



Princeton Area  
**COMMUNITY FOUNDATION**

**PRINCETON AREA COMMUNITY FOUNDATION, INC.**  
**Financial Statements**  
**December 31, 2023 and 2022**  
**With Independent Auditor's Reports**

**Princeton Area Community Foundation, Inc.**  
**Table of Contents**  
**December 31, 2023 and 2022**

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|   |       |
|---|-------|
| <b>Independent Auditor's Report</b>   | 1-2   |
| <b>Financial Statements</b>   |       |
| Statements of Financial Position  | 3     |
| Statements of Activities and Changes in Net Assets  | 4     |
| Statements of Cash Flows  | 5     |
| Statements of Functional Expenses   | 6     |
| Notes to Financial Statements   | 7-21  |
| <b>Supplementary Information</b>  |       |
| Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 22-23 |
| Schedule of Expenditures of State Financial Assistance  | 24    |
| Schedule of Findings and Questioned Costs   | 25    |

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of  
Princeton Area Community Foundation, Inc.:

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Princeton Area Community Foundation, Inc. (the "Community Foundation"), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Community Foundation as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"). 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 Community Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### 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 the 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.

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

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

### Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance and schedule of findings and questioned costs for the year ended December 31, 2023 is presented for purposes of additional analysis as required by the State of New Jersey, State Council on the Arts and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2024 on our consideration of the Community Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Community Foundation's internal control over financial reporting and compliance.



November 11, 2024

**Princeton Area Community Foundation, Inc.**  
**Statements of Financial Position**  
**December 31, 2023 and 2022**

|  | <u>2023</u>               | <u>2022</u>               |
|--|---------------------------|---------------------------|
| <b>Assets</b>                                    |                           |                           |
| Cash and cash equivalents                        | \$ 23,522,935             | \$ 29,039,474             |
| Contributions receivable                         | 11,752,887                | 1,643,238                 |
| Investments                                      | 232,603,905               | 209,055,320               |
| Prepaid expenses                                 | 126,567                   | 132,665                   |
| Beneficial interest in split interest agreements | 328,277                   | 291,800                   |
| Deposits   | 54,000                    | 10,125                    |
| Right of use asset - operating, net              | 3,466,104                 | -                         |
| Property and equipment, net                      | <u>386,619</u>            | <u>7,906</u>              |
| <br>Total assets                                 | <br><u>\$ 272,241,294</u> | <br><u>\$ 240,180,528</u> |
| <b>Liabilities and Net Assets</b>                |                           |                           |
| <b>Liabilities</b>                               |                           |                           |
| Accounts payable and accrued expenses            | \$ 145,036                | \$ 62,665                 |
| Promises to give payable                         | 2,315,105                 | 1,224,053                 |
| Operating lease liability                        | 3,479,184                 | -                         |
| Funds held for others                            | <u>78,006,728</u>         | <u>72,342,331</u>         |
| Total liabilities                                | <u>83,946,053</u>         | <u>73,629,049</u>         |
| <b>Net assets</b>                                |                           |                           |
| <b>Without donor restrictions</b>                |                           |                           |
| Board designated long-term grant funds           | 52,422,940                | 49,234,164                |
| Other grant funds                                | 114,385,264               | 106,742,653               |
| Operating funds                                  | <u>9,405,873</u>          | <u>8,639,623</u>          |
|  | 176,214,077               | 164,616,440               |
| <b>With donor restrictions</b>                   | <u>12,081,164</u>         | <u>1,935,039</u>          |
| Total net assets                                 | <u>188,295,241</u>        | <u>166,551,479</u>        |
| <br>Total liabilities and net assets             | <br><u>\$ 272,241,294</u> | <br><u>\$ 240,180,528</u> |

The Notes to Financial Statements are an integral part of these statements.

**Princeton Area Community Foundation, Inc.**  
**Statements of Activities and Changes in Net Assets**  
**Years Ended December 31, 2023 and 2022**

|  | 2023                              |                                |                       | 2022                              |                                |                       |
|--|-----------------------------------|--------------------------------|-----------------------|-----------------------------------|--------------------------------|-----------------------|
|  | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u>          | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u>          |
| <b>Support and revenues</b>                  |                                   |                                |                       |                                   |                                |                       |
| Contributions                                | \$ 11,543,958                     | \$ 11,588,020                  | \$ 23,131,978         | \$ 16,315,005                     | \$ 3,465,000                   | \$ 19,780,005         |
| Net investment return (loss)                 | 17,619,114                        | -                              | 17,619,114            | (19,456,609)                      | -                              | (19,456,609)          |
| Other income                                 | 448,559                           | -                              | 448,559               | 421,550                           | -                              | 421,550               |
| Change in value of split interest agreements | -                                 | 36,477                         | 36,477                | -                                 | (47,620)                       | (47,620)              |
| Net assets released from restrictions        | <u>1,478,372</u>                  | <u>(1,478,372)</u>             | <u>-</u>              | <u>2,311,474</u>                  | <u>(2,311,474)</u>             | <u>-</u>              |
|  | <u>31,090,003</u>                 | <u>10,146,125</u>              | <u>41,236,128</u>     | <u>(408,580)</u>                  | <u>1,105,906</u>               | <u>697,326</u>        |
| <b>Expenses</b>                              |                                   |                                |                       |                                   |                                |                       |
| Program services                             | 17,508,897                        | -                              | 17,508,897            | 20,420,072                        | -                              | 20,420,072            |
| Management and general                       | 860,278                           | -                              | 860,278               | 836,554                           | -                              | 836,554               |
| Fundraising                                  | <u>1,123,191</u>                  | <u>-</u>                       | <u>1,123,191</u>      | <u>887,260</u>                    | <u>-</u>                       | <u>887,260</u>        |
|  | <u>19,492,366</u>                 | <u>-</u>                       | <u>19,492,366</u>     | <u>22,143,886</u>                 | <u>-</u>                       | <u>22,143,886</u>     |
| <b>Changes in net assets</b>                 | 11,597,637                        | 10,146,125                     | 21,743,762            | (22,552,466)                      | 1,105,906                      | (21,446,560)          |
| <b>Net assets</b>                            |                                   |                                |                       |                                   |                                |                       |
| Beginning of year                            | <u>164,616,440</u>                | <u>1,935,039</u>               | <u>166,551,479</u>    | <u>187,168,906</u>                | <u>829,133</u>                 | <u>187,998,039</u>    |
| End of year                                  | <u>\$ 176,214,077</u>             | <u>\$ 12,081,164</u>           | <u>\$ 188,295,241</u> | <u>\$ 164,616,440</u>             | <u>\$ 1,935,039</u>            | <u>\$ 166,551,479</u> |

The Notes to Financial Statements are an integral part of these statements.

**Princeton Area Community Foundation, Inc.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2023 and 2022**

|   | <u>2023</u>           | <u>2022</u>          |
|---|-----------------------|----------------------|
| <b>Operating activities</b>   |                       |                      |
| Changes in net assets   | \$ 21,743,762         | \$ (21,446,560)      |
| Adjustments to reconcile changes in net assets<br>to net cash provided by (used in) operating activities  |                       |                      |
| Unrealized/realized (gains) losses on investments   | (22,319,770)          | 31,724,434           |
| Change in value of split interest agreements  | (36,477)              | 47,620               |
| Depreciation expense  | 19,101                | 8,525                |
| Amortization of right-of-use asset - operating  | 57,693                | -                    |
| Changes in assets and liabilities   |                       |                      |
| Contributions receivable  | (10,109,649)          | (1,123,830)          |
| Prepaid expenses  | 6,098                 | (40,137)             |
| Right-of-use asset - operating, net   | (43,875)              |                      |
| Accounts payable and accrued expenses   | 82,371                | (103,458)            |
| Funds held for others - net change  | 5,664,397             | (5,031,072)          |
| Promises to give payable  | 1,091,052             | 304,863              |
| Operating lease liability   | (44,613)              | -                    |
| Net cash provided by (used in) operating activities   | <u>(3,889,910)</u>    | <u>4,340,385</u>     |
| <b>Investing activities</b>   |                       |                      |
| Acquisition of property and equipment   | (397,814)             | (2,034)              |
| Sale of investments   | 15,194,319            | 7,734,494            |
| Purchase of investments   | <u>(16,423,134)</u>   | <u>(9,920,097)</u>   |
| Net cash used in investing activities   | <u>(1,626,629)</u>    | <u>(2,187,637)</u>   |
| Net change in cash and cash equivalents   | (5,516,539)           | 2,152,748            |
| <b>Cash and cash equivalents</b>  |                       |                      |
| Beginning of year   | <u>29,039,474</u>     | <u>26,886,726</u>    |
| End of year   | <u>\$ 23,522,935</u>  | <u>\$ 29,039,474</u> |
| <b>Supplemental disclosure of cash flow information</b>   |                       |                      |
| There were no amounts paid for interest or income taxes<br>for the years ended December 31, 2023 or 2022. |                       |                      |
| <b>Noncash financing activities</b>   |                       |                      |
| Right-of-use assets obtained through operating lease liability  | <u>\$ 3,523,797</u>   | <u>\$ -</u>          |
| Operating lease liability   | <u>\$ (3,523,797)</u> | <u>\$ -</u>          |

The Notes to Financial Statements are an integral part of these statements.

**Princeton Area Community Foundation, Inc.**  
**Statements of Functional Expenses**  
**Years Ended December 31, 2023 and 2022**

|                                     | 2023                 |  |                     |                      | 2022                 |  |                   |                      |
|-------------------------------------|----------------------|--|---------------------|----------------------|----------------------|--|-------------------|----------------------|
|                                     | Program Services     | Supporting Services Management and General | Fundraising         | Total                | Program Services     | Supporting Services Management and General | Fundraising       | Total                |
| Grant expense                       | \$ 15,594,722        | \$ -                                       | \$ -                | \$ 15,594,722        | \$ 18,814,234        | \$ -                                       | \$ -              | \$ 18,814,234        |
| Salaries and wages                  | 1,048,341            | 385,105                                    | 706,026             | 2,139,472            | 811,488              | 407,053                                    | 579,305           | 1,797,846            |
| Employee benefits and payroll taxes | 222,755              | 81,829                                     | 150,019             | 454,603              | 179,882              | 90,230                                     | 128,413           | 398,525              |
| Professional services               | 245,170              | 222,819                                    | -                   | 467,989              | 211,425              | 243,559                                    | -                 | 454,984              |
| Occupancy                           | 3,703                | 3,146                                      | 2,494               | 9,343                | 48,971               | 26,868                                     | 34,960            | 110,799              |
| Lease expense                       | 90,172               | 33,124                                     | 60,728              | 184,024              | -                    | -  | -                 | -                    |
| Insurance                           | 10,904               | 4,006                                      | 7,344               | 22,254               | 7,644                | 3,834                                      | 5,457             | 16,935               |
| Information technology              | 124,046              | 45,567                                     | 83,540              | 253,153              | 60,263               | 30,228                                     | 43,020            | 133,511              |
| Travel                              | 5,056                | 741  | 1,358               | 7,155                | 3,346                | 967  | 1,376             | 5,689                |
| Office expense                      | 29,374               | 75,228                                     | 18,084              | 122,686              | 172,949              | 27,635                                     | 16,133            | 216,717              |
| Marketing                           | 80,615               | -  | 77,625              | 158,240              | 67,225               | -  | 69,800            | 137,025              |
| Membership dues and subscriptions   | 31,090               | 283  | 518                 | 31,891               | 30,323               | -  | -                 | 30,323               |
| Training, conferences and events    | 13,589               | 4,992                                      | 9,152               | 27,733               | 8,474                | 4,250                                      | 6,049             | 18,773               |
| Depreciation                        | 9,360                | 3,438                                      | 6,303               | 19,101               | 3,848                | 1,930                                      | 2,747             | 8,525                |
|                                     | <u>\$ 17,508,897</u> | <u>\$ 860,278</u>                          | <u>\$ 1,123,191</u> | <u>\$ 19,492,366</u> | <u>\$ 20,420,072</u> | <u>\$ 836,554</u>                          | <u>\$ 887,260</u> | <u>\$ 22,143,886</u> |

The Notes to Financial Statements are an integral part of these statements.



**Princeton Area Community Foundation, Inc.**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

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**1. NATURE OF ORGANIZATION**

Princeton Area Community Foundation, Inc. (the “Community Foundation”) is a New Jersey not-for-profit corporation, located in Mercer County, organized and incorporated in 1991. Its primary purpose is to encourage philanthropy as an important community value and activity. The Community Foundation is a philanthropic fund which supports charitable giving through education, grant making, and by creating a network of donors, professional advisors, and not-for-profit organizations to increase and improve the effectiveness of giving in the region. Significant sources of revenue are received from contributions and investment income. The Community Foundation accepts funds from unrelated nonprofit organizations who desire to have the Community Foundation provide efficient investment management, programmatic expertise, and technical assistance.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The financial statements have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America (“U.S. GAAP”). Financial reporting by not-for-profit organizations requires that resources be classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions.

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expensed for any purpose in performing the primary objectives of the Community Foundation. These net assets may be used at the discretion of the Community Foundation’s management and Board of Trustees. In addition, net assets without donor restrictions include board designated endowment funds.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors and the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds must be maintained in perpetuity. The Community Foundation had no net assets with donor restrictions that were required to be held in perpetuity at December 31, 2023 and 2022.

**Revenue and Support Recognition**

The Community Foundation recognizes contributions, including unconditional promises to give, as revenue in the period received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or release, are not recognized in revenue until the conditions on which they depend have been substantially met. Contributions, net assets and changes therein are classified and reported based on the existence or absence of donor-imposed restrictions. Revenue from government and private grant and contract agreements, which are generally considered non-exchange transactions, is recognized when qualifying expenditures are incurred and conditions under the agreements are met. Grant funds received in advance of the expenditures incurred are recorded as grant advances payable. Grant funds expended in advance of reimbursement from the funding source are classified as grants and contracts receivable in the statements of financial position.

Gifts of cash and other assets are reported as with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. However, with donor restriction contributions whose restrictions expire or are otherwise satisfied within the period of receipt are reported as revenues without donor restrictions in the statements of activities and changes in net assets.

**Princeton Area Community Foundation, Inc.**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

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The variance power provision contained in the Community Foundation's governing documents further provides that, absent contrary directions given in the transferring instrument regarding the use of principal, all or part of the principal of any fund may be used subject to certain conditions, including approval of the Board of Trustees. Therefore, such contributions are reported as net assets without donor restrictions.

**Contributions Receivable**

Unconditional promises to give are recorded at net realizable value. An allowance for uncollectible promises to give is recorded when the Community Foundation determines, based on historical experience and collection efforts, that a contribution receivable (carried over from a prior year) is uncollectible. As of December 31, 2023 and 2022, the Community Foundation determined that an allowance is not necessary. Contributions with collection expected in greater than one year are discounted to net present value and recorded, if material.

**Grants Made**

The Community Foundation recognizes grant expense, including unconditional promises to give, as expense in the period made. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or release, are not recognized in expense until the conditions on which they depend have been substantially met. Grants expected to be paid in excess of one year are discounted to net present value and recorded, if material.

**Program Services**

The Community Foundation is an active grant maker through several competitive grant programs, including All Kids Thrive, Community Impact, the Fund for Women and Girls, and the Bunbury Fund. The Community Foundation also provides grants from donor-advised, designated, nonprofit, and field-of-interest funds. Its primary focus is central New Jersey, but grants from donor advised funds are made regionally and nationally as well.

The Community Foundation's other competitive grants address the needs of low-income people in greater Mercer County, provide operating support for nonprofits working with low-income people and communities, and provide support for programs that help low-income children, families, and communities. The Community Foundation's grantmaking touches many programmatic areas including education, basic services, health, arts and culture, housing, the environment, historic preservation, civil rights, and animal welfare. The Community Foundation also administers over a dozen scholarship funds which grant scholarships and awards through competitive processes to support college study by local students, and to honor achievement in the arts, music, graphic design, and community service.

The Community Foundation actively engages its donors, grantees, and the professional advisors in the region to encourage charitable giving broadly, and to build over time a community-wide commitment to philanthropy. It sponsors seminars and workshops on topics such as endowment-building, good governance, and grant-seeking best practices. The Community Foundation positions itself as a leader in the region and regularly responds to requests for information and guidance. In addition, the Community Foundation partners with other organizations, such as the Council of NJ Grantmakers, to expand its educational offerings.

**Allocation of Expenses**

Expenses are allocated among program services, management and general and fundraising using the direct cost method, historical percentages, or other reasonable basis consistent with the benefit derived by each program. Program services include grantmaking and all activities that facilitate philanthropy in the central New Jersey region, including education and the creation and maintenance of networks among donors, nonprofits, and professional advisors.

**Princeton Area Community Foundation, Inc.**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

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The allocations performed are determined by management on an equitable basis on the following methodologies:

| <u>Expense Category</u>   | <u>Allocation Methodology</u> |
|---|-------------------------------|
| Salaries and wages  | Time and effort               |
| Payroll taxes and benefits, occupancy, insurance, travel, office expenses, depreciation | Salaries and wages            |

**Contributions of Nonfinancial Assets**

The Community Foundation receives donated services from unpaid volunteers, officers and trustees which support fundraising, administrative and program efforts. The value of all donated services is not included in these financial statements as they do not meet the criteria for recognition. The Community Foundation received approximately 1,000 hours of donated services during each of the years ended December 31, 2023 and 2022.

**Cash and Cash Equivalents**

The Community Foundation considers all money market funds and certificates of deposit with a maturity date of three months or less at the time of acquisition to be cash equivalents. Included as cash and cash equivalents are money market funds which are part of the investment pool, which are intended for long term investment and a component of the investment portfolio of the Community Foundation. Included within cash and cash equivalents is restricted cash and cash equivalents which represents amounts held for others and board designated endowment funds. Restricted cash and cash equivalents totaled \$21,212,873 and \$26,597,679 as of December 31, 2023 and 2022, respectively.

**Investments**

Investments in equity securities with readily determinable values, and all investments in debt securities are measured at fair value in the statements of financial position. The Community Foundation has invested funds in alternative investments. Most of these investments are established as limited partnerships which are not traded on any public exchange or market. The alternative investments invest in various investment vehicles, including publicly traded equities and bonds traded in the United States and internationally, privately held companies, and closely held limited partnerships and investment companies or on the tax basis of the limited partnership. Those investments that are traded in the United States or on foreign exchanges are valued based on current traded value.

Estimates of fair value for certain investments have been used for those investments that are not readily traded. The investments in limited partnerships include some which allow for limited or no rights of redemption until the termination of the partnership. These limited partnerships, whose financial statements are prepared in accordance with U.S. GAAP, are generally valued at the net asset value provided by the manager of such investments.

Donated investments are recorded at the fair value at the date of receipt. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in net assets without donor restrictions unless the income or loss is restricted by the donor or the law. Except for those funds which have specifically identified investments associated with them, the majority of the investments are held in pooled funds at the Community Foundation. Each fund is assigned a certain unit value and its ownership interest is based on the allocation of the fair value of the fund's units to the total fair value of the investment pool. The pool is revalued monthly and income and gains or losses are allocated to each fund based on its units.

**Princeton Area Community Foundation, Inc.**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

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**Distributions of Investment Returns**

The Community Foundation's policy for annual distributions from Board designated long-term grant funds is calculated at an annual amount equal to approximately 5.25% on average (4% grants, 1.25% fees) of the average trailing eight-quarter market values of each fund. Other donor funds make grants in varying amounts annually. Grants distributed were \$15,594,722 and \$18,814,234 for the years ended December 31, 2023 and 2022, respectively, from all funds within the Community Foundation. Fees earned for investment management services of \$448,559 and \$411,347 for the years ended December 31, 2023 and 2022, respectively, are recorded in other income on the statements of activities and changes in net assets.

The total net return, which includes interest and dividend payments plus net capital appreciation (depreciation) earned by the pooled investments, less direct internal and external investment expenses is allocated to the funds based on a daily average balance, relative to the pool.

New funds or additional contributions to an existing fund that have been at the Community Foundation for less than one year will not make a full distribution. A pro rata calculation is used based on the date of receipt of the contribution. The calculation for the distributions for funds that have been at the Community Foundation for more than one year, but less than two years is based on the dates the contribution was received and the ending market values for each quarter.

**Property and Equipment**

Property and equipment are recorded at cost, except for donated items, which are recorded at fair value on the date of donation. Improvements are capitalized, while repairs and maintenance expenditures are expensed in the statements of activities and changes in net assets.

Donated property and equipment are recorded as restricted support when donors stipulate how long the assets must be used. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is provided over the estimated useful lives of the assets using the straight-line method which ranges from 3 to 10 years.

**Valuation of Long-Lived Assets**

The Community Foundation reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Management has determined that no impairment charge was required for the periods presented in these financial statements.

**Funds Held for Others**

The Community Foundation receives and distributes assets under certain agency and intermediary arrangements. When the Community Foundation accepts a deposit from a not-for-profit organization ("NPO") to establish a fund that specifies itself or its affiliate as the beneficiary of that fund, the Community Foundation will account for the transfer of such assets as a liability. The liability is established at the fair value of the funds received, adjusted for investment earnings and fees, gains and losses and net of any funds returned which is generally equivalent to the present value of future payments expected to be made to the NPOs. These funds are reflected as "funds held for others" in the accompanying statements of financial position. Upon written request, full liquidations occur at the discretion of the Community Foundation, following the monthly reconciliation or at the end of the following quarter when the portfolio is rebalanced. Timing of liquidations is determined by the Community Foundation to ensure no adverse impact on the performance of the investment pool.

**Princeton Area Community Foundation, Inc.**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

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**Foreign Currency**

Investment securities denominated in foreign currencies are translated into United States dollars at the statement of financial position date. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into United States dollars on the respective dates of such transactions. Realized gains and losses and changes in unrealized gains and losses resulting from changes in foreign exchange rates are included in investment income in the statements of activities and changes in net assets.

**Income Taxes**

The Community Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the financial statements do not reflect a provision for federal or state income taxes. However, revenue earned on activities which are unrelated to the Community Foundation's exempt purpose is taxable. The Community Foundation's unrelated business income is generated from investment income from certain of its investments in alternative assets. The Community Foundation had no income taxes assessed for the years ended December 31, 2023 and 2022.

The Community Foundation follows the pronouncement related to accounting for uncertainty in income taxes and there were no uncertain tax positions at December 31, 2023 and 2022. In addition, no income tax related penalties or interest have been recorded for the years ended December 31, 2023 and 2022.

**Leases**

The Community Foundation categorizes leases with contractual terms longer than twelve months as either operating or finance. Finance leases are generally those leases that allow us to substantially utilize or pay for the entire asset over its estimated life. All other leases are categorized as operating leases. Leases with contractual terms of 12 months or less are not recorded on the statements of financial position. The Community Foundation had no finance leases during 2023 and 2022.

Certain lease contracts include obligations to pay for other services, such as operations, property taxes, and maintenance. For leases of property, the Community Foundation account for these other services as a component of the lease.

Lease liabilities are recognized at the present value of the fixed lease payments, using a risk-free rate. Right-of-use ("ROU") assets are recognized based on the initial present value of the fixed lease payments, plus any direct costs from executing the leases. Lease assets are tested for impairment in the same manner as long-lived assets used in operations.

Options to extend lease terms, terminate leases before the contractual expiration date, or purchase the leased assets, are evaluated for their likelihood of exercise. If it is reasonably certain that the option will be exercised, the option is considered in determining the classification and measurement of the lease.

Costs associated with operating lease assets are recognized on a straight-line basis within operating expenses over the term of the lease.

**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. The value of investments includes estimates of fair value for instruments that are not publicly traded, which is a significant estimate (see Note 5) and allocation of functional expenses (Note 2). It is reasonably possible that these estimates could change in the near future.

**Princeton Area Community Foundation, Inc.**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

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**3. FINANCIAL ASSETS AND LIQUIDITY RESOURCES**

As of December 31, 2023 and 2022, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses and fulfillment of payables and other obligations, were as follows:

|  | <u>2023</u>          | <u>2022</u>          |
|--|----------------------|----------------------|
| Financial assets                               |                      |                      |
| Cash and cash equivalents                      | \$ 2,855,532         | \$ 2,441,795         |
| Investments - operating funds                  | <u>11,007,989</u>    | <u>10,217,465</u>    |
| Total financial assets and liquidity resources | <u>\$ 13,863,521</u> | <u>\$ 12,659,260</u> |

The financial assets above are not subject to donor or other restrictions that make them unavailable for general expenditures within one year of the statement of financial position date. Additionally, grants that are authorized and paid from donor advised and other restricted funds in the subsequent year would be funded from the related restricted cash and not the financial assets noted above.

Community Foundation funds are managed as a pool of assets and are charged an annual administrative fee based on a percentage of the average fair value of the assets of the fund. These administrative fees are recognized in the fiscal year in which they occur and are used to cover the operating expenses of the Community Foundation. Based on the nature of these funds, the administrative fees that will be charged in the subsequent annual year would be available for general expenditures within the next year.

**4. CONTRIBUTIONS RECEIVABLE**

Contributions receivable consisted of the following at December 31:

|                              | <u>2023</u>          | <u>2022</u>         |
|------------------------------|----------------------|---------------------|
| Amounts due in the next year | \$ 11,557,887        | \$ 928,238          |
| Amounts due in 1-5 years     | <u>195,000</u>       | <u>715,000</u>      |
|                              | <u>\$ 11,752,887</u> | <u>\$ 1,643,238</u> |

**5. FAIR VALUE MEASUREMENTS**

ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value in U.S. GAAP, and expands disclosure about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. Fair value should be based on assumptions that market participants would use when pricing an asset or liability, including assumptions about risk and the risks inherent in valuation techniques and the inputs to valuations. Fair value measurements assume that the transaction occurs in the principal market for the asset or liability (the market with the most volume and activity for the asset or liability from the perspective of the reporting entity), or in the absence of a principal market, the most advantageous market for the asset or liability (the market in which the reporting entity would be able to maximize the amount received or minimize the amount paid). The Community Foundation applies fair value measurements to certain assets and liabilities, including the Community Foundation's managed investments, other investments, and funds held in trust by others, in accordance with the requirements described above.

**Princeton Area Community Foundation, Inc.**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

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The Community Foundation maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. Fair value is based on actively quoted market prices, if available. In the absence of actively quoted market prices, price information from external sources, including broker quotes and industry publications, is used. If pricing information from external sources is not available, or if observable pricing is not indicative of fair value, judgment is required to develop the estimates of fair value using discounted cash flow and other income valuation approaches.

The Community Foundation utilizes the following fair value hierarchy, which prioritizes, into three broad levels, the inputs to valuation techniques used to measure fair value:

*Level 1* - Quoted prices (unadjusted) in active markets for identical assets and liabilities that the Community Foundation has the ability to access at the measurement date. Instruments categorized in Level 1 primarily consist of a broadly traded range of equity and debt securities.

*Level 2* - Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the asset or liability, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived from observable market data by correlation or other means.

*Level 3* - Unobservable inputs for the asset or liability, including situations where there is little, if any, market activity for the asset or liability.

The fair value hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3). In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. The lowest level input that is significant to a fair value measurement in its entirety determines the applicable level in the fair value hierarchy. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. Fair value measurements are categorized as Level 3 when a significant proportion of price or other inputs that are considered to be unobservable are used in their valuations.

Following is a description of the valuation methodologies used for assets measured at fair value. Domestic equity is valued at the closing price reported on the active market on which the individual securities are traded. The Treasury index fund is valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing the value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar funds, those funds are valued under a discounted cash flow approach that maximizes observable inputs, such as current yields or similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

Investments in investee funds (alternative investments) that are valued using the net asset value ("NAV") of the underlying investee fund as a practical expedient have been excluded from the fair value hierarchy and are shown as a separate column in the fair value leveling table. Certain of these investments may be subject to modest holdback provisions to cover audit and other potential expenses or adjustments in the event of a complete withdrawal. As a practical expedient, investments without readily determinable fair values, such as alternative investments, are reflected at net asset value reported by the fund managers or general partners and may differ significantly from the values that would have been reported had a ready market for these investments existed. The Community Foundation reviewed and evaluated the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of alternative investments.

**Princeton Area Community Foundation, Inc.**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

The Community Foundation has provided fair value disclosure information for relevant assets and liabilities in these financial statements at December 31 as follows:

|  | <b>2023</b>           |                      |                   |                | <b>NAV as<br/>Practical<br/>Expedient</b> |
|--|-----------------------|----------------------|-------------------|----------------|---|
|  | <b>Total</b>          | <b>Level 1</b>       | <b>Level 2</b>    | <b>Level 3</b> |   |
| Investments                                      |                       |                      |                   |                |   |
| Domestic equity                                  |                       |                      |                   |                |   |
| Emerging markets                                 | \$ 8,839,400          | \$ 8,839,400         | \$ -              | \$ -           | \$ -                                      |
| Real assets                                      | 22,023,884            | 22,023,884           | -                 | -              | -   |
| Large cap  | 1,676,768             | 1,676,768            | -                 | -              | -   |
| Treasury index funds                             | 10,215,601            | 10,215,601           | -                 | -              | -   |
| Alternative Investments                          |                       |                      |                   |                |   |
| Multi-strategy (a)                               | 57,945,168            | -                    | -                 | -              | 57,945,168                                |
| Long/short strategy (b)                          | 3,763,590             | -                    | -                 | -              | 3,763,590                                 |
| Equity funds (c)                                 | 67,520,111            | -                    | -                 | -              | 67,520,111                                |
| International equity funds (d)                   | 29,953,259            | -                    | -                 | -              | 29,953,259                                |
| Real assets (e)                                  | 9,554,820             | -                    | -                 | -              | 9,554,820                                 |
| Venture capital (f)                              | 19,788,818            | -                    | -                 | -              | 19,788,818                                |
| Gifts in transit                                 | 1,322,486             | 1,322,486            | -                 | -              | -   |
|  | <u>\$ 232,603,905</u> | <u>\$ 44,078,139</u> | <u>\$ -</u>       | <u>\$ -</u>    | <u>\$ 188,525,766</u>                     |
| Beneficial interest in split interest agreements | <u>\$ 328,277</u>     | <u>\$ -</u>          | <u>\$ 328,277</u> | <u>\$ -</u>    | <u>\$ -</u>                               |
|  |                       |                      |                   |                |   |
|  | <b>2022</b>           |                      |                   |                |   |
|  | <b>Total</b>          | <b>Level 1</b>       | <b>Level 2</b>    | <b>Level 3</b> | <b>NAV as<br/>Practical<br/>Expedient</b> |
| Investments                                      |                       |                      |                   |                |   |
| Domestic equity                                  |                       |                      |                   |                |   |
| Emerging markets                                 | \$ 7,515,057          | \$ 7,515,057         | \$ -              | \$ -           | \$ -                                      |
| Real assets                                      | 22,355,744            | 22,355,744           | -                 | -              | -   |
| Large cap  | 1,289,699             | 1,289,699            | -                 | -              | -   |
| Treasury index funds                             | 19,957,532            | 19,957,532           | -                 | -              | -   |
| Alternative Investments                          |                       |                      |                   |                |   |
| Multi-strategy (a)                               | 51,060,721            | -                    | -                 | -              | 51,060,721                                |
| Long/short strategy (b)                          | 3,434,277             | -                    | -                 | -              | 3,434,277                                 |
| Equity funds (c)                                 | 52,105,801            | -                    | -                 | -              | 52,105,801                                |
| International equity funds (d)                   | 26,251,309            | -                    | -                 | -              | 26,251,309                                |
| Real assets (e)                                  | 8,106,186             | -                    | -                 | -              | 8,106,186                                 |
| Venture capital (f)                              | 16,978,994            | -                    | -                 | -              | 16,978,994                                |
|  | <u>\$ 209,055,320</u> | <u>\$ 51,118,032</u> | <u>\$ -</u>       | <u>\$ -</u>    | <u>\$ 157,937,288</u>                     |
| Beneficial interest in split interest agreements | <u>\$ 291,800</u>     | <u>\$ -</u>          | <u>\$ 291,800</u> | <u>\$ -</u>    | <u>\$ -</u>                               |



**Princeton Area Community Foundation, Inc.**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

The following table presents the unfunded commitments, redemption frequency and notice period for investments in entities at December 31, 2023 and 2022:

| <u>Strategies</u>              | <u>Number of Funds</u> | <u>2023 Amount</u>    | <u>Unfunded Commitment</u> | <u>Redemption Commitment</u>                         | <u>Redemption Notice Period</u> |
|--------------------------------|------------------------|-----------------------|----------------------------|--|---------------------------------|
| Multi-strategy (a)             | 7                      | \$ 57,945,168         | \$ 934,400                 | Monthly-annually                                     | 45-90 days                      |
| Long/short strategy (b)        | 1                      | 3,763,590             | -                          | Monthly  | 60 days                         |
| Equity funds (c)               | 5                      | 67,520,111            | 1,770,000                  | Monthly-annually                                     | 0-90 days                       |
|                                |                        |                       |                            | Quarterly; 25%<br>30 days, 75% 5<br>years for 1 fund | 30-90 days                      |
| International equity funds (d) | 23                     | 29,953,259            | 1,665,000                  |  |                                 |
| Real assets (e)                | 7                      | 9,554,820             | 6,385,659                  | Monthly  | 90 days                         |
| Venture capital (f)            | 13                     | 19,788,818            | 7,811,457                  | Monthly  | None                            |
|                                |                        | <u>\$ 188,525,766</u> | <u>\$ 18,566,516</u>       |  |                                 |

| <u>Strategies</u>              | <u>Number of Funds</u> | <u>2022 Amount</u>    | <u>Unfunded Commitment</u> | <u>Redemption Commitment</u>                         | <u>Redemption Notice Period</u> |
|--------------------------------|------------------------|-----------------------|----------------------------|--|---------------------------------|
| Multi-strategy (a)             | 6                      | \$ 51,060,721         | \$ 2,157,200               | Monthly-annually                                     | 45-90 days                      |
| Long/short strategy (b)        | 1                      | 3,434,277             | -                          | Monthly  | 60 days                         |
| Equity funds (c)               | 5                      | 52,105,801            | 1,646,977                  | Monthly-annually                                     | 0-90 days                       |
|                                |                        |                       |                            | Quarterly; 25%<br>30 days, 75% 5<br>years for 1 fund | 30-90 days                      |
| International equity funds (d) | 23                     | 26,251,309            | 1,980,000                  |  |                                 |
| Real assets (e)                | 6                      | 8,106,186             | 6,773,786                  | Monthly  | 90 days                         |
| Venture capital (f)            | 6                      | 16,978,994            | 4,099,036                  | Monthly  | None                            |
|                                |                        | <u>\$ 157,937,288</u> | <u>\$ 16,656,999</u>       |  |                                 |

- a) Multi-strategy: These funds pursue multiple investments including equity and debt investments in public and private companies across a variety of industries and variety of strategies including credit investments, value investments, and other direct investments. These funds seek capital appreciation and current income and have termination dates ranging from 2024 to 2028. Side pockets of \$2,725,903 and \$3,778,940 at December 31, 2023 and 2022, respectively.
- b) Long/short strategy: This fund's objective is to achieve capital appreciation through debt and equity securities, put and call options and other financial instruments. The fund intends for long investments to remain in the portfolio for significant periods of time and do not look for short term trading positions. The short investments look for triggers that cause valuations to decrease. The fund terminates in 2050.
- c) Equity funds: These funds' objectives are capital appreciation and investment in a variety of securities including domestic and foreign equities, fixed income funds and other investments in a variety of industries. Side pockets of \$231,189 and \$203,338 at December 31, 2023 and 2022, respectively.

**Princeton Area Community Foundation, Inc.**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

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- d) International equity funds: These funds are incorporated offshore and represent equity-based investments in various industries and markets. The funds' objectives include generating return by investing in companies in certain foreign jurisdiction such as Japan and greater China. These funds aim to generate attractive risk adjusted long term returns through a fundamental, bottom up long short equity strategy and to generate returns for shareholders by investing in companies that are trading substantially below their intrinsic value and supporting management-led positive change to catalyze the fund's public market value to that intrinsic value.
- e) Real assets: These funds include investments in real estate, income-producing but mismanaged properties and natural resources. Generally, investments in this asset class are not redeemable.
- f) Venture capital: This fund's principal activity is to make and oversee investments in equity and equity related investments in securities of privately held companies located in the United States with the principal objective of appreciation of capital invested.

The Community Foundation is obligated under certain agreements to fund capital calls periodically up to specified commitment amounts. Such commitments generally are called over periods of up to 10 years and contain fixed expiration dates or other termination clauses.

Investment return was comprised of the following:

|  | <u>2023</u>          | <u>2022</u>            |
|--|----------------------|------------------------|
| Dividend and interest income   | \$ 3,174,604         | \$ 3,449,665           |
| Net realized and unrealized (losses) gains on investments              | (759,550)            | (9,005,776)            |
| Partnership income (loss), net of fees                                 | 23,029,540           | (22,719,355)           |
| Asset management fees  | (4,105)              | (3,564)                |
| Realized gains (loss) on contributed stock                             | 13,303               | 697                    |
| Interest income on money market accounts                               | <u>232,498</u>       | <u>15,776</u>          |
| Total investment return  | 25,686,290           | (28,262,557)           |
| Less:  |                      |                        |
| Investment return allocated to funds held for others (custodial funds) | <u>(8,067,176)</u>   | <u>8,805,948</u>       |
| Investment return, net   | <u>\$ 17,619,114</u> | <u>\$ (19,456,609)</u> |

**6. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31:

|                                | <u>2023</u>       | <u>2022</u>      |
|--------------------------------|-------------------|------------------|
| Furniture and office equipment | \$ 505,189        | \$ 107,375       |
| Leasehold improvements         | 63,318            | 63,318           |
| Less: Accumulated depreciation | <u>(181,888)</u>  | <u>(162,787)</u> |
|                                | <u>\$ 386,619</u> | <u>\$ 7,906</u>  |

Depreciation expense was \$19,101 and \$8,525 for the years ended December 31, 2023 and 2022, respectively.

**Princeton Area Community Foundation, Inc.**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

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**7. BENEFICIAL INTEREST IN SPLIT INTEREST AGREEMENTS**

The Community Foundation is the irrevocable beneficiary of two charitable remainder trusts. Upon establishment of the trusts, the Community Foundation's interest is recorded as a contribution at its net present value based on the estimated life expectancy of the donors and discounted at a risk-free rate of return determined at the respective dates of the original contributions. The portion of the trust attributable to the future interest of the Community Foundation is recorded in the statements of activities and changes in net assets as a contribution with restrictions in the period the trust is established. Assets held in split interest agreements are recorded at fair value in the Community Foundation's statements of financial position. Subsequent to the receipt of such trusts, the Community Foundation's interest in these trusts is adjusted to the market value with a corresponding offset to unrealized gain or loss. These trusts for 2023 and 2022 were valued at \$328,277 and \$291,800, respectively.

**8. EMPLOYEE BENEFIT PLAN**

The Community Foundation maintains a salary reduction 403(b)(7) benefit plan, and a tax deferred annuity plan, which includes all full-time employees (collectively, the "Plans"). The Plans allow employees to defer up to the statutory maximums of their salary on a pre-tax basis. The Community Foundation does not match the employee's contributions. The Plans provide for a discretionary employer contribution. In 2023 and 2022, the Community Foundation made discretionary contributions of \$105,160 and \$87,117, respectively, which are included in employee benefits and payroll taxes on the statements of financial position.

**9. COMMITMENTS AND CONTINGENCIES**

**Promises to Give Payable**

The Community Foundation has made grant and scholarship commitments as of December 31, payable as follows:

|      |                     |
|------|---------------------|
| 2024 | \$ 2,256,105        |
| 2025 | 48,000              |
| 2026 | <u>11,000</u>       |
|      | <u>\$ 2,315,105</u> |

**10. RELATED PARTY TRANSACTIONS**

The Board of Trustees consists of 19 voting members. During the years ended December 31, 2023 and 2022, contributions from these trustees and members of the Community Foundation's staff was approximately \$101,000 and \$352,000, respectively.

**Princeton Area Community Foundation, Inc.**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

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**11. NET ASSETS**

**Net Assets Without Donor Restrictions**

Net assets without donor restrictions consisted of contributions from donor funds that are available to be granted for charitable and educational purposes as of December 31, including:

|   | <u>2023</u>           | <u>2022</u>           |
|---|-----------------------|-----------------------|
| Board designated long-term grant funds – assets held by the Community Foundation for long-term grantmaking; subject to limited annual distributions | \$ 52,422,940         | \$ 49,234,164         |
| Other grant funds – assets held by the Community Foundation for grantmaking not subject to a limited annual distribution                            | 114,385,264           | 106,742,653           |
| Operating funds – assets in support of the Community Foundation operations  | <u>9,405,873</u>      | <u>8,639,623</u>      |
| Total net assets without donor restrictions   | <u>\$ 176,214,077</u> | <u>\$ 164,616,440</u> |

**Net Assets With Donor Restrictions**

Net assets with donor restrictions consisted of the following at December 31:

|  | <u>2023</u>          | <u>2022</u>         |
|--|----------------------|---------------------|
| Time restrictions                                |                      |                     |
| Contributions receivable                         | \$ 11,752,887        | \$ 1,643,239        |
| Beneficial interest in split interest agreements | <u>328,277</u>       | <u>291,800</u>      |
|  | <u>\$ 12,081,164</u> | <u>\$ 1,935,039</u> |

**12. BOARD DESIGNATED ENDOWMENT FUNDS**

**Description of Fund**

The Community Foundation receives and operates several funds which are at the Community Foundation's board and grant committee's discretion to determine how and when to appropriate the funds. The donors for these funds provided variance power to the Community Foundation and these funds support various community programs and services.

**Interpretation of Relevant Law**

The Board of Trustees of the Community Foundation has designated that long-term assets be held in a manner consistent with the standard of prudence prescribed by state law. As a result of this interpretation, the Community Foundation considers the following factors in making a determination to distribute or accumulate long-term asset funds:

- (1) The duration and preservation of the fund
- (2) The purpose of the long-term asset funds
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Community Foundation
- (7) The investment policies of the Community Foundation

**Princeton Area Community Foundation, Inc.**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

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**Return Objectives and Risk Parameters**

The Community Foundation has adopted investment and spending policies for long-term assets that attempt to provide a predictable stream of funding to programs supported by its long-term assets while seeking to maintain the purchasing power of these assets. Under this policy, as approved by the Board of Trustees, long-term assets are invested in a manner that is intended to produce results that match or exceed a blended benchmark of domestic and international equities, corporate bonds and limited partnerships, while assuming a moderate level of investment risk.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Community 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 Community 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 Community Foundation has a policy of distributing annually each year 5% of its long-term assets' average fair value over the prior ending eight quarters through the calendar year-end of the preceding fiscal year in which the distribution is planned. In establishing this policy, the Community Foundation considers the long-term expected return on its assets. This is consistent with the Community Foundation's objective to maintain the purchasing power of the long-term assets held, as well as to provide additional real growth through new gifts and investment return.

The following table provides information regarding the change in board designated endowment net assets for the years ended December 31:

|  | <u>2023</u>          | <u>2022</u>          |
|--|----------------------|----------------------|
| Endowment net assets,<br>beginning of year | \$ 49,234,164        | \$ 57,662,612        |
| Investment return                          |                      |                      |
| Investment income                          | 657,628              | 727,520              |
| Realized (losses) gains                    | (234,075)            | 776,724              |
| Unrealized gains (losses)                  | <u>5,101,982</u>     | <u>(7,926,704)</u>   |
| Net investment return                      | 5,525,535            | (6,422,460)          |
| Transfers in                               | 203,661              | 573,117              |
| Interfund transfers                        | (968,900)            | (980,740)            |
| Transfers out for grants and scholarships  | (884,807)            | (892,925)            |
| Appropriated for expenditure               | <u>(686,713)</u>     | <u>(705,440)</u>     |
|  | <u>\$ 52,422,940</u> | <u>\$ 49,234,164</u> |

**13. LEASES**

On December 28, 2022, the Community Foundation entered into a long-term noncancelable operating lease for office space which expires in December 2033. The commencement date of the agreement and the date control transferred was October 1, 2023. For leases where the rates implicit in the leases are not available, the Conference utilizes the risk free rate as the discount rate.

**Princeton Area Community Foundation, Inc.**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

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The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liabilities as of December 31, 2023:

|  |                     |
|--|---------------------|
| 2024   | \$ 325,368          |
| 2025   | 337,503             |
| 2026   | 362,951             |
| 2027   | 368,429             |
| 2028   | 373,908             |
| Thereafter                                     | <u>2,666,660</u>    |
|  | 4,434,819           |
| Less imputed interest                          | <u>(955,635)</u>    |
| Operating lease liability at December 31, 2023 | <u>\$ 3,479,184</u> |

**Other information as of and for the year ended December 31, 2023**

|  |             |
|--|-------------|
| Operating cash flows from operating leases             | \$ 80,999   |
| Weighted-average remaining lease term-operating leases | 11.75 years |
| Weighted-average discount rate-operating leases        | 4.18%       |

Lease expense amounted to \$184,024 for the year ended December 31, 2023.

Rent expense amounted to \$98,432 for the year ended December 31, 2022.

**14. CONCENTRATIONS**

**Concentration of Credit Risks**

*Financial Instruments*

The Community Foundation has significant cash balances at financial institutions which throughout the year regularly exceed the federally insured limit of \$250,000. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Foundation's financial condition, results of operations, and cash flows.

The Community Foundation invests in various investments. Investments are exposed to various risks such as interest rates, credit, and overall volatility risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the Community Foundation's account balances and the amounts reported in the accompanying financial statements.

*Contribution Revenue*

Contributions revenue are received from a wide donor base which limits the concentration of credit risk. Approximately 67% and 34% of total contributions were from two donors for the years ended December 31, 2023 and 2022, respectively.

*Contributions Receivable*

Contributions receivable are received from a wide donor base which limits the concentration of credit risk. At December 31, 2023 and 2022, one donor comprised 88% and 77% of total contributions receivable, respectively.

**Princeton Area Community Foundation, Inc.**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

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**15. SUBSEQUENT EVENTS**

The Community Foundation has evaluated subsequent events occurring after the statement of financial position date through the date of November 11, 2024, which is the date the financial statements were available to be issued. Based on this evaluation, the Community Foundation has determined that no subsequent events have occurred which require disclosure in or adjustment to the financial statements.

## **SUPPLEMENTARY INFORMATION**



# REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of  
Princeton Area Community Foundation, Inc.:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Princeton Area Community Foundation, Inc. (the "Community Foundation"), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to financial statements, and have issued our report thereon dated November 11, 2024.

### Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Community Foundation's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Community Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Community Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Community Foundation's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Community Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Community Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Community Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Withum Smith + Brown, PC*

November 11, 2024

**Princeton Area Community Foundation, Inc.**  
**Schedule of Expenditures of State Financial Assistance**  
**Year Ended December 31, 2023**

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| <u>State Grantor/Program Title</u>  | <u>Award Number</u> | <u>Award Period</u>   | <u>Expenditures</u> | <u>Expenditures -<br/>Life of Contract</u> |
|---|---------------------|-----------------------|---------------------|--|
| State of New Jersey<br>State Council on the Arts<br>New Jersey Arts and Cultural Renewal Fund | 2414X090009         | 07/01/2023-06/30/2024 | \$ 300,000          | \$ 300,000                                 |
| Total state financial assistance  |                     |                       | <u>\$ 300,000</u>   | <u>\$ 300,000</u>                          |

**Basis of Presentation**

The schedule of expenditures of state financial assistance includes the state grant activity of Princeton Area Community Foundation, Inc. (the "Community Foundation") for the year ended December 31, 2023 and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Community Foundation's grant agreement with the State of New Jersey, Department of State, State Council on the Arts. Because the schedule presents only a selected portion of the operations of the Community Foundation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Community Foundation.

**Princeton Area Community Foundation, Inc.  
Schedule of Findings and Questioned Costs  
Year Ended December 31, 2023**

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**Section 1 – Summary of Auditor’s Results**

**Financial Statements**

|  |               |
|--|---------------|
| Type of auditor’s report issued:   | Unmodified    |
| Internal control over financial reporting:   |               |
| Material weaknesses identified?  | No            |
| Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| Noncompliance material to financial statements noted?                                  | No            |

**Section 2 – Financial Statement Findings**

None