor with time or purpose restrictions	(4,534,078)	(6,124,602)
Board designated endowment, net spendable portion	(29,475,833)	(33,167,983)
Assets held for others (agency)	(1,944,681)	(2,349,217)
Financial assets available to meet cash needs for general expenditures within one year	\$ 5,679,692	\$ 6,520,227

The board-designated endowment is subject to an annual spending rate of 5% of the average of 12 rolling quarters up to the December 31st balance of the prior year. Although the Foundation does not intend to spend from this board-designated endowment, these amounts could be made available, if necessary, to cover any unexpected expenses above the normal amount appropriated for general expenditures as part of our annual operating budget and grant making budget.

As part of the liquidity management plan, the Foundation strives to maintain liquid assets of .5% of total assets. This amounts to approximately 3 months of expenditures, including small grants. The Foundation's investment policy statement states 60% allocation to equity, therefore, a minimum of 60% of investment assets have same day liquidity, if needed. If necessary, the board would have to approve

**Jackson Community Foundation**  
**Notes to the Financial Statements**  
**December 31, 2022 and 2021**

any need above and beyond normal expenditures already approved in the annual budgets, for both operating and grant making. The Foundation has no defined finite liabilities.

**Note 3 - Investments**

The fair value of marketable debt and equity securities consisted of the following at December 31:

	Fair Value	
	2022	2021
Available for sale		
Mutual funds	\$ 19,806,730	\$ 23,969,557
Equities	8,999,407	12,128,226
Fixed income	809,822	725,080
Mixed assets	146,856	168,718
Other (alternative) investments	6,778,285	5,330,362
U.S. Government obligations	<u>4,820</u>	<u>3,321</u>
Total available for sale	<u>\$ 36,545,920</u>	<u>\$ 42,325,264</u>

The investment account also includes cash and money market funds of \$1,481,721 and \$1,050,126 as of December 31, 2022 and 2021, respectively.

**Note 4 - Equipment**

Major classes of assets and related accumulated depreciation thereon are summarized as follows as of December 31:

	2022	2021	Estimate Useful Life
Furniture and fixtures	\$ 72,474	\$ 67,596	5 - 10 years
Less: accumulated depreciation	<u>(24,143)</u>	<u>(15,377)</u>	
	<u>\$ 48,331</u>	<u>\$ 52,219</u>	

**Note 5 - Funds Held for Others**

The Foundation has adopted guidance to record transfers of assets to a not-for-profit organization that holds contributions for others. Accounting standards specifically require transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both to the donor or another entity that is specified by the donor.

The standard specifically requires that if a not-for-profit organization (NPO) establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability.

In accordance with accounting standards, a liability has been established for a portion of the fair value of the funds, which is generally equivalent to the present value of future payments which may be made to NPO.

**Jackson Community Foundation**  
**Notes to the Financial Statements**  
**December 31, 2022 and 2021**

The following table summarizes activity in such funds as of December 31:

	2022	2021
Funds held as agency - beginning of year	\$ 2,349,217	\$ 2,079,762
Net investment return	(370,384)	306,347
Grants and administrative expenses	(27,531)	(36,892)
Transfer (to)/from nonagency fund	(6,621)	-
Funds held as agency - end of year	\$ 1,944,681	\$ 2,349,217

**Note 6 - Net Assets Without Donor Restrictions**

Net assets without donor restrictions consist of the following fund types at December 31:

	2022	2021
Advised	\$ 5,723,737	\$ 6,200,943
Discretionary	4,744,024	5,642,740
Designated	10,352,333	11,017,398
Field of interest	1,928,502	2,301,517
Named	6,549,140	7,867,857
Agency - Third party	1,399,782	1,680,735
Scholarship	4,477,405	5,011,052
	\$ 35,174,923	\$ 39,722,242

**Note 7 - Net Assets With Donor Restrictions**

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

	2022	2021
Subject to the passage of time		
Beneficial interest in trusts	\$ 3,054,522	\$ 3,919,677
Bequests	-	295,884
Subject to expenditure for specified purpose:		
Special project funds	235,889	417,729
Youth advisory council	1,079,684	1,294,689
Scholarship funds	163,983	196,623
	\$ 4,534,078	\$ 6,124,602

**Note 8 - Net Assets Released from Donor Restrictions**

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

	2022	2021
Expiration of time restrictions	\$ 295,884	\$ -
Satisfaction of purpose restrictions		
Special project funds	173,200	34,152
Youth advisory council	67,796	65,107
Scholarship funds	23,004	70,688
	\$ 559,884	\$ 169,947

**Jackson Community Foundation**  
**Notes to the Financial Statements**  
**December 31, 2022 and 2021**

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**Note 9 - Designated Endowments**

The Foundation's net assets without donor restrictions include amounts designated as endowments whereby the Foundation has variance power over those assets. Therefore, the Board of Trustees treats these funds as designated endowments and they are classified and reported based on the existence or absence of donor-imposed restrictions.

Changes in endowment net assets for the year ended December 31, 2022 are as follows:

	Without Donor Restrictions
Beginning of year - January 1, 2022	\$ 34,079,502
Contributions	3,799,555
Distributions	(2,358,911)
Net investment return	<u>(5,089,247)</u>
End of year - December 31, 2022	<u>\$ 30,430,899</u>

The changes in endowment net assets for the year ended December 31, 2021 are as follows:

	Without Donor Restrictions
Beginning of year - January 1, 2021	\$ 24,972,097
Contributions	7,058,257
Distributions	(2,007,957)
Net investment return	<u>4,057,105</u>
End of year - December 31, 2021	<u>\$ 34,079,502</u>

**Return Objectives and Risk Parameters**

The Foundation has adopted investment and spending policies for its net assets that attempt to provide a predictable stream of funding to programs supported by its net assets while seeking to maintain its purchasing power. Under this policy, as approved by the board of trustees, the primary objective of the investments will be to provide for long-term growth of principal and income without undue exposure to risk to enable the Foundation to make grants on a continuing and reasonably consistent basis. Therefore, the Foundation's endowment assets are invested in a manner to produce an average rate of return of the Consumer Price Index (CPI) plus 5 percent annually.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity based investments to achieve its long-term return objectives within prudent risk constraints.

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

The annual amount available for distribution from any endowed fund is 5% of the average of 12 rolling quarters up to the December 31st balance of the prior year. This spendable will be available after January 1st of the current year. Each fund's annual spendable balance is net of the Foundation's administrative service fee. Any spendable balance left as of October 31st of the current year will be moved back into the accumulated earnings account of the fund unless otherwise communicated to the Foundation. New funds will not have a spendable amount until 4 full quarters are invested with the Foundation unless otherwise determined at inception of fund. From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2022, funds

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with original gift values of \$23,808,462, fair values of \$20,136,939 and deficiencies of \$3,671,523 were reported in net assets with donor restrictions.

**Note 10 - Fair Value Measurements**

The following tables represent information about the Foundation's assets and liabilities measured at fair value on a recurring basis at December 31, 2022 and 2021, and the valuation techniques used by the Foundation to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in the entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Disclosures concerning assets and liabilities measured at fair value on a recurring basis are as follows as of December 31, 2022:

	Balance at December 31, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable inputs (Level 3)
<b>Assets</b>				
Mutual funds	\$ 19,806,730	\$ 19,806,730	\$ -	\$ -
Equities	8,999,407	8,999,407	-	-
Fixed income	809,822	809,822	-	-
Mixed assets	146,856	146,856	-	-
Other (alternative) investments	6,778,285	-	-	6,778,285
U.S. Government obligations	4,820	4,820	-	-
Beneficial interests in trust	<u>3,054,522</u>	<u>-</u>	<u>-</u>	<u>3,054,522</u>
	<u>\$ 39,600,442</u>	<u>\$ 29,767,635</u>	<u>\$ -</u>	<u>\$ 9,832,807</u>
<b>Liabilities</b>				
Assets held for others	<u>\$ 1,944,681</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,944,681</u>



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Disclosures concerning assets and liabilities measured at fair value on a recurring basis are as follows as of December 31, 2021:

	Balance at December 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable inputs (Level 3)
<b>Assets</b>				
Mutual funds	\$ 23,969,557	\$ 23,969,557	\$ -	\$ -
Equities	12,128,226	12,128,226	-	-
Fixed income	725,080	725,080	-	-
Mixed assets	168,718	168,718	-	-
Other (alternative) investments	5,330,362	23,477	-	5,306,885
U.S. Government obligations	3,321	3,321	-	-
Beneficial interests in trust	3,919,677	-	-	3,919,677
	<u>\$ 46,244,941</u>	<u>\$ 37,018,379</u>	<u>\$ -</u>	<u>\$ 9,226,562</u>
<b>Liabilities</b>				
Assets held for others	<u>\$ 2,349,217</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,349,217</u>

Changes in level 3 assets and liabilities measured at fair value on a recurring basis are:

	Other (alternative) investments	Beneficial Interests in Trust	Assets Held for Others
December 31, 2020	\$ 4,657,079	\$ 3,063,463	\$ 2,079,762
Agency activity (see Note 5)	-	-	269,455
Purchases	807,000	-	-
Sales	(844,055)	-	-
Net investment return	<u>686,861</u>	<u>856,214</u>	<u>-</u>
December 31, 2021	5,306,885	3,919,677	2,349,217
Agency activity (see Note 5)	-	-	(404,536)
Purchases	2,504,133	-	-
Sales	(1,109,343)	-	-
Net investment return (loss)	<u>76,610</u>	<u>(865,155)</u>	<u>-</u>
December 31, 2022	<u>\$ 6,778,285</u>	<u>\$ 3,054,522</u>	<u>\$ 1,944,681</u>

The Foundation invests in several alternative investments that are considered Level 3.

CQS ABS is a relative value hedge fund that invests primarily in securitized credit sub-sectors in the U.S. and Europe. The Fund is multi-strategy in nature, spanning the entirety of the capital structure, investing across corporate credit, structured credit, ABS, convertibles, equities, loan, special situation, and multi-asset. The strategy is fundamentally based and is constructed based on both bottom-up credit research and top-down macro-informed views. The manager employs a relative value framework to invest in the most attractive risk/reward opportunities. The Fund employs a dynamic hedging approach that seeks to insulate the portfolio from large credit market shocks while minimizing hedging costs.

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CQS Directional Opportunities Fund (CQS DOF) is a high conviction, credit-oriented, directional hedge fund with an open mandate. The three primary strategy allocations are structured credit (excluding ABS), corporate credit, and global macro. The Fund approach is focused on identifying themes and harvesting mispricing's across global asset markets, utilizing an investment team that is experienced in assessing complexity across the capital structure.

EMSO Partners is an emerging market, fixed income global macro hedge fund manager. The Fund invests primarily in sovereign and quasi-sovereign debt and may have meaningful exposure to corporate credit, interest rates, and foreign exchange. Investments are concentrated in complex idiosyncratic legal, political, and economical situations across emerging Asia, Latin America, Emerging Europe, Middle East, and Africa. The Fund will typically have between 5-10 broader themes, which exhibit limited correlation to each other. The Fund employs a rigorous bottom-up research process combined with a focus on capital preservation.

Hawkes Bay is a healthcare-focused, fundamental equity long/short fund. The Fund was launched in 2007. The Fund is managed by three portfolio managers, each with a specific sector expertise. Bob Deresiewicz oversees biotechnology, Jean Hynes oversees pharmaceuticals, and Ann Gallo oversees healthcare services and medical devices. In addition, Bob Deresiewicz serves as the portfolio coordinator charged with managing overall risk and exposure. The research team conducts industry and fundamental company research on four health sciences and sub-sectors: pharmaceuticals, biotechnology, medical devices, and healthcare services. Geographical exposure is predominantly in the U.S.

Summit Partners Sustainable Opportunities Fund is a global equity long/short fund investing in disruptive, market-driven solutions to global sustainable. The Fund focuses on companies that provide sustainable solutions and increased efficiencies but will opportunistically invest in select companies that fit into a broader efficiency theme of “doing more with less.” The portfolio management team takes medium to long-term positions to capitalize as sustainable companies grow, continually benefitting from declining cost curves while traditional energy companies must react to the shift in consumer values and shrinking natural resources. Flexible mandate to opportunistically invest in stocks with limited sustainable thesis has enabled the Fund to generate strong returns, even in challenging markets.

The AG Mortgage Value Fund is an open-end investment company incorporated in the British Virgin Islands that opportunistically invests in a diversified portfolio of residential mortgage backed securities and asset-backed securities, special situations, and secured asset-based loans. The AG Fund conducts its investment program by investing substantially all of its assets in AG Mortgage Value Partners Holdings, L.P., a Cayman Islands exempted limited partnership (the “AG Intermediate Fund”), which in turn invests substantially all of its capital in AG Mortgage Value Partners Master Fund, L.P., a Cayman Islands exempted limited partnership (the “AG Master Fund”), although the AG Fund may invest a portion of its assets directly rather than through the AG Master Fund. References to the investment objectives of the AG Fund herein shall be deemed to include the AG Intermediate Fund and the AG Master Fund unless the context otherwise requires. The AG Fund, the AG Intermediate Fund, and the AG Master Fund commenced operations in May 2009.

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Blackstone Real Estate Income Trust “BREIT” is a non-exchange traded, perpetual life real estate investment trust (“REIT”) that acquires primarily stabilized income-oriented commercial real estate in the United States and to a lesser extent real estate-related securities. The fund is externally managed by BX REIT Advisors L.L.C. (the “Adviser”), a subsidiary of The Blackstone Group L.P. (“Blackstone”). The fund is the sole general partner of BREIT Operating Partnership L.P. (“BREIT OP”), a Delaware limited partnership, and we own all or substantially all of our assets through BREIT OP. The objective is to bring Blackstone’s leading real estate investment platform with an institutional fee structure to individual investors.

The Abbey Capital Daily Futures Fund (ACDFF) provides access to a daily traded diversified multi-manager futures funds, blending trend-following and non-trend following investment strategies. The Fund focuses on generating absolute returns with exposure to a range of global markets and sectors including foreign exchange, commodities, equity indices, bonds, and interest rate futures. The Firm was founded in 2000 and currently manages over \$4 billion in assets. Abbey’s primary line of business is the management of multi-manager alternative investment portfolios with a focus on managed futures, foreign exchange, and global macro strategies.

Renaissance RIEF’s investment objective is to achieve over the long term a risk-adjusted return that, on a gross basis, exceeds that of the Standard & Poor’s 500 Index (with dividends reinvested) (the “Index”). RIEF seeks to achieve this return with lower volatility than the Index and a relatively low beta. In particular, RIEF seeks (i) a higher Sharpe ratio than the Index, (ii) a beta to the Index of 0.4 or lower, and (iii) the generation of most returns as alpha relative to the Index. Furthermore, RIEF seeks over the long term to provide a higher absolute rate of return than the Index. RIEF is not a “tracking fund” and seeks to provide diversification from the Index. RIEF invests in a widely diversified portfolio consisting almost exclusively of listed global (i.e. U.S. and non-U.S.) equity securities that are publicly traded on U.S. securities exchanges. RIEF actively trades its portfolio of equity securities on a daily basis utilizing predictive signals that are long term

in nature. RIEF also is permitted to invest in stock index futures and stock index options under circumstances in which Renaissance believes that rapid risk reduction is necessary.

Owl Rock Core Income Corporation (ORCIC) is a perpetual non-traded business development company that offers the potential to generate income by originating loans to, and making debt investments in, U.S. middle market companies. The Fund will look to capture the illiquidity premium in private loans relative to the liquid non-investment grade market, balanced against potential investor liquidity needs. ORCIC will focus on senior (first and second) loans to companies, with 80-95% target (10-20% in liquid bank loans, used as a liquidity management tool). ORCIC will follow the general process of lending to sponsor-backed middle market companies, accompanied by similar portfolio level leverage, that has been used by the direct lending team since the Firm’s inception. The Firm, Owl Rock, is an industry-leading lending platform to middle and upper-middle market business with 90+ investment professionals and over \$65 billion in AUM. The Firm was founded in 2016 by Doug Ostrover, Marc Lipschultzand, Craig Packer, senior executives from GSO/Blackstone, KKR and Goldman Sachs, who each have more than 30 years of industry experience. Owl Rock’s sole line of business is direct lending and have sourced more than 7,400 investment opportunities from over 640 private equity sponsors and originated over \$69 billion with a loan loss averaging 0.05% per annum since inception.

Starwood Real Estate Income Trust (SREIT) is a perpetually offered, monthly NAV, non-traded real estate investment trust (“REIT”) that seeks to invest primarily in stabilized income-oriented commercial real estate in the United States and to a lesser extent Europe. The Fund expects to maintain a minimum allocation of 80% to real estate properties and up to 20% in real estate-related debt securities, cash, or cash equivalents. Starwood has a broad deal-sourcing network and one of the largest in-house real estate asset management teams in the industry. SREIT will seek to leverage the broader platform and capabilities of Starwood Capital, which has acquired \$115 billion of assets across all major property types since the Firm’s inception. Starwood Capital is a private investment firm with a primary focus on

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global real estate. The Firm was founded by its current CEO and Chairman Barry Sternlicht. Founded in 1991, Starwood Capital is one of the world's leading private real estate firms having sponsored 16 private opportunistic real estate funds and 8 public companies since its inception. The Firm maintains 16 offices worldwide and has approximately 4,000 employees.

Trend Macro is a discretionary global macro fund, looking to take advantage of directional moves in markets. The investment universe is broad, made up of rates, credit, FX and equity indices in both developed and emerging markets. The approach is fundamental and involves deep research based on understanding the drivers of global markets through economic analysis, network contacts with important decision makers and on the ground research in covered regions. It is based on team work and consensus among researchers. The portfolio is typically made up of 5-15 different ideas that are diverse and relatively uncorrelated. The goal is to generate strong returns with moderate volatility and no correlation to traditional asset classes by investing in very liquid securities. Themes or ideas typically have a time horizon of a few months or quarters but the team can be tactical if necessary. The approach is one of investing rather than trading. The Firm was founded in May 2011 by Ashwin Vasan, its CIO. Ashwin has managed large pools of fiduciary capital and has navigated economic cycles in both developed and emerging markets since 1992. The senior members of the investment team average 22 years of experience and have worked with Ashwin at Trend and preceding organizations for an average of 10 years. The Firm consists of a team of 19 people with offices in Boca Raton, FL and Greenwich, CT.

Beneficial interests in trust categorized as Level 3 assets consist of two beneficial interests in a charitable remainder trust. The Foundation estimates the fair value of these assets based upon the fair value of the assets in the trust. Qualitative information is as follows:

	Fair Value at year end	Valuation Techniques	Unobservable Input	Range (Weighted Average)
Beneficial interests in trust	\$ 3,054,522	Discounted cash flow	Average of the rates of return for 2022, 2021, 2020 for each trust	1.97% - 4.17%
			Life expectancy of beneficiaries	4.8 - 14.0 years

Assets held for others characterized as a Level 3 liability consists of agency endowment funds established by not-for-profit organizations with their own funds, for which the Foundation reports a liability for the market value. The Foundation estimates the fair value of these assets held for others at the fair value of the underlying assets unless the facts and circumstances indicate the fair value would be different.

**Note 11 - Retirement Plan**

The Foundation sponsors a SIMPLE IRA plan for substantially all employees. The plan provides for the Foundation to make a required matching contribution. The matching contribution totaled 3% for the years ended December 31, 2022 and 2021. The contributions to the plan amount to \$10,152 and \$9,863 for the year ended December 31, 2022 and 2021, respectively.

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**Note 12 - Contributed Nonfinancial Assets**

The Foundation received non-specialized services from approximately 154 and 150 volunteers in the years ending December 31, 2022 and 2021, respectively. No revenue was recognized for these services as the criteria to record such revenue was not met. These services were utilized to support the Foundation's main program of strengthening the community through awarding grants.

**Note 13 - Operating Lease**

The Foundation leases office space at various terms under a long-term non-cancelable operating lease agreement. The lease expires at April 15, 2024 and provides for two 5-year renewal options. The Foundation includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The operating lease provides for increases in future minimum annual rental payments.

For the year ended December 31, 2022, the total operating lease cost was \$42,736 and the cash paid for amounts included in the measurement of lease liabilities for operating cash flows from operating leases was \$40,552. The remaining lease term as of December 31, 2022 is 6.3 years and was recorded at a discount rate of 1.30%. The future minimum lease payments under noncancelable operating leases are listed below as of December 31, 2022:

2023	\$	41,364
2024		42,192
2025		43,035
2026		43,896
2027		44,774
Thereafter		<u>57,143</u>
Total lease payments		272,404
Less interest		<u>(10,973)</u>
Present value of lease liabilities		<u>\$ 261,431</u>