

**BROOKLYN COMMUNITY
FOUNDATION**

**Financial Statements
for the year ended
June 30, 2022**

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Independent Auditor's Report

To the Board of Directors
Brooklyn Community Foundation

Opinion

We have audited the accompanying financial statements of Brooklyn Community Foundation (the "Foundation") which comprise the statements of financial position as of June 30, 2022 and June 30, 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and June 30, 2021, and the results of its activities 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. 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 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 Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements


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

In performing an audit in accordance with generally accepted auditing standards, we:

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

Coulson O'Meara McGinty + Donnelly LLP



March 31, 2023

BROOKLYN COMMUNITY FOUNDATION

Statement of Financial Position

Assets

	June 30	
	2022	2021
Current assets		
Cash and cash equivalents	\$ 4,870,126	\$ 2,034,554
Investments, at fair value	110,780,536	115,310,521
Investment income receivable	66,331	44,775
Contributions receivable	156,936	411,687
Prepaid expenses and security deposit	30,179	17,269
Total current assets	<u>115,904,108</u>	<u>117,818,806</u>
Leasehold improvements, property and equipment, at cost	612,826	612,826
Less: accumulated depreciation and amortization	586,346	568,692
Net leasehold improvements, property and equipment	26,480	44,134
Total assets	<u>\$115,930,588</u>	<u>\$117,862,940</u>

Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued expenses	\$ 303,701	\$ 261,638
Grants payable	1,561,250	1,758,292
Total current liabilities	1,864,951	2,019,930
Deferred rent payable	22,420	30,859
Total liabilities	1,887,371	2,050,789
Net assets		
Without donor restrictions – Operating	58,458,272	64,642,025
Without donor restrictions – Donor advised funds	53,736,893	48,478,579
Total net assets without donor restrictions	112,195,165	113,120,604
With donor restrictions	1,848,052	2,691,547
Total net assets	114,043,217	115,812,151
Total liabilities and net assets	<u>\$115,930,588</u>	<u>\$117,862,940</u>

See notes to financial statements.

BROOKLYN COMMUNITY FOUNDATION

**Statement of Activities
Year Ended June 30, 2022**

(with Summarized Comparative Information for the Year Ended June 30, 2021)

	2022		2021	
	Without donor Restrictions	With donor Restrictions	Total	Total
Public support and revenue				
Contributions	\$ 20,041,696	\$ 435,000	\$ 20,476,696	\$ 36,474,629
Government grants	-	-	-	3,106,681
Interest and dividends, net	631,808	-	631,808	386,439
Special event	358,705	-	358,705	10,500
Other	25,170	-	25,170	8,694
Net assets released from restrictions	1,278,495	(1,278,495)	-	-
Total public support and revenue	22,335,874	(843,495)	21,492,379	39,986,943
Expenses				
Program services	13,318,722	-	13,318,722	13,539,572
Supporting activities				
Management and general	994,360	-	994,360	862,513
Fundraising	1,045,622	-	1,045,622	586,767
Direct costs of special event	122,016	-	122,016	-
Total expenses	15,480,720	-	15,480,720	14,988,852
Excess (deficiency) of public support and revenue over expenses before other	6,855,154	(843,495)	6,011,659	24,998,091
Other				
Realized gain on sales of investments	14,516,484	-	14,516,484	2,626,486
Unrealized gain (loss) on investments	(22,297,077)	-	(22,297,077)	14,300,689
Total other	(7,780,593)	-	(7,780,593)	16,927,175
Increase (decrease) in net assets	(925,439)	(843,495)	(1,768,934)	41,925,266
Net assets, beginning of year	113,120,604	2,691,547	115,812,151	73,886,885
Net assets, end year	\$112,195,165	\$1,848,052	\$114,043,217	\$115,812,151

See notes to financial statements.

BROOKLYN COMMUNITY FOUNDATION

**Statement of Activities
Year Ended June 30, 2021**

	<u>Without donor Restrictions</u>	<u>With donor Restrictions</u>	<u>Total</u>
Public support and revenue			
Contributions	\$ 36,474,629	\$ -	\$ 36,474,629
Government grants	695,134	2,411,547	3,106,681
Interest and dividends, net of investment expenses of \$174,560	386,439	-	386,439
Special events	10,500	-	10,500
Other	8,694	-	8,694
Net assets released from restrictions	84,126	(84,126)	-
Total public support and revenue	<u>37,659,522</u>	<u>2,327,421</u>	<u>39,986,943</u>
Expenses			
Program services	13,539,572	-	13,539,572
Supporting activities			
Management and general	862,513	-	862,513
Fundraising	586,767	-	586,767
Total expenses	<u>14,988,852</u>	<u>-</u>	<u>14,988,852</u>
Excess of public support and revenue over expenses before other	<u>22,670,670</u>	<u>2,327,421</u>	<u>24,998,091</u>
Other			
Realized gain on sales of investments	2,626,486	-	2,626,486
Unrealized gain on investments	14,300,689	-	14,300,689
Total other	16,927,175	-	16,927,175
Increase in net assets	<u>39,597,845</u>	<u>2,327,421</u>	<u>41,925,266</u>
Net assets, beginning of year	<u>73,522,759</u>	<u>364,126</u>	<u>73,886,885</u>
Net assets, end year	<u>\$113,120,604</u>	<u>\$ 2,691,547</u>	<u>\$115,812,151</u>

See notes to financial statements.

BROOKLYN COMMUNITY FOUNDATION

**Statement of Functional Expenses
For Year Ended June 30, 2022**

	<u>Program Services</u>	<u>Supporting Activities</u>		<u>Direct Costs of Special Event</u>	<u>Total</u>
		<u>Management and General</u>	<u>Fundraising</u>		
Expenses					
Salaries and related expenses					
Salaries and wages	\$ 673,221	\$ 325,822	\$ 543,643	\$ -	\$ 1,542,686
Payroll taxes and employees' benefits	<u>185,355</u>	<u>86,454</u>	<u>135,969</u>	<u>-</u>	<u>407,778</u>
Total salaries and related expenses	858,576	412,276	679,612	-	1,950,464
Grants	5,265,900	-	-	-	5,265,900
Grants – DAF	5,516,381	-	-	-	5,516,381
Grants – Fiscal sponsors	1,258,032	-	-	-	1,258,032
Catering and facility rental	-	-	-	70,280	70,280
Depreciation and amortization	-	17,654	-	-	17,654
Equipment	1,873	1,793	1,654	11,740	17,060
Events and meetings	2,439	33,169	8,368	-	43,976
Insurance	627	10,108	4,192	-	14,927
IT and telecommunication	80,777	48,778	70,462	-	200,017
Marketing and printing and reproduction	11,875	1,544	60,434	1,380	75,233
Occupancy	48,731	21,507	41,292	-	111,530
Payroll, credit cards processing fees and other	42,472	36,915	54,601	3,938	137,926
Professional fees	206,332	353,947	103,417	34,678	698,374
Professional membership and subscriptions	6,775	33,559	17,864	-	58,198
Supplies, postage and shipping	16,494	16,417	3,434	-	36,345
Transportation	<u>1,438</u>	<u>6,693</u>	<u>292</u>	<u>-</u>	<u>8,423</u>
Total	<u>\$ 13,318,722</u>	<u>\$ 994,360</u>	<u>\$ 1,045,622</u>	<u>\$ 122,016</u>	<u>\$ 15,480,720</u>

See notes to financial statements.

BROOKLYN COMMUNITY FOUNDATION

**Statement of Functional Expenses
Year Ended June 30, 2021**

	<u>Supporting Activities</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Expenses				
Salaries and related expenses				
Salaries and wages	\$ 486,580	\$ 385,322	\$ 340,550	\$ 1,212,452
Payroll taxes and employees' benefits	<u>132,450</u>	<u>101,584</u>	<u>97,804</u>	<u>331,838</u>
Total salaries and related expenses	619,030	486,906	438,354	1,544,290
Grants	5,677,331	-	-	5,677,331
Grants – DAF	6,631,696	-	-	6,631,696
Grants – Fiscal sponsors	141,425	-	-	141,425
Depreciation and amortization	10,283	2,455	2,610	15,348
Equipment	2,604	2,146	1,978	6,728
Events and meetings	295	4,040	394	4,729
Insurance	10,886	4,937	2,884	18,707
IT and telecommunication	34,266	33,094	52,239	119,599
Marketing and printing and reproduction	50,872	795	7,948	59,615
Occupancy	76,634	16,817	20,901	114,352
Payroll, credit cards processing fees and other	536	61,537	12,516	74,589
Professional fees	257,172	229,170	44,500	530,842
Professional membership and subscriptions	19,561	17,124	1,746	38,431
Supplies, postage and shipping	6,859	3,261	637	10,757
Transportation	<u>122</u>	<u>231</u>	<u>60</u>	<u>413</u>
Total	<u>\$ 13,539,572</u>	<u>\$ 862,513</u>	<u>\$ 586,767</u>	<u>\$ 14,988,852</u>

See notes to financial statements.

BROOKLYN COMMUNITY FOUNDATION

Statement of Cash Flows

	<u>June 30</u>	
	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (1,768,934)	\$ 41,925,266
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation and amortization	17,654	15,348
Realized (gain) loss on sales of investments	(14,516,484)	(2,626,486)
Unrealized (gain) loss on investments	22,297,077	(14,300,689)
Donated securities	(6,192,067)	(1,552,661)
Proceeds from sales of donated securities	6,133,415	1,535,086
Forgiveness of SBA PPP loan	-	(201,920)
(Increase) decrease in current assets		
Investment income receivable	(21,556)	4,676
Contributions receivable	254,751	365,120
Prepaid expenses and security deposit	(12,910)	2,031
Increase (decrease) in current liabilities		
Accounts payable and accrued expenses	42,063	1,556,909
Grants payable	(197,042)	(532,271)
(Decrease) in deferred rent payable	(8,439)	(5,789)
Net cash provided by operating activities	<u>6,027,528</u>	<u>26,184,620</u>
Cash flows from investing activities		
Purchase of property and equipment	-	(13,833)
Net investments activity	(3,191,956)	(26,406,981)
Net cash (used in) investing activities	<u>(3,191,956)</u>	<u>(26,420,814)</u>
Net increase (decrease) in cash and cash equivalents	2,835,572	(236,194)
Cash and cash equivalents, beginning of the period	<u>2,034,554</u>	<u>2,270,748</u>
Cash and cash equivalents, end of the period	<u>\$ 4,870,126</u>	<u>\$ 2,034,554</u>

See notes to financial statements.

BROOKLYN COMMUNITY FOUNDATION**Notes to Financial Statements
June 30, 2022****Note 1 – Nature of organization**

Brooklyn Community Foundation (the “Foundation”) formerly known as Independence Community Foundation, was incorporated on February 19, 1998 in the State of Delaware. Upon inception in 1998, the Foundation received a contribution of 5,632,870 shares of Independence Community Bank Corp common stock, which was recorded at its initial opening price of \$10 per share. At the end of 2008, the Foundation amended and restated its Certificate of Incorporation to (i) formally change its name from Independence Community Foundation to Brooklyn Community Foundation, and (ii) change its purposes.

On October 1, 2014, the Internal Revenue Service terminated the private foundation status and reclassified the Foundation as a public charity as described in Sections 509(a)(1) and 170(b)(i)(A)(vi) of the Internal Revenue Code of 1986, as amended (the “Code”). The Foundation has been supported by a combination of investment return and donations from individuals, corporations, foundations and government grants. The Foundation is exempt from federal income tax under Section 501(c)(3) of the Code and qualifies for the maximum charitable deduction for donors.

The Foundation made these changes to create a public charity that would serve the people of Brooklyn and the Borough’s nonprofit organizations. The Foundation’s purposes, as described in the Foundation’s Amended and Restated Certificate of Incorporation, are exclusively charitable, educational, scientific, religious and literary within the meaning of Section 501(c)(3) of the Code, and include but are not limited to:

- (a) making grants to support charitable, educational, scientific, religious and literary organizations described in Code Section 501(c)(3) located in or that serve the community of Brooklyn, New York (“Brooklyn Organizations”), or that further the charitable interests of Brooklynites;
- (b) educating the public about (i) the work of Brooklyn Organizations, (ii) social issues important to Brooklyn, such as improving literacy, education, public healthcare, housing, human services and community and workforce development, protecting the environment and supporting the arts (the “Social Issues”), and (iii) philanthropy generally;
- (c) planning, coordinating and implementing programs, events and committees that facilitate interaction, communication and education among donors, grantees, issue-area experts, other charitable organizations and the general public regarding Brooklyn Organizations, the Social Issues and philanthropy generally;
- (d) providing services to increase charitable giving;
- (e) educating charities in areas such as management, administration and fundraising to improve governance and operations;
- (f) cooperating with other charitable organizations whether local, national, or international, for any of the foregoing purposes; and
- (g) conducting any other activities that may be necessary, useful, or desirable for the furtherance or accomplishment of the foregoing purposes, provided that those activities would not endanger the Foundation’s not-for-profit or tax-exempt status.

BROOKLYN COMMUNITY FOUNDATION**Notes to Financial Statements (continued)****June 30, 2022****Note 2 – Summary of significant accounting policies****Basis of presentation**

The Foundation's financial statements have been prepared on the accrual basis of accounting conforming to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as either net assets without donor restrictions or net assets with donor restrictions.

Net assets without donor restrictions

Net assets without donor restrictions are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objective of the Foundation. Donor Advised Funds (DAF) are also net assets without donor restrictions.

Net assets with temporary donor restrictions

Net assets with temporary donor restriction consist of donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.

Public support and revenue

Contributions are generally available for unrestricted use unless specifically restricted by the donor. Unconditional promises from individuals are recorded as received. Unconditional promises that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises expected to be collected in future years, if any, are recorded at the present value of their estimated future cash flows. Discount rates, if any, are computed using a reasonable interest rate applicable to the years in which the promises to give were received. The Foundation elected to discount the receivables at a risk-free interest rate. Bequests and gifts under trusts and wills are recorded as revenue when notice of a legally binding obligation is received and when a fair value can reasonably be determined.

Grants and other contributions of cash and other assets are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets or relate to future periods. 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 statement of activities as net assets released from restrictions. Contributions that have their purpose met in the same year as contributed are treated as contributions without donor restrictions on the statement of activities.

BROOKLYN COMMUNITY FOUNDATION**Notes to Financial Statements (continued)****June 30, 2022****Note 2 – Summary of significant accounting policies (continued)**Government grants

Revenue from government grants are recognized when reimbursable expenses are incurred under the terms of the respective contracts. Any contract payments in excess of qualified expenses are accounted for as contract advances and are reported as deferred revenue in the statement of financial position. As of June 30, 2022 and June 30, 2021 there were no contract advances reported on the statement of financial position.

Conditions contained within the various governmental contracts awarded to the Foundation are subject to the funding agencies' criteria under which expenditures may be claimed and are subject to audit under such criteria. Such audits may determine that certain costs incurred against the grants may not comply with the established criteria that govern them. In such cases, the Foundation could be held responsible for repayments to the funding agency for the costs or be subject to reductions of future funding. A provision has not been made in the accompanying financial statements for any potential disallowances.

Donated services and in-kind

Organizations are required to recognize contributions or services if they create or enhance non-financial assets, or required specialized skills, are provided by individuals possessing those skills and are services which would be typically purchased if not provided in-kind. The Foundation receives donated services rendered by Board members and other individual volunteers who have donated significant amounts of their time to the Foundation's activities. These services do not meet the criteria to be recorded and have not been included in the financial statements.

Cash equivalents

Operating cash equivalents include cash in bank accounts and money market funds with original maturities of three months or less from the date of acquisition. Cash equivalents that are part of the Foundation's investment portfolio are reported as investments and included in note 4.

Allowance for doubtful accounts

As of June 30, 2022 and June 30, 2021, the Foundation deems its contributions receivable to be collectible, and accordingly, does not have an allowance for doubtful accounts for any potentially uncollectible contributions receivable. Such an estimate is based on management's experience, the aging of the receivables, subsequent receipts and economic conditions.

BROOKLYN COMMUNITY FOUNDATION**Notes to Financial Statements (continued)****June 30, 2022****Note 2 – Summary of significant accounting policies (continued)****Investments**

Investments are stated at fair value. The Foundation invests in various investment securities. Investments in common stocks and exchange traded funds traded on a national securities exchange are valued on the basis of published market quotations on the last business day of the year; securities traded on the over-the-counter market, including listed securities for which no sale was reported on that date, are valued on the basis of the bid price and the resulting unrealized gains and losses are reflected in the statement of activities.

Investment transactions are recorded as of the trade date. Realized gains and losses from sales of securities are calculated primarily based on the specific-identification method. Dividend income is recorded on the ex-dividend date. Below is a description of the valuation methodologies used for assets measured at fair value.

Cash equivalents – Cash equivalents represent highly liquid assets with original maturities when acquired of less than 90 days.

U.S. Government and governmental agencies obligations – Valued at the closing price reported by an outside service using pricing models with observable inputs for similar securities on the active market on which the individual investments are traded.

Mutual funds, exchange traded funds and equities – Valued at the closing price reported on the active market on which the individual securities are traded.

Bank deposit agreements – Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuer.

Hedge funds and investment in limited partnership – There are no observable inputs and certain of the underlying investments are not publicly traded and there is no secondary market for such funds. The hedge funds and investment in a limited partnership are valued at the net asset value (“NAV”) of shares held at year-end by the managers of the underlying funds.

Investments in limited partnerships are stated at the Foundation's equity interest in the underlying net assets, which approximates fair value. The fair value of the limited partnerships is generally determined by each limited partnership's managing partner. In determination of such estimated values, the managing partner values such investments initially at cost and, thereafter, at fair value based on developments since acquisition, including prices paid in recent substantial purchases in arm's length transactions, changes in financial conditions and operating results, and the current status of the issuer. The fair value of a similar type of investment is adjusted for the change in the unrealized value and is based on the most recent information provided by management of the investments.

BROOKLYN COMMUNITY FOUNDATION**Notes to Financial Statements (continued)****June 30, 2022****Note 2 – Summary of significant accounting policies (continued)**Investments (continued)

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

Leasehold improvements, property and equipment

Leasehold improvements, property and equipment with a nominal amount and with a life of greater than one year are capitalized at cost or at the fair value as of the date of receipt, if donated. Depreciation is computed using the straight-line method over estimated useful lives of the assets ranging from three to ten years. Leasehold improvements are amortized on the straight-line method over the lesser of the term of the lease or the estimated useful life. Such amortization is included in depreciation and amortization in the financial statements.

Functional expense allocation

The costs of providing the various programs and supporting activities of the Foundation have been summarized on a functional basis in the accompanying statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Personnel expenses are based on management's estimate of roles/responsibilities for specific employees. Program costs and professional fees are directly allocated based on services provided. Indirect costs (occupancy, insurance, etc.) are allocated based on staff's full-time equivalent time or other equitable basis dedicated to the program versus general and administrative.

Grants disbursements

Grants, which are subject to 1) achievement by the grantee of routine performance requirements and 2) certain other conditions, are treated as expenses at the time each individual grant is paid. These grants are payable to the grantee subject to the terms and conditions established by the Board of Directors. As of June 30, 2022 and June 30, 2021, grantees that have met the terms and conditions and are expected to be paid in the next twelve months, totaled \$1,561,250 and \$1,758,292, respectively. In addition, as of June 30, 2022 and June 30, 2021, the Foundation has authorized approximately \$8,735,834 and \$4,885,000, respectively, of grants which are expected to be paid over time but are contingent on various provisions to be met by each grantee. Such payments are conditional, and as such, are not recorded. The timing of the payments is based on the Foundation's best estimate of achievement of the relevant milestone.

BROOKLYN COMMUNITY FOUNDATION**Notes to Financial Statements (continued)****June 30, 2022****Note 2 – Summary of significant accounting policies (continued)**Fiscal sponsorship

The Foundation offers fiscal sponsorships on a limited basis to projects that benefit the Brooklyn community. The Foundation has variance power, among other terms, as outlined in the sponsorship agreements.

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 the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of credit risk

The Foundation's financial instruments that are potentially exposed to concentrations of credit risk consist of cash, cash equivalents, investments and contributions receivable. The Foundation places its cash and cash equivalents with what it believes to be quality financial institutions. At times during the year, the Foundation's balances in its bank accounts were in excess of the FDIC insurance limit. However, the Foundation has not experienced any losses in such accounts to date. The Foundation's investments are exposed to various risks such as market volatility, liquidity, interest rate and credit. Due to the uncertainty related to the aforementioned risks, it is reasonably possible that changes in these risks could materially affect the fair value of the Foundation's investments reported in the accompanying statement of financial position. The contributions receivable are from various donors. Management monitors the collectibility of its receivables on an ongoing basis. The Foundation believes no significant concentrations of credit risk exist with respect to its cash, cash equivalents, investments and contributions receivable.

Subsequent events

The Foundation has evaluated subsequent events through March 31, 2023, which is the date the financial statements were available to be issued. This evaluation did not result in any subsequent events that necessitated additional disclosures and/or adjustments.

BROOKLYN COMMUNITY FOUNDATION

Notes to Financial Statements (continued)

June 30, 2022

Note 3 – Liquidity and availability of financial assets

The Foundation's working capital and cash flows have seasonal variations during the year attributable to cash receipts from contributions, investment income and other revenue items. The Foundation regularly monitors the availability of resources required to meet its operating needs and other commitments while also striving to maximize its investment portfolio. The following is a summary of the Foundation's financial assets as of June 30, 2022 and June 30, 2021 that are available for general expenditures within one year of the statement of financial position date:

	2022	2021
Cash and cash equivalents	\$ 4,870,126	\$ 2,034,554
Investments, at fair value	110,780,536	115,310,521
Investment income receivable	66,331	44,775
Contributions receivable	156,936	411,687
Sub-total	115,873,929	117,801,537
Less: Donor-advised funds	53,736,893	48,478,579
Assets with temporary donor restrictions	1,848,052	2,691,547
Total	\$ 60,288,984	\$ 66,631,411

Note 4 – Investments and fair value measurements

The following is a summary of the Foundation's investments as of June 30, 2022 and June 30, 2021:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Cash equivalents	\$ 7,811,600	\$ 7,811,600	\$20,035,437	\$ 20,035,437
U.S. Government and governmental agencies obligations	1,567,204	1,516,813	7,340,504	7,345,420
Mutual funds	42,000,406	45,434,080	29,623,056	38,076,331
Exchange traded funds	13,169,022	11,600,240	7,684,797	8,648,253
Equities	5,600,925	6,165,936	3,783,402	5,775,103
Bank deposit agreements	361,138	361,138	301,898	301,898
Hedge funds and				
Investment in limited partnership	35,756,419	37,890,729	19,730,528	35,128,079
Total	\$106,266,714	\$110,780,536	\$88,499,622	\$115,310,521
Unrealized gain		\$ 4,513,822		\$ 26,810,899
Change in unrealized gain (loss)		\$(22,297,077)		\$ 14,300,689

Accounting standards establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is defined as the exchange price that would be received for an asset in the principal or most advantageous market for the asset in an orderly transaction between participants on the measurement date. Fair value requires an organization to determine the unit of account, the mechanism of hypothetical transfer, and the appropriate markets for the asset being measured.

BROOKLYN COMMUNITY FOUNDATION**Notes to Financial Statements (continued)****June 30, 2022****Note 4 – Investments and fair value measurements (continued)**

This guidance establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entity's own assumptions about how market participants would value an asset based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The three input levels are as follows:

- Level 1 – quoted prices in active markets that the Foundation has the ability to access for identical assets for which significant observable inputs exist. Market price data is generally obtained from exchange or dealer markets. The Foundation does not adjust the quoted price for such assets.
- Level 2 – inputs other than level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets; quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the same term of assets. This includes the use of model-based valuations techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers and brokers. Investments included in level 2 may include fixed income, equity and absolute return funds for which observable inputs exist and trade in markets not considered to be active.
- Level 3 – unobservable inputs, as they trade infrequently or not at all, that are supported by little or no market activity and that are significant to the fair value of the assets. As of June 30, 2022 and June 30, 2021 there were no level 3 investments.

The Foundation adopted the *Disclosures for Investments in Certain Entities that Calculate Net Asset Value Per Share (or its Equivalent)*. Such disclosure permits the Foundation's investments that are measured at NAV as a practical expedient for fair value be excluded from the disclosure requirement that categorizes the NAV within the fair value hierarchy. A practical expedient is to measure the fair value of investments in certain entities that do not have a quoted market price but calculate net asset value per share or its equivalent. Those investments are generally referred to as "alternative investments" and include certain hedge funds, private equity funds, real estate funds, venture capital funds, offshore funds and units or an ownership interest in a partnership capital or a pooled investment to which a proportionate share of net assets is attributed.

On the following page, the table sets forth by type and level, within the fair value hierarchy, the assets at fair value as of June 30, 2022 and June 30, 2021.

BROOKLYN COMMUNITY FOUNDATION

Notes to Financial Statements (continued)
June 30, 2022**Note 4 – Investments and fair value measurements (continued)**

	June 30, 2022		
	Level 1	Level 2	Total
Cash equivalents	\$ 7,811,600	\$ -	\$ 7,811,600
U.S. Government and governmental agencies obligations	1,516,813	-	1,516,813
Mutual funds		-	-
Strategic income	7,264,033	-	7,264,033
Credit separate	613,634	-	613,634
Mortgage separate	632,014	-	632,014
S&P index fund	28,799,621	-	28,799,621
International	8,124,778	-	8,124,778
Exchange traded funds			
Emerging markets	11,600,240	-	11,600,240
Equities			
Large cap value	6,165,936	-	6,165,936
Bank deposit agreements	-	361,138	361,138
Sub-total	<u>72,528,669</u>	<u>361,138</u>	<u>72,889,807</u>
Investments measured at NAV:			
Hedge funds and			
Investment in limited partnership			<u>37,890,729</u>
Total			<u>\$110,780,536</u>
	June 30, 2021		
	Level 1	Level 2	Total
Cash equivalents	\$20,035,437	\$ -	\$ 20,035,437
U.S. Government and governmental agencies obligations	7,345,420	-	7,345,420
Mutual funds			
Strategic income	5,665,953	-	5,665,953
Credit separate	760,382	-	760,382
Mortgage separate	702,851	-	702,851
S&P index fund	24,838,727	-	24,838,727
International	6,108,418	-	6,108,418
Exchange traded funds			
Emerging markets	8,648,253	-	8,648,253
Equities			
Large cap value	5,775,103	-	5,775,103
Bank deposit agreements	-	301,898	301,898
Sub-total	<u>\$79,880,544</u>	<u>\$ 301,898</u>	<u>80,182,442</u>
Investments measured at NAV:			
Hedge funds and			
Investment in limited partnership			<u>35,128,079</u>
Total			<u>\$115,310,521</u>

BROOKLYN COMMUNITY FOUNDATION**Notes to Financial Statements (continued)
June 30, 2022****Note 5 – Contributions receivable**

All contributions receivables are unconditional promises from external organizations and/or individuals to donate cash to the Foundation. As of June 30, 2022, all contributions receivables are expected to be received in the next twelve months.

Note 6 – Donor advised funds

During 2010, the Board approved the creation of donor-advised funds (“DAF”). The Foundation’s DAF consists of various funds established for specific purposes. The DAF are owned and controlled by the Foundation and the donor retains only advisory privileges over the distribution or investment of the funds in the Foundation’s accounts. The current requirement for opening a donor-advised fund is set forth in the DAF’s agreement. Certain allocable administrative fees may be charged against the funds. As of June 30, 2022, the balance from donor-advised contributions was \$53,736,893.

The Foundation follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA) for endowed DAF. Under UPMIFA, the Foundation is required to act prudently when making decisions to spend or accumulate endowment assets and in doing so to consider a number of factors including the duration and preservation of its endowed DAF. The Foundation considers the following factors in making a determination to appropriate or accumulate endowed DAF:

(1) The duration and preservation of each fund; (2) the purposes of fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments in a fund; (6) other resources of the Foundation; (7) where appropriate and circumstances would otherwise warrant, alternatives to expenditure of a fund, giving due consideration to the effect that such alternatives may have on the Foundation; and (8) the investment policy of the Foundation.

Investment objectives

The investment strategy of the Foundation’s endowed DAF assets is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income. Specifically, the primary objective in the investment management for these assets shall be: Long-term growth of capital – To emphasize long-term growth of principal while avoiding excessive risk. Short-term volatility will be tolerated inasmuch as it is consistent with the volatility of a comparable market index. Income and growth – To achieve a balanced return of current income and modest growth of principal and Rate of return – To equal or exceed a return to be determined by the Finance and Investment Committee of the Board of Directors based upon selected benchmarks and as outlined in the Foundation’s investment policy. To monitor and oversee the Foundation’s investments, the Board of Directors selects qualified investment managers.

BROOKLYN COMMUNITY FOUNDATION

Notes to Financial Statements (continued)
June 30, 2022

Note 6 – Donor advised funds (continued)

Funds with deficiencies

From time to time, the fair value of the assets associated with endowed DAF may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration, also known as funds with deficiencies. As of June 30, 2022 and June 30, 2021, there were no funds with deficiencies.

Spending policy

Consistent with the overall investment goals, the following rules for distribution are set forward: The total annual distribution of spendable income from endowed DAF shall not exceed 5% of the average fair value. The average fair value will be based on the average fair value of each endowed DAF investment balance for the preceding 12 quarters. (For distribution purposes, the fair value of the endowed DAF shall be based on the average values for the preceding 12 quarters ended June 30). The Foundation's Finance and Investment Committee shall review the target annual distribution policy annually with any recommended changes submitted for approval to the Board of Directors.

The following is a summary of the activity of the donor advised funds for the years ended June 30, 2022 and June 30, 2021:

	<u>2022</u>	<u>2021</u>
Balance at the beginning of the period	\$ 48,478,579	\$16,524,386
Contributions	17,087,720	34,780,398
Investment return gain (loss), net (includes realized and unrealized)	(4,489,280)	4,704,803
Released from designations - programs/operations	(500,000)	(899,312)
Released from designations-grants	<u>(6,840,126)</u>	<u>(6,631,696)</u>
Balance at the end of the period	<u>\$ 53,736,893</u>	<u>\$48,478,579</u>

BROOKLYN COMMUNITY FOUNDATION

Notes to Financial Statements (continued)
June 30, 2022**Note 7 – Net assets with temporary donor restrictions**

Net assets with temporary donor restrictions are available for the purposes of funding the following programs and are to be released from donor restrictions by incurring expenses or approving grants to satisfy the purposes specified by the donors or the passage of time.

Description	Balance at December 31, 2021	Contributions 2022	Release from Restrictions	Balance at June 30, 2022
Substance abuse treatment program	\$ 2,411,547	\$ -	\$ (809,036)	\$ 1,602,511
Invest in youth fund Acceleration program	280,000	-	(258,459)	21,541
/Spark prize Immigrant rights fund	-	25,000	(3,500)	21,500
	-	200,000	(100,000)	100,000
	-	200,000	(100,000)	100,000
Other	-	10,000	(7,500)	2,500
Total	\$ 2,691,547	\$ 435,000	\$(1,278,495)	\$ 1,848,052

Description	Balance at December 31, 2019	Released from Restrictions	Balance at June 30, 2020	Contributions	Released from Restrictions	Balance at June 30, 2021
Substance abuse treatment program	\$ -	\$ -	\$ -	\$ 2,411,547	\$ -	\$ 2,411,547
Invest in youth fund	484,126	(120,000)	364,126	-	(84,126)	280,000
Total	\$ 484,126	\$ (120,000)	\$ 364,126	\$ 2,411,547	\$ (84,126)	\$ 2,691,547

BROOKLYN COMMUNITY FOUNDATION**Notes to Financial Statements (continued)
June 30, 2022****Note 8 – SBA PPP loan**

In May 2020, the Foundation received a \$201,920 term note under the Paycheck Protection Program (the “PPP Loan”). The PPP Loan was created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration (“SBA”). The PPP Loan was to mature on May 1, 2022, when all outstanding principal plus accrued interest will be due and payable. The Foundation was eligible for forgiveness of up to 100% of the PPP Loan, upon meeting certain requirements as disclosed in the PPP Loan documents. On January 6, 2021, the SBA authorized the PPP Loan to be forgiven and it is considered paid in full and therefore, the forgiveness was recorded as a government grant in the 2021 statement of activities.

Note 9 – 403(b) plan

The Foundation maintains a 403(b) Tax-Deferred Annuity Plan for all eligible employees. The Foundation’s contribution is equal to 7.5% of each employee’s salary. Contribution expenses for the years ended June 30, 2022 and June 30, 2021 was \$89,432 and \$78,476, respectively.

Note 10 – Lease agreement

During March 2014, the Foundation entered into a 10-year office lease agreement. The office lease began on May 1, 2014 and expires on April 30, 2024. The office lease requires monthly payments of \$6,135 for the first year increasing to \$8,005 on the 10th year of the lease agreement. These rent amounts are exclusive of certain increases in operating costs of the landlord. The Foundation received three-month abatement under the office lease agreement which is being amortized using the straight-line method over the term of the lease. The base rental expense is recognized on a straight-line basis over the life of the lease rather than in accordance with the actual lease payments. The difference is reflected as deferred rent payable on the statement of financial position, which represents the adjustment of future years’ rent as result of using the straight-line method. The Foundation paid a 2-month security deposit of \$12,270 with the landlord, which is recorded in prepaid expenses and security deposit in the statement of financial position. The required minimum annual lease payments for the 2023 fiscal year is \$93,726 and for the 2024 fiscal year is \$80,048.

Rent expenses for the year’s ended June 30, 2022 and June 30, 2021 was \$108,995 and \$106,580, respectively, and is recorded in occupancy expense in the statement of functional expenses.

Note 11 – Employment management agreement

The Foundation has an employment management agreement with a Professional Employer Organization that provides a comprehensive personnel management system encompassing a broad range of services, including benefits and payroll administration, health, worker’s compensation insurance programs, personnel records management, employer liability management, pension, etc.