

THE COMMUNITY FOUNDATION OF MIDDLE TENNESSEE, INC.
AND SUBSIDIARIES
(A TENNESSEE NOT-FOR-PROFIT CORPORATION)

NASHVILLE, TENNESSEE

CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2021 AND 2020

THE COMMUNITY FOUNDATION OF MIDDLE TENNESSEE, INC.
AND SUBSIDIARIES
(A TENNESSEE NOT-FOR-PROFIT CORPORATION)

NASHVILLE, TENNESSEE

CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2021 AND 2020

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT.....	1 - 2
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position.....	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	5
Consolidated Statements of Cash Flows.....	6
Notes to Consolidated Financial Statements.....	7 - 25

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
The Community Foundation of Middle Tennessee, Inc. And Subsidiaries
Nashville, Tennessee

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of The Community Foundation of Middle Tennessee, Inc. and Subsidiaries (collectively, the "Foundation"), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Community Foundation of Middle Tennessee, Inc. and Subsidiaries as of December 31, 2021 and 2020, and changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated 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 CONSOLIDATED 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 of 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED 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 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 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 GAAS, 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.



Nashville, Tennessee
July 28, 2022

THE COMMUNITY FOUNDATION OF MIDDLE TENNESSEE, INC. AND SUBSIDIARIES
(A TENNESSEE NOT-FOR-PROFIT CORPORATION)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 43,198,230	\$ 41,380,492
Other receivables	337,590	396,997
Investments	493,950,591	435,840,949
Beneficial interest in lead trusts	74,889,185	78,825,394
Property and equipment - at cost, less accumulated depreciation	<u>9,738,557</u>	<u>7,937,326</u>
TOTAL ASSETS	<u>\$ 622,114,153</u>	<u>\$ 564,381,158</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 54,097	\$ 176,493
Grants payable	42,667	1,833,296
Deferred revenue	16,000	2,300,270
Agency funds liability	<u>16,340,106</u>	<u>12,395,053</u>
TOTAL LIABILITIES	<u>16,452,870</u>	<u>16,705,112</u>
NET ASSETS		
Without donor restrictions:		
Board-directed	23,727,212	20,802,634
Field-of-interest	107,914,677	94,184,452
Designated	46,280,977	42,010,462
Scholarship	22,956,678	20,749,950
Donor-advised	<u>327,351,405</u>	<u>288,674,968</u>
Total net assets without donor restrictions	<u>528,230,949</u>	<u>466,422,466</u>
With donor restrictions:		
Charitable lead trusts	74,889,185	78,825,394
Certain bequests	<u>2,541,149</u>	<u>2,428,186</u>
Total net assets with donor restrictions	<u>77,430,334</u>	<u>81,253,580</u>
TOTAL NET ASSETS	<u>605,661,283</u>	<u>547,676,046</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 622,114,153</u>	<u>\$ 564,381,158</u>

See accompanying notes to consolidated financial statements.

THE COMMUNITY FOUNDATION OF MIDDLE TENNESSEE, INC. AND SUBSIDIARIES
(A TENNESSEE NOT-FOR-PROFIT CORPORATION)

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	NET ASSETS WITHOUT DONOR RESTRICTIONS	NET ASSETS WITH DONOR RESTRICTIONS	TOTAL	NET ASSETS WITHOUT DONOR RESTRICTIONS	NET ASSETS WITH DONOR RESTRICTIONS	TOTAL
SUPPORT AND REVENUE						
Contributions	\$ 68,991,680	\$ -	\$ 68,991,680	\$ 63,527,501	\$ 14,199,772	\$ 77,727,273
In-kind contributions	73,407	-	73,407	76,180	-	76,180
Government grants	12,646,990	-	12,646,990	54,276,730	-	54,276,730
Fundraising events	1,324,778	-	1,324,778	767,018	-	767,018
Less: direct benefits to donors	(282,839)	-	(282,839)	(141,186)	-	(141,186)
Investment income (loss), net	49,802,516	263,256	50,065,772	43,078,342	271,188	43,349,530
Change in value of split-interest gifts	-	2,485,429	2,485,429	-	5,769,613	5,769,613
Other	89,100	-	89,100	43,455	-	43,455
Net assets released resulting from satisfaction of donor restrictions	6,571,931	(6,571,931)	-	5,942,360	(5,942,360)	-
TOTAL SUPPORT AND REVENUE	139,217,563	(3,823,246)	135,394,317	167,570,400	14,298,213	181,868,613
EXPENSES						
Program services	72,751,155	-	72,751,155	121,108,738	-	121,108,738
Supporting services:						
Management and general	1,738,809	-	1,738,809	1,827,198	-	1,827,198
Fundraising	2,919,116	-	2,919,116	2,629,793	-	2,629,793
TOTAL EXPENSES	77,409,080	-	77,409,080	125,565,729	-	125,565,729
CHANGE IN NET ASSETS	61,808,483	(3,823,246)	57,985,237	42,004,671	14,298,213	56,302,884
NET ASSETS:						
Beginning of year	466,422,466	81,253,580	547,676,046	424,417,795	66,955,367	491,373,162
End of year	<u>\$ 528,230,949</u>	<u>\$ 77,430,334</u>	<u>\$ 605,661,283</u>	<u>\$ 466,422,466</u>	<u>\$ 81,253,580</u>	<u>\$ 547,676,046</u>

See accompanying notes to consolidated financial statements.

THE COMMUNITY FOUNDATION OF MIDDLE TENNESSEE, INC. AND SUBSIDIARIES
(A TENNESSEE NOT-FOR-PROFIT CORPORATION)

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021				2020			
	SUPPORTING SERVICES			TOTAL FUNCTIONAL EXPENSES	SUPPORTING SERVICES			TOTAL FUNCTIONAL EXPENSES
	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING		PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	
Grants	\$ 70,285,303	\$ -	\$ -	\$ 70,285,303	\$ 118,570,099	\$ -	\$ -	\$ 118,570,099
Compensation	1,423,562	876,038	1,350,559	3,650,159	1,379,558	848,959	1,308,812	3,537,329
Other employee benefits	222,025	136,631	210,639	569,295	212,714	130,901	201,806	545,421
Payroll taxes	100,519	61,858	95,365	257,742	98,044	60,335	93,016	251,395
Events and meetings	-	5,678	562,075	567,753	-	2,358	233,459	235,817
Professional fees	194,364	188,647	188,647	571,658	226,785	220,114	220,114	667,013
Marketing	156,559	151,954	151,954	460,467	219,321	212,870	212,870	645,061
Office expenses	87,993	85,405	85,405	258,803	63,717	61,843	61,843	187,403
Information technology	83,296	80,846	80,846	244,988	99,596	96,667	96,667	292,930
Bank and credit card fees	53,074	51,513	51,513	156,100	91,724	89,027	89,027	269,778
Professional development	30,492	6,776	30,492	67,760	10,178	-	10,178	20,356
Insurance coverage	25,271	24,528	24,528	74,327	20,312	19,714	19,714	59,740
Depreciation	17,057	16,554	16,554	50,165	19,926	19,341	19,341	58,608
In-kind professional services	24,959	24,224	24,224	73,407	25,902	25,139	25,139	76,180
Membership and subscriptions	13,568	13,169	13,169	39,906	12,131	11,775	11,775	35,681
Building expenses and maintenance	28,390	14,463	10,713	53,566	55,268	28,155	20,856	104,279
Business and auction sales taxes	-	-	1,442	1,442	-	-	2,218	2,218
Gift cards and gifts	4,723	525	20,991	26,239	3,463	-	-	3,463
Other	-	-	-	-	-	-	2,958	2,958
Fundraising events:								
Food and beverages	-	-	101,037	101,037	-	-	93,111	93,111
Venue rental	-	-	144,859	144,859	-	-	47,925	47,925
Entertainment	-	-	36,943	36,943	-	-	150	150
TOTAL FUNCTIONAL EXPENSES	\$ 72,751,155	\$ 1,738,809	\$ 3,201,955	\$ 77,691,919	\$ 121,108,738	\$ 1,827,198	\$ 2,770,979	\$ 125,706,915
Less expenses netted against revenues on the consolidated statements of activities - direct benefits to donors	-	-	(282,839)	(282,839)	-	-	(141,186)	(141,186)
TOTAL EXPENSES REPORTED UNDER PROGRAM AND SUPPORTING SERVICES	\$ 72,751,155	\$ 1,738,809	\$ 2,919,116	\$ 77,409,080	\$ 121,108,738	\$ 1,827,198	\$ 2,629,793	\$ 125,565,729

See accompanying notes to consolidated financial statements.

THE COMMUNITY FOUNDATION OF MIDDLE TENNESSEE, INC. AND SUBSIDIARIES
(A TENNESSEE NOT-FOR-PROFIT CORPORATION)

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 57,985,237	\$ 56,302,884
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	50,165	58,608
Gain on sale of property and equipment	-	(10,060)
Noncash contributions of investments	(11,522,091)	(6,000,137)
Net realized and unrealized gains on investments	(41,281,334)	(36,451,119)
Change in value of split interest gifts	(2,485,429)	(5,769,613)
Noncash contribution of beneficial interest in lead trusts	-	(14,199,772)
Distributions received from lead trusts	6,421,638	5,796,576
Decrease (increase) in other receivables	59,407	(48,412)
Increase (decrease) in:		
Accounts payable and accrued expenses	(122,396)	147,098
Grants payable	(1,790,629)	1,743,195
Deferred revenue	(2,284,270)	2,276,355
Agency funds liability	3,945,053	1,414,812
TOTAL ADJUSTMENTS	<u>(49,009,886)</u>	<u>(51,042,469)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>8,975,351</u>	<u>5,260,415</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	(1,851,396)	(6,618,815)
Proceeds from sale of investments	166,003,940	137,906,953
Purchase of investments	<u>(171,310,157)</u>	<u>(128,579,117)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>(7,157,613)</u>	<u>2,709,021</u>
INCREASE IN CASH	1,817,738	7,969,436
CASH - BEGINNING OF YEAR	<u>41,380,492</u>	<u>33,411,056</u>
CASH - END OF YEAR	<u>\$ 43,198,230</u>	<u>\$ 41,380,492</u>

See accompanying notes to consolidated financial statements.

THE COMMUNITY FOUNDATION OF MIDDLE TENNESSEE, INC. AND SUBSIDIARIES
(A TENNESSEE NOT-FOR-PROFIT CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

NOTE 1 - ORGANIZATION AND GENERAL

The Community Foundation of Middle Tennessee, Inc. and Subsidiaries (the “Foundation”) is a charitable organization whose purpose is to be a leader, catalyst and resource for philanthropy by building and holding a permanent and growing endowment for the Middle Tennessee community’s changing needs and opportunities. The Foundation provides flexible and cost-effective ways for civic-minded individuals, families and companies to contribute to their community. The assets of the Foundation are devoted to charitable uses of a public nature primarily benefiting the residents of Middle Tennessee in fields such as social services, education, health, the environment and the arts.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the accounts of The Community Foundation of Middle Tennessee Properties, Nonprofit LLC, a single-member limited liability company formed to hold real estate donated to the Foundation, and Childcare Tennessee, Nonprofit LLC, a single-member limited liability company formed to ensure the accessibility and sustainability of quality childcare programs serving the children and families of Tennessee. There are no significant transactions between the three entities.

The consolidated financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Foundation’s management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities.

THE COMMUNITY FOUNDATION OF MIDDLE TENNESSEE, INC. AND SUBSIDIARIES
(A TENNESSEE NOT-FOR-PROFIT CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Support

Contributions are recognized when cash, securities or other assets, an unconditional promise to give or notification of a beneficial interest is received. A contribution is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets exists. The presence of both a barrier and a right of return or right of release indicates that a recipient is not entitled to the contribution until it has overcome the barrier(s) in the agreement. Conditional promises to give are not recognized until the barrier(s) in the agreement are overcome.

Donated marketable securities are recorded at their fair value at the date of contribution based on their quoted market price.

Any gifts of equipment, facilities or materials are reported as net assets without donor restrictions unless explicit donor restrictions specify how the assets must be used. Gifts of long-lived assets with explicit restrictions as to how the assets are to be used or funds restricted for the acquisition of long-lived assets are reported as net assets with donor restrictions. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

Grants awarded by federal, state and other sponsors are generally considered nonreciprocal transactions restricted by sponsors for certain purposes. Grant revenue is recognized when the conditions upon which it depends are substantially met, which primarily is when qualifying expenses occur. Payments received in advance of conditions being met are recorded as deferred revenue on the consolidated statements of financial position. Deferred revenue consisted of \$16,000 and \$2,300,270 at December 31, 2021 and 2020, respectively.

Fundraising event revenues are generated from sponsorships, ticket sales, donations, silent and online auction proceeds and sales of items at events held during the year and revenues are recognized when the events occur, which is the completion of the Foundation's performance obligation. Some of these revenues are comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between the amount paid and the exchange element.

THE COMMUNITY FOUNDATION OF MIDDLE TENNESSEE, INC. AND SUBSIDIARIES
(A TENNESSEE NOT-FOR-PROFIT CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are carried at fair value (money market funds and other short-term investments, corporate bonds, equities, government securities, and mutual funds - generally at quoted market prices; investment partnership interests, private equity funds and hedge funds - based on net asset value). Investments in property without a readily determinable fair value are carried at cost. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are recognized currently in the consolidated statements of activities as investment income.

Split-Interest Gifts

A charitable lead trust is an arrangement in which a donor establishes and funds a trust that provides for specific distributions to be made to the Foundation over a specified period. When a gift of this nature is received and the Foundation is not the trustee, a donor-restricted contribution is recognized in the period in which the trust is established. The contribution and related beneficial interest are measured at the present value of the expected future cash inflows, using the interest rate for U.S. Treasury bonds of similar terms at the time the trust is established as the discount rate. The discount rate is revised at each measurement date to reflect current market conditions. Distributions from the trust are reflected as a reduction in the beneficial interest and a reclassification from net assets with donor restrictions to net assets without donor restrictions. Accretion of the discount and revaluations of expected future cash flows based on changes in investment returns and discount rates used are recognized as adjustments to the beneficial interest and changes in the value of split-interest gifts in the consolidated statements of activities under net assets with donor restrictions.

Property and Equipment

Property and equipment are stated at acquisition cost, or at estimated fair value at date of gift, if donated, less accumulated depreciation. The Foundation's policy is to capitalize purchases with a cost of \$1,000 or more and an estimated useful life greater than one year. Depreciation is computed on the straight-line method over the estimated useful lives of the assets (building - 39 years; furniture, fixtures and equipment - 5 to 7 years). When depreciable assets are sold, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is recognized.

Grants Payable

Unconditional promises to give are recognized as grants payable and expenses in the period the grant award is approved by the Foundation.

THE COMMUNITY FOUNDATION OF MIDDLE TENNESSEE, INC. AND SUBSIDIARIES
(A TENNESSEE NOT-FOR-PROFIT CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Agency Funds Liability

The Foundation maintains certain funds to benefit other nonprofit agencies. Such funds are pooled with other funds for investment. A pro-rata share of the investment income or loss and a fee retained by the Foundation are debited or credited to each agency fund each year.

Fair Value Measurements

The Foundation classifies its assets and liabilities measured at fair value based on a hierarchy consisting of: Level 1 (valued using quoted prices from active markets for identical assets), Level 2 (not traded on an active market but for which observable market inputs are readily available) and Level 3 (valued based on significant unobservable inputs).

An 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 maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

Money market funds, short-term investments and equities - These investments are valued at the closing price reported on the active market on which the individual funds are traded.

Corporate bonds, government securities and certain international bond funds - Securities for which quotations are readily available in active markets are valued at the most recent quote in the principal market in which such securities are normally traded. These investments also include securities valued on the basis of information provided by pricing services that employ valuation models reflecting such factors as benchmark yields, reported trades, broker/dealer quotes, bid/offer data and other relevant elements.

Mutual funds (excluding certain international bond funds included in level 2 valuation hierarchy) - Investments in these funds are valued using the net asset value per unit as quoted in active markets at the valuation date.

Partnership interests and private equity funds - These investments are valued at the Foundation's capital account balance as reported by the fund's general partner. The capital account balance represents the net asset value of the Foundation's share in the fund, which approximates fair value.

Hedge funds - Hedge funds are reported at the net asset value (or its equivalent) of the Foundation's share in the fund as calculated in the fund's audited financial statements, which approximates fair value.

THE COMMUNITY FOUNDATION OF MIDDLE TENNESSEE, INC. AND SUBSIDIARIES
(A TENNESSEE NOT-FOR-PROFIT CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Beneficial interest in lead trusts - The measurement of the Foundation's beneficial interest in charitable lead trusts was determined at the date of the gift and is adjusted annually for the change in present value of the estimated future cash flows. The valuation is based on the term of the trust or the actuarial life expectancy of the donor.

Agency funds liability - The value of the agency funds liability is determined based on the fair value of underlying investments held by the Foundation on behalf of participating agencies.

There have been no changes in the methodologies used at December 31, 2021 and 2020.

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 estimate of fair value at the reporting date.

Program and Supporting Services

The following program and supporting services are included in the accompanying consolidated financial statements:

Program Services - includes grants and the cost of activities carried out to fulfill the Foundation's mission to provide support to nonprofit organizations.

Supporting Services

Management and General - relates to the overall direction of the organization. These expenses are not identifiable with a particular program or event or with fundraising but are indispensable to the conduct of those activities and are essential to the organization. Specific activities include organization oversight, business management, recordkeeping, budgeting, financing and other administrative activities.

Fundraising - includes costs of activities directed toward appeals for financial support, including special events. Other activities include creation and distribution of fundraising materials.

THE COMMUNITY FOUNDATION OF MIDDLE TENNESSEE, INC. AND SUBSIDIARIES
(A TENNESSEE NOT-FOR-PROFIT CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses allocated based on estimates of time and effort include compensation, other employee benefits, payroll taxes, professional fees, marketing, professional development, events and meetings, insurance coverage, membership and subscriptions, and gift cards and gifts. Building expenses and maintenance and depreciation are allocated based on a square-footage basis.

Income Taxes

The Foundation qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation pays tax on unrelated business income from certain activities. These activities and the related tax were insignificant in 2021 and 2020.

The Foundation files U.S. Federal Form 990 for organizations exempt from income tax and Form 990-T, an exempt organization business income tax return. The Community Foundation of Middle Tennessee Properties, Nonprofit LLC and Childcare Tennessee, Nonprofit LLC are disregarded entities for tax purposes and any activities of the subsidiaries are included in the Form 990 filed by the Foundation. In addition, the Foundation files a Tennessee state income tax return.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Foundation's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying consolidated financial statements.

Net Assets Without Donor Restrictions

The following net assets without donor restrictions classifications are included in the accompanying consolidated financial statements:

Board-Directed - The Board of Directors is responsible for approving distributions of income and, where permitted, principal, solely for those charitable purposes established by the Foundation.

Field-of-Interest - The donor may designate a functional area or field of interest, within which specific projects or beneficiaries are selected by the Foundation's Board.

THE COMMUNITY FOUNDATION OF MIDDLE TENNESSEE, INC. AND SUBSIDIARIES
(A TENNESSEE NOT-FOR-PROFIT CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets Without Donor Restrictions (Continued)

Designated - Represents funds given by a donor who is committed to a specific charitable organization(s). The Foundation gives the donor assurance that the spirit of the gift is protected, and the assets given are prudently managed.

Scholarship - Scholarships or loans can be provided so that deserving young people can get an education they might not otherwise receive. Through these funds the donor can, for example, specify the schools the young people are to come from or the ones they are to attend.

Donor-Advised - The donor has the privilege of making recommendations relating to distributions. Such recommendations are taken into consideration by the Board when grants are decided upon but are advisory only and non-binding.

The Foundation has the ultimate authority and control over all net assets of these funds, and income derived therefrom (variance power), for the charitable purposes of the Foundation; therefore, the net assets of the above funds are classified as net assets without donor restrictions.

All funds can be created with a minimum gift of \$5,000, except Scholarship Funds, which have a \$10,000 minimum gift.

Net Assets With Donor Restrictions

The following net assets with donor-restriction classifications are included in the accompanying consolidated financial statements:

Charitable Lead Trusts - Donors establish and fund a trust with specific distributions to be made to the Foundation over a specified period based on the provisions outlined in the trust agreements. Upon termination of a trust, the remainder of the trust assets is paid to the donor or to beneficiaries designated by the donor.

Certain Bequests - Donors stipulate that the principal is to be invested in perpetuity by the Foundation. Income from the invested funds may be restricted to a specific field of interest and, therefore, is classified as net assets with donor restrictions until applicable restrictions are met.

THE COMMUNITY FOUNDATION OF MIDDLE TENNESSEE, INC. AND SUBSIDIARIES
(A TENNESSEE NOT-FOR-PROFIT CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Goods and Services and In-Kind Contributions

Donated facilities and materials are recorded as gifts in the period received at fair value if there is an objective and measurable basis for determining such value.

Donated services are recognized if they create or enhance nonfinancial assets or the donated service requires specialized skills, were performed by a donor who possesses such skills, and would have been purchased by the Foundation if not donated. Such services are recognized at fair value as support and expense in the period the services are performed and primarily include professional services.

A number of unpaid volunteers have made significant contributions of their time to assist the Foundation in implementing various programs. The value of contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Authoritative Accounting Guidance

In September 2020, the Financial Account Standards Board (“FASB”) issues Accounting Standards Update (“ASU”) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU is effective for the Foundation beginning January 1, 2022. The adoption of ASU 2020-07 is not expected to have a significant impact on the Foundation’s consolidated financial statements.

Events Occurring After Reporting Date

The Foundation has evaluated events and transactions that occurred between December 31, 2021 and July 28, 2022, the date the consolidated financial statements were available to be issued, for possible recognition or disclosure in the consolidated financial statements.

THE COMMUNITY FOUNDATION OF MIDDLE TENNESSEE, INC. AND SUBSIDIARIES
(A TENNESSEE NOT-FOR-PROFIT CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

NOTE 3 - AVAILABILITY AND LIQUIDITY

The following represents the Foundation's financial assets available for general expenditures at December 31:

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash	\$ 43,198,230	\$ 41,380,492
Other receivables	337,590	396,997
Investments	<u>493,950,591</u>	<u>435,840,949</u>
Total financial assets	<u>537,486,411</u>	<u>477,618,438</u>
Less amounts not available to be used for general expenditures within one year:		
Grants payable	(42,667)	(1,833,296)
Agency funds liability	(16,340,106)	(12,395,053)
Assets limited to use:		
Field-of-interest	(107,914,677)	(94,184,452)
Designated	(46,280,977)	(42,010,462)
Scholarship	(22,956,678)	(20,749,950)
Donor-advised	(327,351,405)	(288,674,968)
Certain bequests	<u>(2,541,149)</u>	<u>(2,428,186)</u>
Financial assets not available to be used for general expenditures within one year	<u>(523,427,659)</u>	<u>(462,276,367)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 14,058,752</u>	<u>\$ 15,342,071</u>

Included in amounts restricted by donor with time or purpose restrictions are the Foundation's bequests. Income from the donor-restricted bequests are subject to an annual spending rate of approximately 5% as described in Note 10. Donor-restricted bequests are not available for general expenditure.

General expenditures do not include amounts to be given as grants.

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. Surplus cash from the prior year is invested in a reserve account.

THE COMMUNITY FOUNDATION OF MIDDLE TENNESSEE, INC. AND SUBSIDIARIES
(A TENNESSEE NOT-FOR-PROFIT CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

NOTE 4 - CONCENTRATIONS OF CREDIT RISK

The Foundation maintains cash balances at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. The Foundation's cash balances generally exceed statutory limits. The Foundation has not experienced any losses in such accounts and management considers this to be a normal business risk.

The Foundation also maintains investment balances at various brokerage and investment companies. These investments consist of money market funds and other short-term investments, various mutual funds, stocks, bonds and alternative investments. Generally, they are not insured by the FDIC or any other government agency and are subject to investment risk, including the risk of loss of principal. Investors are provided limited protection by the Securities Investor Protection Corporation ("SIPC"), a nonprofit membership corporation funded by its member securities broker dealers. SIPC covers investor losses, in some cases, attributable to bankruptcy or fraudulent practices of brokerage firms up to \$500,000 per broker (including \$250,000 of cash).

NOTE 5 - INVESTMENTS

Foundation investments are generally pooled. Segregated accounts are created at the Foundation's discretion, generally at the request of the donor or due to the nature of the gift.

Investments consisted of the following as of December 31:

	<u>2021</u>	<u>2020</u>
<u>Investments at fair value</u>		
Money market funds and other short-term investments	\$ 21,788,982	\$ 19,218,798
Corporate bonds	22,677,229	18,153,480
Equities	111,798,343	92,061,863
Government securities	20,541,683	15,096,157
Mutual funds	155,865,652	134,260,803
Alternative investments	<u>161,232,518</u>	<u>157,004,091</u>
	493,904,407	435,795,192
 <u>Investments at cost</u>		
Property	<u>46,184</u>	<u>45,757</u>
	<u>\$ 493,950,591</u>	<u>\$ 435,840,949</u>

THE COMMUNITY FOUNDATION OF MIDDLE TENNESSEE, INC. AND SUBSIDIARIES
(A TENNESSEE NOT-FOR-PROFIT CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

NOTE 6 - CHARITABLE LEAD TRUSTS

The Foundation is named beneficiary of various irrevocable charitable lead trusts. The Foundation is not the trustee and does not exercise control over the trusts' assets; therefore, the Foundation recognizes a receivable for its beneficial interest in those assets in the period the trust is created, with a corresponding credit to contributions with donor restrictions, based on the present value of the expected future cash inflows. The trust instruments provide for distributions to be made to the Foundation in amounts ranging from four to twenty one percent of the trust assets each year for periods of two years or more. Total cash distributions received by the Foundation from these trusts amounted to \$6,421,638 and \$5,796,576 for the years ended December 31, 2021 and 2020, respectively.

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Land	\$ 6,917,030	\$ 6,917,030
Building	656,900	656,900
Furniture, fixtures and equipment	246,416	280,929
Construction in progress	<u>2,478,243</u>	<u>632,974</u>
	10,298,589	8,487,833
Less accumulated depreciation	<u>(560,032)</u>	<u>(550,507)</u>
	<u>\$ 9,738,557</u>	<u>\$ 7,937,326</u>

Depreciation expense recognized on property and equipment amounted to \$50,165 and \$58,608 for the years ended December 31, 2021 and 2020, respectively.

Construction in progress at December 31, 2021 pertains to the construction of a new office building and the required renovations to the new office. The estimated date of project completion is the first quarter of 2023 with total estimated costs of approximately \$15,000,000.

NOTE 8 - EMPLOYEE BENEFIT PLAN

The Foundation has a Simplified Employee Pension Plan covering eligible employees age 21 years or older who have been employed by the Foundation for at least one year and received more than \$300 of compensation during the plan year. The Foundation contributed approximately \$84,000 and \$76,000 to the plan during 2021 and 2020, respectively.

THE COMMUNITY FOUNDATION OF MIDDLE TENNESSEE, INC. AND SUBSIDIARIES
(A TENNESSEE NOT-FOR-PROFIT CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

NOTE 9 - FAIR VALUE MEASUREMENTS

The following table sets forth the Foundation's major categories of assets and liabilities measured at fair value on a recurring basis, by level within the fair value hierarchy, as of December 31:

2021	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Financial Assets:				
Investments:				
Money market funds and other				
short-term investments	\$ 21,788,982	\$ 21,788,982	\$ -	\$ -
Corporate bonds	22,677,229	-	22,677,229	-
Equities:				
Basic materials	1,816,186	1,816,186	-	-
Communication services	4,687,012	4,687,012	-	-
Consumer defensive	4,523,525	4,523,525	-	-
Consumer cyclical	14,993,138	14,993,138	-	-
Consumer goods	2,041,896	2,041,896	-	-
Energy	1,943,963	1,943,963	-	-
Financial	14,834,615	14,834,615	-	-
Healthcare	14,908,198	14,908,198	-	-
Industrial goods	13,893,868	13,893,868	-	-
Real Estate	1,632,729	1,632,729	-	-
Technology	33,332,257	33,332,257	-	-
Utilities	1,083,354	1,083,354	-	-
Other	2,107,602	2,107,602	-	-
Government securities	20,541,683	-	20,541,683	-
Mutual funds:				
Domestic equity funds	44,136,297	44,136,297	-	-
Domestic bond funds	5,228,624	5,228,624	-	-
International equity funds	58,759,175	58,759,175	-	-
International bond funds	45,911,156	879,235	45,031,921	-
Other	1,830,400	1,830,400	-	-
Total investments in the fair value hierarchy	332,671,889	244,421,056	88,250,833	-
Partnership interests	43,261,143			
Private equity	9,564,117			
Hedge funds	108,407,258			
Total investments measured at net asset value (a)	161,232,518			
Total investments at fair value	493,904,407	244,421,056	88,250,833	-
Beneficial interest in lead trusts	74,889,185	-	74,889,185	-
Total Financial Assets	\$ 568,793,592	\$ 244,421,056	\$ 163,140,018	\$ -
Financial Liabilities:				
Agency funds liability	\$ (16,340,106)	\$ -	\$ (16,340,106)	\$ -

THE COMMUNITY FOUNDATION OF MIDDLE TENNESSEE, INC. AND SUBSIDIARIES
(A TENNESSEE NOT-FOR-PROFIT CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

NOTE 9 - FAIR VALUE MEASUREMENTS (CONTINUED)

2020	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Financial Assets:				
Investments:				
Money market funds and other				
short-term investments	\$ 19,218,798	\$ 19,218,798	\$ -	\$ -
Corporate bonds	18,153,480	-	18,153,480	-
Equities:				
Basic materials	2,075,338	2,075,338	-	-
Communication services	6,414,148	6,414,148	-	-
Consumer defensive	4,402,320	4,402,320	-	-
Consumer cyclical	13,596,529	13,596,529	-	-
Energy	884,849	884,849	-	-
Financial	15,431,341	15,431,341	-	-
Healthcare	12,451,415	12,451,415	-	-
Industrial goods	10,642,673	10,642,673	-	-
Real estate	808,839	808,839	-	-
Technology	24,461,534	24,461,534	-	-
Utilities	892,877	892,877	-	-
Government securities	15,096,157	-	15,096,157	-
Mutual funds:				
Domestic equity funds	33,498,175	33,498,175	-	-
Domestic bond funds	3,251,849	3,251,849	-	-
International equity funds	54,435,017	54,435,017	-	-
International bond funds	42,085,241	7,304,117	34,781,124	-
Other	990,521	990,521	-	-
Total investments in the fair value hierarchy	<u>278,791,101</u>	<u>210,760,340</u>	<u>68,030,761</u>	<u>-</u>
Partnership interests	40,208,952			
Private equity	8,281,616			
Hedge funds	<u>108,513,523</u>			
Total investments measured at net asset value (a)	<u>157,004,091</u>			
Total investments at fair value	<u>435,795,192</u>	<u>210,760,340</u>	<u>68,030,761</u>	<u>-</u>
Beneficial interest in lead trusts	78,825,394	-	78,825,394	-
Total Financial Assets	<u>\$ 514,620,586</u>	<u>\$ 210,760,340</u>	<u>\$ 146,856,155</u>	<u>\$ -</u>
Financial Liabilities:				
Agency funds liability	<u>\$ (12,395,053)</u>	<u>\$ -</u>	<u>\$ (12,395,053)</u>	<u>\$ -</u>

THE COMMUNITY FOUNDATION OF MIDDLE TENNESSEE, INC. AND SUBSIDIARIES
(A TENNESSEE NOT-FOR-PROFIT CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

NOTE 9 - FAIR VALUE MEASUREMENTS (CONTINUED)

(a) *In accordance with Accounting Standards Codification Subtopic 820-10, certain investments that were measured at fair value using the net asset value per share (or the 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 investments at fair value presented in Note 5.*

Fair value of investments in certain entities that calculate net asset value per share (or its equivalent) are as follows:

	Fair Value 2021	Fair Value 2020	Unfunded Commitments	Redemption Frequency	Redemption Notice
Partnership interests	\$ 43,261,143	\$ 40,208,952	\$ 3,164,404	monthly, quarterly, bi-annually	30-180 days
Private equity	\$ 9,564,117	\$ 8,281,616	\$ 8,666,374	daily, quarterly, bi-annually	30-90 days
Hedge funds	\$ 108,407,258	\$ 108,513,523	\$ -	quarterly, annually	30-90 days

A summary of the investment strategies for significant investments follows:

Partnership interests

The Foundation holds an investment with a fair value of approximately \$9,777,000 in 2021 (\$6,221,000 in 2020) in Davidson Kempner Institutional Partners, L.P. The investment objective of the fund is to achieve capital appreciation through event-driven investments which seek to exploit situations in which announced or anticipated events create inefficiencies in the pricing of investments.

The Foundation holds an investment with a fair value of approximately \$219,000 in 2021 (\$4,061,000 in 2020) in Renaissance Institutional Diversified Fund LLC. The investment objective of the fund is to employ a quantitative global investment strategy with exposure to a diversified universe of equity securities, futures, and forwards, using long-term alpha signals.

The Foundation holds an investment with a fair value of approximately \$4,086,000 in 2021 (\$4,952,000 in 2020) in Whiteoak Capital Partners. The investment objective of the fund is the earning of substantial current income by lending and investing in a diversified portfolio of fixed income securities.

The Foundation holds an investment with a fair value of approximately \$7,678,000 in 2021 (\$5,677,000 in 2020) in American Strategic Value Realty Fund. The investment objective of the fund is to offer institutional investors the opportunity to participate in a real estate investment strategy that targets enhanced yield and value-added return opportunities, with a secondary goal of diversification to reduce overall investment risk.

THE COMMUNITY FOUNDATION OF MIDDLE TENNESSEE, INC. AND SUBSIDIARIES
(A TENNESSEE NOT-FOR-PROFIT CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

NOTE 9 - FAIR VALUE MEASUREMENTS (CONTINUED)

Partnership interests (continued)

The Foundation holds an investment with a fair value of approximately \$8,546,000 in 2021 (\$7,124,000 in 2020) in Intercontinental Real Estate Corporation. The investment objective of the fund is to invest in a pool of real estate assets that are diversified by geography and property type, with a focus on yield-driven investments and value-added investments.

The Foundation holds an investment with a fair value of approximately \$8,492,000 in 2021 (\$7,864,000 in 2020) in Pointer Offshore, Ltd. The investment objective of the fund is to trade and invest in various securities, private investment companies and other investments.

Private equity funds

The Foundation holds an investment with a fair value of approximately \$2,296,000 in 2021 (\$2,212,000 in 2020) in Strategic Value Special Situations Feeder Fund III, L.P. The investment objective of the fund is to generate capital appreciation through global investments in a range of distressed financial and other assets.

Hedge funds

The Foundation holds an investment with a fair value of approximately \$75,195,000 in 2021 (\$70,726,000 in 2020) in Courage Special Situations Offshore Fund, Ltd. The investment objective of the fund is to achieve significant capital gains while minimizing risks associated with the broad security markets. The fund invests in a master fund which employs an investment strategy that focuses on event-driven, special situations and value-oriented investment opportunities.

The Foundation holds an investment with a fair value of approximately \$578,000 in 2021 (\$7,879,000 in 2020) in Courage Credit Opportunities Offshore Fund III, L.P. The investment objective of the fund is to achieve investment returns while emphasizing distressed investments in financially troubled companies, including those of companies that may be or have become involved in reorganization or bankruptcy proceedings.

The Foundation holds an investment with a fair value of approximately \$21,534,000 in 2021 (\$21,358,000 in 2020) in Courage Credit Opportunities Offshore Fund IV, L.P. The investment objective of the fund is to achieve investment returns while emphasizing distressed investments in financially troubled companies, including those of companies that may be or have become involved in reorganization or bankruptcy proceedings.

THE COMMUNITY FOUNDATION OF MIDDLE TENNESSEE, INC. AND SUBSIDIARIES
(A TENNESSEE NOT-FOR-PROFIT CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

NOTE 9 - FAIR VALUE MEASUREMENTS (CONTINUED)

Hedge Funds (continued)

The Foundation holds an investment with a fair value of approximately \$10,493,000 in 2021 (\$7,888,000 in 2020) in Ironwood Institutional Multi-Strategy Fund LLC. The investment objective of the fund is capital appreciation with limited variability of returns.

In addition to the above funds, the Foundation invests in approximately 38 other investments in certain entities that calculate net asset value per share or its equivalent (ranging in value up to approximately \$2,000,000) which engage in multi-strategy approaches for both domestic and international investments in public and private companies and other objectives.

Estimated Fair Value of Other Financial Instruments

The Foundation estimates that the fair value of all other financial instruments at December 31, 2021 and 2020, does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying consolidated statements of financial position. The estimated fair value amounts have been determined by the Foundation using available market information and appropriate valuation methodologies.

NOTE 10 - CERTAIN BEQUESTS

The Foundation's endowment consists of five permanently restricted bequests for donor-restricted funds established for a variety of purposes including support for public education, the acquisition of affordable housing, children, animals and the performing arts. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation's donor-restricted endowment funds are subject to the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") and the State of Tennessee's State Uniform Prudent Management of Institutional Funds Act ("SUPMIFA").

Interpretation of applicable law - The Board of Directors has interpreted 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 retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA.

THE COMMUNITY FOUNDATION OF MIDDLE TENNESSEE, INC. AND SUBSIDIARIES
(A TENNESSEE NOT-FOR-PROFIT CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

NOTE 10 - CERTAIN BEQUESTS (CONTINUED)

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

- The duration and preservation of the fund
- The purpose of the Foundation 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 the investments
- The investment policies of the Foundation

Spending policy - The Foundation has a policy of appropriating for distribution each year a payout range of 4% to 6% of total fund assets as determined annually by the Investment and Finance Committee. This payout will approximate 5% but may be adjusted by the committee at its sole discretion.

Investment return objective, risk parameters and strategies - The Foundation holds the assets in endowment funds to apply income there, both for long-term development purposes as well as for responding to current and changing charitable needs in Middle Tennessee. These circumstances require a growing asset base as well as a growing annual return on that base and dictate the following general philosophy guiding the Foundation's investments:

- Primary emphasis shall be placed on safety of principal by minimizing risks from either market or credit factors; and
- Moderate growth of principal and total return will be expected consistent with maintaining safety of principal.

The objective of the Foundation's investment management is to earn a real total rate of return averaging at least 4% per annum measured over a full market cycle (usually three to five years). The total fund objective is to compare favorably with the upper end performance (that is, the top 40%) of balanced fund managers, averaged over a full market cycle.

Investments of the Foundation are diversified to prevent adverse effects of any given investment from unduly penalizing the overall portfolio performance. Diversification is interpreted to include different types, characteristics and numbers of investments.

Asset allocation between equities, fixed income instruments and alternative investments is one method of diversification of investments of endowment funds. The portfolio is structured to consist of 40% to 80% equity securities, 60% to 20% fixed income securities, and up to 20% in alternative investment strategies.

THE COMMUNITY FOUNDATION OF MIDDLE TENNESSEE, INC. AND SUBSIDIARIES
(A TENNESSEE NOT-FOR-PROFIT CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

NOTE 10 - CERTAIN BEQUESTS (CONTINUED)

A schedule of endowment net asset composition by type of fund as of December 31 follows:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Accumulated investment gains	\$ -	\$ 579,232	\$ 579,232
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	1,961,917	1,961,917
Total endowment funds	<u>\$ -</u>	<u>\$ 2,541,149</u>	<u>\$ 2,541,149</u>

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Accumulated investment gains	\$ -	\$ 466,269	\$ 466,269
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	1,961,917	1,961,917
Total endowment funds	<u>\$ -</u>	<u>\$ 2,428,186</u>	<u>\$ 2,428,186</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SUPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies at December 31, 2021 or 2020.

THE COMMUNITY FOUNDATION OF MIDDLE TENNESSEE, INC. AND SUBSIDIARIES
(A TENNESSEE NOT-FOR-PROFIT CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

NOTE 10 - CERTAIN BEQUESTS (CONTINUED)

A schedule of changes in endowment net assets follows for the years ended December 31:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2021	\$ -	\$ 2,428,186	\$ 2,428,186
Contributions	-	-	-
Investment income	-	58,920	58,920
Net appreciation (realized and unrealized)	-	204,336	204,336
Amounts appropriated for expenditure	-	(150,293)	(150,293)
Endowment net assets, December 31, 2021	<u>\$ -</u>	<u>\$ 2,541,149</u>	<u>\$ 2,541,149</u>
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2020	\$ -	\$ 2,302,782	\$ 2,302,782
Contributions	-	-	-
Investment income	-	59,266	59,266
Net appreciation (realized and unrealized)	-	211,922	211,922
Amounts appropriated for expenditure	-	(145,784)	(145,784)
Endowment net assets, December 31, 2020	<u>\$ -</u>	<u>\$ 2,428,186</u>	<u>\$ 2,428,186</u>

NOTE 11 - SUBSEQUENT EVENT

In March 2022, the Foundation entered into a credit arrangement with a bank for the purpose of financing the construction of the new facility. The agreement includes both a line of credit facility and a term loan. The line of credit is a non-revolving line of credit agreement with a commitment of up to \$7,500,000. The agreement expires in February 2024 and bears interest at the Bloomberg Short-Term Bank Yield Daily Floating Rate plus 0.4%. The term loan agreement is in the amount of \$7,500,000 and bears interest at a fixed rate of 2.19%. The term loan is due in interest only payments until March 2024. Commencing March 2024, the term loan is due in monthly principal installments of \$31,250 until March 2032 when the remaining principal balance is due in full.