

**Berkshire Taconic Community
Foundation, Inc.
And Affiliate**

Consolidated Financial Statements

December 31, 2022

Independent Auditors' Report

Board of Directors

Berkshire Taconic Community Foundation, Inc. and Affiliate

Opinion

We have audited the accompanying consolidated financial statements of Berkshire Taconic Community Foundation, Inc. and Affiliate (collectively, the Foundation), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Berkshire Taconic Community Foundation, Inc. and Affiliate as of December 31, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated 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 consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 consolidated 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.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 27, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

September 29, 2023

Berkshire Taconic Community Foundation Inc. and Affiliate

Consolidated Statements of Financial Position December 31, 2022

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 2,962,004	\$ 3,741,654
Investments	207,609,466	230,400,251
Contributions receivable, net	1,290	112,421
Split-interest agreements	738,027	1,165,353
Other assets	130,301	84,087
Property and equipment, net	<u>637,096</u>	<u>675,981</u>
	<u>\$ 212,078,184</u>	<u>\$ 236,179,747</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 700,340	\$ 511,516
Deferred revenue	60,000	382,000
Agency funds	53,071,533	57,337,672
Liability under split-interest agreements	11,622	16,033
Loan payable	<u>162,638</u>	<u>187,632</u>
Total Liabilities	<u>54,006,133</u>	<u>58,434,853</u>
Net Assets		
Without Donor Restrictions	51,562,026	55,116,600
With Donor Restrictions	<u>106,510,025</u>	<u>122,628,294</u>
Total Net Assets	<u>158,072,051</u>	<u>177,744,894</u>
Total Liabilities and Net Assets	<u>\$ 212,078,184</u>	<u>\$ 236,179,747</u>

See notes to financial statements

Berkshire Taconic Community Foundation Inc. and Affiliate

Consolidated Statement of Activities

Year Ended December 31, 2022

(With Summarized Comparative Information for 2021)

	2022			2021
	Without Donor Restriction	With Donor Restriction	Total	Total
Revenues, Gains and Other Support				
Gifts and bequests	\$ 19,978,341	\$ 6,432,367	\$ 26,410,708	\$ 18,558,463
Other contributions	-	24,149	24,149	33,543
Less contributions to agency funds	<u>(6,763,214)</u>	<u>-</u>	<u>(6,763,214)</u>	<u>(1,774,468)</u>
Net contributions	<u>13,215,127</u>	<u>6,456,516</u>	<u>19,671,643</u>	<u>16,817,538</u>
Paycheck protection loan forgiveness	-	-	-	378,900
Investment gain (loss), net	(5,872,393)	(14,768,806)	(20,641,199)	24,609,775
Fund administration fees, net	636,327	-	636,327	341,834
Change in value of split-interest agreements	130,701	-	130,701	(38,903)
Net assets released from restrictions	<u>7,805,979</u>	<u>(7,805,979)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>15,915,741</u>	<u>(16,118,269)</u>	<u>(202,528)</u>	<u>42,109,144</u>
EXPENSES				
Program services				
Grant and disbursements	22,282,830	-	22,282,830	14,060,540
Less grants from agency funds	<u>(5,694,859)</u>	<u>-</u>	<u>(5,694,859)</u>	<u>(3,426,478)</u>
Net grants	16,587,971	-	16,587,971	10,634,062
Program expense	<u>1,575,488</u>	<u>-</u>	<u>1,575,488</u>	<u>1,395,084</u>
Total program services	<u>18,163,459</u>	<u>-</u>	<u>18,163,459</u>	<u>12,029,146</u>
Supporting services:				
Fund administration	616,902	-	616,902	591,933
Fundraising	<u>689,954</u>	<u>-</u>	<u>689,954</u>	<u>655,995</u>
Total support services	<u>1,306,856</u>	<u>-</u>	<u>1,306,856</u>	<u>1,247,928</u>
Total Expenses	<u>19,470,315</u>	<u>-</u>	<u>19,470,315</u>	<u>13,277,074</u>
Change in Net Assets	(3,554,574)	(16,118,269)	(19,672,843)	28,832,070
NET ASSETS				
Beginning of year	<u>55,116,600</u>	<u>122,628,294</u>	<u>177,744,894</u>	<u>148,912,824</u>
End of year	<u>\$ 51,562,026</u>	<u>\$ 106,510,025</u>	<u>\$ 158,072,051</u>	<u>\$ 177,744,894</u>

Berkshire Taconic Community Foundation Inc. and Affiliate

Consolidated Statement of Functional Expenses
For the Year Ended on December 31, 2022
(With Summarized Comparative Information for 2021)

	2022					
	Grants and Disbursements	Program Expense	Fund Administration	Fundraising	Total	2021 Total
Grant and disbursements	\$ 16,587,971	\$ -	\$ -	\$ -	\$ 16,587,971	\$ 10,634,062
Compensation and related expenses:						
Salaries	-	892,139	358,935	429,199	1,680,273	1,545,716
Employee benefits	-	155,069	78,435	93,815	327,319	382,699
Payroll taxes	-	94,507	27,439	32,819	154,765	119,532
Professional services	-	114,176	30,494	20,513	165,183	106,998
Contract services	-	70,971	30,495	20,513	121,979	89,335
Depreciation	-	40,511	1,924	2,301	44,736	50,860
Occupancy	-	5,626	15,351	18,357	39,334	52,932
Computer and technology	-	39,703	17,084	16,710	73,497	80,326
Professional development	-	16,367	8,183	8,183	32,733	27,518
Dues and subscriptions	-	27,622	9,954	12,275	49,851	30,817
Insurance	-	31,866	13,043	15,523	60,432	35,880
Marketing and advertising	-	17,724	2,130	2,131	21,985	33,061
Meeting expenses	-	4,427	1,606	2,306	8,339	8,513
Printing	-	5,764	1,084	1,381	8,229	9,611
Office supplies	-	8,620	3,103	3,510	15,233	20,727
Automobile and travel	-	3,384	1,538	1,795	6,717	2,798
Interest - mortgage	-	-	7,091	-	7,091	8,069
Equipment	-	4,498	-	-	4,498	6,362
Postage	-	5,456	1,583	2,535	9,574	7,154
Leadership development training	-	3,441	1,363	1,688	6,492	5,929
Telephone and internet	-	3,857	1,570	1,878	7,305	8,664
Banking and payroll fees	-	29,760	4,497	2,522	36,779	9,511
Total	<u>\$ 16,587,971</u>	<u>\$ 1,575,488</u>	<u>\$ 616,902</u>	<u>\$ 689,954</u>	<u>\$ 19,470,315</u>	<u>\$ 13,277,074</u>

See notes to financial statements

Berkshire Taconic Community Foundation Inc. and Affiliate

Consolidated Statements of Cash Flows Year Ended December 31, 2022

	Year Ended December 30,	
	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (19,672,843)	\$ 28,832,070
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	44,736	50,860
Realized and unrealized gain (loss) on investments	20,641,199	(24,488,985)
Paycheck Protection Program loan forgiveness	-	(378,900)
Change in operating assets and liabilities:		
Contributions receivable, net	111,131	250,183
Split-interest agreements	427,326	42,275
Other assets	(46,214)	51,679
Accounts payable and accrued expenses	188,824	(189,350)
Deferred revenue	(322,000)	2,000
Agency funds	(4,266,139)	8,427,101
Liability under split-interest agreements	<u>(4,411)</u>	<u>(3,372)</u>
Net Cash from Operating Activities	<u>(2,898,391)</u>	<u>12,595,561</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	19,694,539	18,107,171
Purchases of investments	(17,544,953)	(30,647,129)
Purchases of furniture and equipment	<u>(5,851)</u>	<u>(34,845)</u>
Net Cash from Investing Activities	2,143,735	(12,574,803)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on loan payable	<u>(24,994)</u>	<u>(24,016)</u>
Net Cash from Financing Activities	<u>(24,994)</u>	<u>(24,016)</u>
Net Change in Cash and Cash Equivalents	(779,650)	(3,258)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>3,741,654</u>	<u>3,744,912</u>
End of year	<u><u>\$ 2,962,004</u></u>	<u><u>\$ 3,741,654</u></u>

See notes to financial statements

Berkshire Taconic Community Foundation, Inc. and Affiliate

Notes to Financial Statements
December 31, 2022

1. Nature of Organization

Berkshire Taconic Community Foundation, Inc. (BTCF) builds stronger communities and improves the quality of life for all residents of northwest Litchfield County, Connecticut, Berkshire County, Massachusetts, and Columbia County and northeast Dutchess County, New York, acting as an agent for positive change in the region. Since 1987, BTCF has managed a growing collection of charitable funds created by individuals, families and businesses. Each year, BTCF distributes millions of dollars through grants and scholarships for programs in the arts and education, health and human services, and environmental protection, helping thousands of donors achieve their philanthropic goals and hundreds of nonprofits carry on their good work.

BTCF Resources, Inc. (Resources) was formed exclusively for the benefit of and to perform the functions of and carry out the purposes of BTCF. Resources holds the real estate for the charitable benefit of charitable and operating funds at BTCF.

2. Summary of Significant Accounting Policies

Summarized Comparative Information

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. In addition, the notes to the financial statements are not included in these financial statements. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, such information should be read in conjunction with BTCF and Resources (collectively, the Foundation) audited consolidated financial statements as of and for the year ended December 31, 2021, from which the summarized information was derived.

Basis of Accounting and Presentation

The financial statements are prepared on a consolidated basis to include the transactions of the Foundation. All material intercompany balances and transactions have been eliminated from the consolidated financial statements.

The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with U.S. GAAP. Net assets and revenues, expenses, gains and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Board of Directors.

Berkshire Taconic Community Foundation, Inc. and Affiliate

Notes to Financial Statements
December 31, 2022

2. Summary of Significant Accounting Policies *(continued)*

Net Assets With Donor Restrictions

Net assets with donor restrictions represent 1) contributions that are restricted by the donor as to purpose or time of expenditure, 2) contributions that require that the principal be maintained in perpetuity but permit the Foundation to expend the income earned thereon, and 3) the accumulated investment income and gains and losses on donor-restricted endowment assets that have not been appropriated for expenditure.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents and Credit Risk

For the purposes of reporting cash flows, the Foundation considers all short-term, highly liquid investments with an original maturity of three months or less to be cash equivalents, exclusive of money market funds, which are considered to be investments.

The Foundation maintains deposits in financial institutions that may, at times, exceed federal depository insurance limits. As of December 31, 2022, the uninsured balance is approximately \$2,050,000.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains include the Foundation's gains and losses on investments bought and sold as well as held during the year.

The Board of Directors determines the Foundation's valuation policies and procedures utilizing information provided by outside investment advisors who are overseen by the Board of Directors' Investment Committee.

Split-Interest Agreements

Split-interest agreements consist of assets irrevocably transferred for the benefit of the Foundation and other beneficiaries. Unless the Foundation is the trustee, revocable split-interest agreements are not recorded as contributions unless enforceable by law. Irrevocable split-interest agreements are recorded as contributions at fair value when the assets are received or when the Foundation is notified of the existence of the agreement. The accounting treatment varies depending upon the type of the agreement created and whether the Foundation or a third party is the Trustee.

Berkshire Taconic Community Foundation, Inc. and Affiliate

Notes to Financial Statements
December 31, 2022

2. Summary of Significant Accounting Policies *(continued)*

Split-Interest Agreements (continued)

The Foundation is the beneficiary of various irrevocable charitable remainder trusts managed by unrelated trustees. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the Foundation's use.

The trusts are carried at the fair value of the underlying investments. The portion of the trust attributable to the present value of the future benefits to be received by the Foundation is recognized in the consolidated statement of activities as a donor-restricted contribution in the period the trust is established. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The liability is calculated using a discount rate of 5% and applicable mortality tables.

The Foundation has been named the trustee of a revocable charitable remainder trust for which the designation of remainder interest can be changed any time during the donor's lifetime. The trust requires the payout of stated amounts of income to named beneficiaries over their respective lifetimes or designated trust terms, at the end of which the Foundation is currently designated to receive the remainder interest. The fair value of the trust's assets has been included in the consolidated statements of financial position with a corresponding liability to reflect the revocable status of the trust.

Property and Equipment

Property and equipment are stated at cost for purchases or fair value at date of gift for donated items and are depreciated using the straight-line method over their estimated useful lives, ranging from 3 to 40 years. The Foundation follows the practice of capitalizing all expenditures in excess of \$3,000 with a useful life of more than one year.

Agency Funds

The Foundation receives and distributes assets for certain agency funds that have been established by a nonprofit organization from its own resources for the sole purpose of supporting that organization's operations.

Berkshire Taconic Community Foundation, Inc. and Affiliate

Notes to Financial Statements
December 31, 2022

2. Summary of Significant Accounting Policies *(continued)*

Contributions

Unconditional contributions are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions receivable expected to be collected in more than one year are recorded at fair value using a present value technique. The Foundation reports nongovernmental contributions and grants of cash and other assets as donor-restricted support if they are received with donor stipulations that limit their use or if they are contributed to endowed funds. 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 consolidated statement of activities as net assets released from restrictions. Promises to give that are subject to donor-imposed conditions (i.e., a donor stipulation that includes a barrier that must be overcome and a right of release of assets) are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been reported on a functional basis in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated were determined by a method of allocation based on time and effort contributed.

Income Taxes

The Foundation is exempt from federal and state income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. However, the Foundation is subject to unrelated business income taxes related to its alternative investments and such taxes are included in management and general expenses in the consolidated statement of activities.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the consolidated financial statements through the date that the consolidated financial statements were available to be issued, which date is September 29, 2023.

Berkshire Taconic Community Foundation, Inc. and Affiliate

Notes to Financial Statements December 31, 2022

3. Fair Value

U.S. GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2

Inputs to the valuation methodology include:

- 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;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. When, as a practical expedient, an investment is measured at fair value on the basis of net asset value ("NAV"), its classification as Level 2 or 3 will be impacted by the ability to redeem the investment at net asset value at the measurement date. If there is uncertainty or the inability to redeem an investment at net asset value in the near term subsequent to the measurement date, the investment is categorized as Level 3. U.S. GAAP requires disclosure of the fair value of all the Foundation's financial instruments, including both assets and liabilities. The following methods and assumptions were used to estimate the fair value of each class of financial instruments at December 31, 2022, for which it is practicable to estimate that value, as more fully discussed below:

Cash and Cash Equivalents

The carrying amount reported in the consolidated statements of financial position approximates fair value because of the short maturity of those instruments.

Contributions Receivable

The fair value of contributions receivable is estimated by discounting the future cash flows using the rates currently offered for deposits of similar remaining maturities. Contributions receivable at December 31, 2022 are expected to be collected in one year.

Berkshire Taconic Community Foundation, Inc. and Affiliate

Notes to Financial Statements
December 31, 2022

3. Fair Value (*Continued*)

Investments

The fair value of investments in marketable equity and debt securities is based on quoted market prices. Nonmarketable debt securities are valued based on estimated discounted future cash flows; nonmarketable equity securities are carried at estimated current value if it is possible to determine this, otherwise at cost. The fair value of alternative investments has been estimated using the NAV as reported by the management of the respective alternative investment fund as a practical expedient to estimate the fair value of the Foundation's interest therein. Because alternative investments are not immediately marketable given the nature of the underlying strategies and the terms of the governing partnership agreements, the estimated fair value is subject to uncertainty and, therefore, may differ from the value that may be received if a ready market for the investment had been in existence, and the difference could be material. Considerable judgment is required to interpret the factors used to develop estimates of fair value.

The following is a description of the valuation methodologies used for investment assets measured at fair value:

Global public equity

This investment class includes domestic and international equities, or shares of publicly traded companies, both long and short positions, that seek to provide long-term capital appreciation. Equity managers are selected with the objective of building a portfolio that is diversified by geographic region, economic sector, industry and market capitalization. The objective in selecting managers is to generate average annual compounded returns that exceed the relevant broad market indices, net of fees, over full market cycles (5-10 years).

Global private equity

This investment class consists of equity securities in operating companies that are not publicly traded on a stock exchange and seeks to provide long-term capital appreciation. Private equity managers provide capital to target companies to nurture expansion, new product development or restructuring of the company's operations, management or ownership. These investments are characterized by potential higher returns, greater investment risk and heightened illiquidity than public equity and offer another opportunity to reach investment targets. However, since distribution of returns is wide, managers are selected carefully.

Flexible capital

This investment class consists of hedge funds including absolute return, long/short equity, event-driven strategies and other opportunistic investments that seek to take advantage of dislocations in the markets and provide high returns with lower risk profiles. Hedge funds have the potential to reduce overall portfolio volatility and correlation to the general markets and provide better downside protection than in long-only equities.

Fixed income

This investment class includes domestic and international fixed income securities and seeks to provide current income as well as a hedge against deflation and equity market risk. Various types of debt typically offer lower volatility and, despite their lower expected return, bonds generally offer low correlation to the general markets.

Berkshire Taconic Community Foundation, Inc. and Affiliate

Notes to Financial Statements
December 31, 2022

3. Fair Value (Continued)

Liquid capital

This investment class includes cash and cash equivalents held for reinvestment purposes by the Foundation's investment managers. Due to the nature of these funds, they have been classified as investments. This investment class also includes money market funds that are valued based upon readily available pricing sources for comparable instruments.

Split-interest agreements

Fair value inputs used for split-interest agreements are based on the estimated present value of the future payments to the Foundation, which is considered to be the fair value of the assets held in trust. Unobservable inputs for investments held in trust by others include the amount and timing of distributions from the trusts.

Assets Measured at Fair Value

The following is a summary of the source of fair value measurements for financial instruments that are measured at fair value as of December 31, 2022:

<u>Description</u>	<u>Fair Value Measurements Using</u>			<u>Assets Measured at Net Asset Value (a)</u>	<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>		
Investments:					
Global public equity	\$ 45,319,615	\$ -	\$ -	\$ 39,352,756	\$ 84,672,371
Global private equity	-	-	-	45,665,519	45,665,519
Flexible capital	-	-	-	41,439,590	41,439,590
Fixed income	19,659,148	-	-	-	19,659,148
Liquid capital	<u>16,172,838</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,172,838</u>
Total investments	81,151,601	-	-	126,457,865	207,609,466
Split-interest agreements	<u>-</u>	<u>-</u>	<u>738,027</u>	<u>-</u>	<u>738,027</u>
Total Assets Measured at Fair Value	<u>\$ 81,151,601</u>	<u>\$ -</u>	<u>\$ 738,027</u>	<u>\$ 126,457,865</u>	<u>\$208,347,493</u>

(a) Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

Berkshire Taconic Community Foundation, Inc. and Affiliate

Notes to Financial Statements
December 31, 2022

3. Fair Value (Continued)

Additional information regarding investments that report fair value based on net asset value per share or unit as of December 31, 2022 is as follows:

	Balance December 31, 2022	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global public equity	\$ 39,352,756	\$ -	Monthly to Quarterly	0-60 days
Global private equity	45,665,519	13,590,248	Illiquid Quarterly to	Illiquid
Flexible capital	41,439,590	-	Annually	45-60 days
	<u>\$ 126,457,865</u>	<u>\$ 13,590,248</u>		

The Foundation's investment portfolio generated investment loss net of fees of \$4,754,445 related to agency activity for the year ended December 31, 2022.

Total investment loss is reported net of investment manager fees that totaled \$979,093 in 2022. These amounts do not reflect high water marks and other management fees that may be deducted directly from the investment prior to distribution of earnings.

4. Property and Equipment

Property and equipment consisted of the following at December 31, 2022:

	BTCF	Resources	Total
Buildings	\$ -	\$ 554,740	\$ 554,740
Building improvements	12,686	299,346	312,032
Furniture and equipment	210,583	12,888	223,471
Vehicles	21,140	-	21,140
Land	-	113,996	113,996
Land improvements	-	85,286	85,286
	<u>\$ 244,409</u>	<u>\$ 1,066,256</u>	<u>\$ 1,310,665</u>
Less accumulated depreciation	<u>(195,503)</u>	<u>(478,066)</u>	<u>(673,569)</u>
	<u>\$ 48,906</u>	<u>\$ 588,190</u>	<u>\$ 637,096</u>

5. Line of Credit

The Foundation has a line of credit with Salisbury Bank in the amount of \$100,000. The variable interest rate on the line of credit is equal to the Prime Rate, which was 7.5% at December 31, 2022. There was no outstanding balance as of December 31, 2022.

Berkshire Taconic Community Foundation, Inc. and Affiliate

Notes to Financial Statements
December 31, 2022

6. Liquidity and Availability

The Foundation's financial assets available within one year of the consolidated statement of position date for general expenditure are as follows:

Financial assets:

Cash and cash equivalents	\$ 2,962,004
Investments	207,609,466
Contributions receivable	1,290
Admin fee receivable	37,647
	<u>210,610,407</u>

Less amounts unavailable for general expenditures within one year, due to

Restricted by purpose	(106,510,025)
Agency funds not included within illiquid investments	(53,071,533)
Illiquid investments	<u>(45,665,519)</u>
Total amounts unavailable for general expenditures within one year	<u>(205,247,077)</u>

Total Financial Assets Available to Management for General Expenditure

Within One Year	<u>\$ 5,363,330</u>
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The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Foundation also has a line of credit it could draw upon in the event of an unanticipated liquidity need.

7. Agency Funds

The following summarizes activity in agency funds during the year ended December 31, 2022:

Agency funds - beginning of year	\$ 57,337,672
Gifts received	6,763,214
Investment earnings	(4,754,445)
Distributions	(5,694,859)
Administrative and investment management fees	<u>(580,049)</u>
	<u>\$ 53,071,533</u>

8. Net Assets

Net assets without donor restrictions represent contributions, gifts, management fees and income from investments that can be used for the general purpose of the Foundation. Net assets without donor restrictions at December 31, 2022 are comprised as follows:

Donor-advised funds	\$ 48,533,958
General purpose	<u>3,028,068</u>
Total Net Assets Without Donor Restrictions	<u>51,562,026</u>

Berkshire Taconic Community Foundation, Inc. and Affiliate

Notes to Financial Statements
December 31, 2022

8. Net Assets (continued)

Net assets with donor restrictions represent contributions with purpose restrictions or that are due over time, or donor-designated original principal for investing in perpetuity, the earnings of which can be used for specific purposes or general purposes, as stipulated by the donor. Net assets with donor restrictions are available for the following purposes at December 31, 2022:

Purpose restrictions:

Field of interest funds	\$ 1,275,258
Area funds	951,094
Leadership funds	2,110,147
Relief assistance	243,132
Community initiatives	514,011
Designated funds	1,016,776
Scholarship funds	878,304
Other educational funds	727,131
Operating funds	28,337
Charitable remainder trusts	114,828
	<u>7,859,018</u>

Time restrictions:

Accumulated gains and income available for appropriation by the
Board of Directors:

Further restricted by purpose	\$ 22,915,870
Without purpose restrictions	938,602
	<u>23,854,472</u>

Restricted in perpetuity:

Donor advised funds	\$ 3,502,547
Area funds	14,425,660
Leadership funds	1,751,450
Field of interest funds	14,282,266
Designated funds	14,412,255
Scholarship funds	16,009,192
Other educational funds	7,467,326
Charitable remainder trusts	892,030
General purpose	2,053,809
	<u>74,796,535</u>

Total Net Assets With Donor Restrictions	<u><u>\$ 106,510,025</u></u>
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Berkshire Taconic Community Foundation, Inc. and Affiliate

Notes to Financial Statements December 31, 2022

8. Net Assets (continued)

Net assets were released from restrictions by satisfying the following restrictions for the year ended December 31, 2022:

Purpose restrictions:

Field of interest funds	\$ 701,884
Area funds	1,243,018
Leadership funds	139,264
Designated funds	721,580
Scholarship funds	1,168,598
Other educational funds	<u>491,600</u>
	4,465,944

Time restrictions:

Appropriation of earnings on endowment assets without purpose restrictions for expenditure	<u>3,340,035</u>
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Total Net Assets Released from Restrictions	<u><u>\$ 7,805,979</u></u>
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9. Endowment

The Foundation's endowment consists of 222 individual funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (as adopted by Connecticut, Massachusetts and New York) (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanent endowment is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

Berkshire Taconic Community Foundation, Inc. and Affiliate

Notes to Financial Statements
December 31, 2022

9. Endowment (*continued*)

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulated donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- Where appropriate and circumstances would warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the organization
- The investment policies of the organization

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

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 113,854,672
Investment return, net of expenses	(9,328,545)
Contributions	6,008,003
Appropriation of endowment assets for expenditures	(5,140,373)
Other changes: transfers and change in original restriction by donor	<u>841,675</u>
Endowment net assets, end of year	<u><u>\$ 106,235,432</u></u>

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets in an effort to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce, on average, over long-term horizons, returns that will offset spending plus inflation plus administrative fees.

Strategies Employed for Achieving Objectives

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

Berkshire Taconic Community Foundation, Inc. and Affiliate

Notes to Financial Statements
December 31, 2022

9. Endowment (continued)

Spending Policy

The Foundation has a policy of appropriating for grants distribution each year a percentage, established annually by its Board of Directors, of its endowment fund's average fair value over the prior 20 quarters through June 30th preceding the fiscal year in which the distribution is planned. For 2022, the percentage allocation was 4.15%. In establishing this policy, the Foundation considered the long-term expected return on its endowment and found that it is consistent with the objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term. The Foundation has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

10. Variance Power

The Articles of Incorporation of the Foundation give the Board of Directors the authority to modify any restriction or condition on the distribution of funds for any specified charitable purposes if such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community. The Board of Directors has adopted a policy describing the criteria and limited circumstances under which the Foundation would exercise this power.

11. Related Party Transactions

The Foundation performs financial management and administrative functions for the Foundation for Community Health, Inc., a supporting organization of the Foundation, for a fee that is based on a graduated fee schedule, measured on total assets managed. As of December 31, 2022, the Foundation managed \$26,225,716 in assets for the Foundation for Community Health, Inc. This fee structure is similar in nature to administrative duties that the Foundation performs for others. Total fees earned for the year ended December 31, 2022 were \$146,557.

12. Loan Payable

Loan payable consists of a mortgage with a bank for the administrative office space owned by Resources and leased to the Foundation. The mortgage has an interest rate of 4% and is amortized over 19 years, expiring January 1, 2031. Interest expense for the year ended December 31, 2022 was \$7,091. The outstanding balance on the mortgage as of December 31, 2022 is \$162,638. Anticipated principal annual maturities of the mortgage payable for the next five years and thereafter are as follows:

2022	\$	25,035
2023		26,055
2024		27,116
2025		25,632
2026		29,371
Thereafter		<u>29,429</u>
	\$	<u>162,638</u>

Berkshire Taconic Community Foundation, Inc. and Affiliate

Notes to Financial Statements
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13. Employee Benefits

The Foundation sponsors a contributory employee benefit plan that covers substantially all employees. Employees are eligible to participate in the plan after 90 days of service. The Foundation contributed \$103,310 to the plan for the year ended December 31, 2022.

The Foundation has a deferred compensation arrangement with its president as approved by the Executive Committee and Board of Directors. The amount contributed was \$20,500 for the year ended December 31, 2022.

14. Administrative Fees

The Foundation charges an annual administrative fee to all funds based on the funds' average daily balance each quarter to cover expenses for operations and leadership initiatives. Administrative fees of \$2,574,659 were charged to specific funds during 2022. Administrative fee income and the corresponding expense are netted on the consolidated statement of activities and are presented as fund administration fees.

15. Paycheck Protection Program Loan

On April 19, 2020, the Foundation received a Paycheck Protection Program loan ("PPP") granted by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) in the amount of \$378,900. This loan was forgiven on February 9, 2021, and was recorded as grant income.

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