

**DELAWARE COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATION**

**AUDITED COMBINED FINANCIAL STATEMENTS
and
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2024

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Delaware Community Foundation, Inc.
and Supporting Organization

Opinion

We have audited the accompanying combined financial statements of Delaware Community Foundation, Inc. and Supporting Organization (a nonprofit organization), which comprise the combined statements of financial position as of June 30, 2024 and 2023, and the related combined statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Delaware Community Foundation, Inc. and Supporting Organization as of June 30, 2024 and 2023, and the 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. 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 Delaware Community Foundation, Inc. and Supporting Organization 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 combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Delaware Community Foundation, Inc. and Supporting Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Delaware Community Foundation, Inc. and Supporting Organization'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.

Wilmington, Delaware
January 9, 2025

Gunnip & Company LLP

COMBINED FINANCIAL STATEMENTS

**COMBINED STATEMENTS OF
FINANCIAL POSITION**

**DELAWARE COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATION**

JUNE 30, 2024 AND 2023

ASSETS

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 6,668,382	\$ 9,359,165
Investments	344,573,090	338,349,116
Other investments	7,147,897	12,139,432
Interest and dividends receivable	115,932	132,408
Grants receivable	722,895	130,683
Notes receivable	1,398,290	1,221,134
Unconditional promises to give	1,143,002	155,528
Other receivables	5,136	5,136
Fixed assets	<u>1,016,833</u>	<u>96,489</u>
 Total assets	 <u>\$ 362,791,457</u>	 <u>\$ 361,589,091</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Other accrued expenses	\$ 381,415	\$ 495,834
Charitable gift annuities	257,526	273,362
Deferred grant revenue	436,846	0
Nonprofit agency endowments	<u>45,291,179</u>	<u>44,080,336</u>
 Total liabilities	 46,366,966	 44,849,532
 NET ASSETS		
Without donor restrictions	314,576,617	316,723,264
With donor restrictions	<u>1,847,874</u>	<u>16,295</u>
Total net assets	<u>316,424,491</u>	<u>316,739,559</u>
 Total liabilities and net assets	 <u>\$ 362,791,457</u>	 <u>\$ 361,589,091</u>

See accompanying notes to financial statements

**COMBINED STATEMENT OF
ACTIVITIES**

**DELAWARE COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATION**

FOR THE YEAR ENDED JUNE 30, 2024

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Contributions	\$ 6,748,477	\$ 1,757,912	\$ 8,506,389
Interest and dividend income, net of fees of \$1,315,316	6,541,596	1,669	6,543,265
Realized gain	8,310,481	2,360	8,312,841
Unrealized gain	20,075,614	19,631	20,095,245
Administrative fees	323,701	0	323,701
Grants and other income	13,292,544	0	13,292,544
Total revenue	55,292,413	1,781,572	57,073,985
NET ASSETS RELEASED FROM RESTRICTIONS	15,903	(15,903)	0
Total revenues, gains and other support	55,308,316	1,765,669	57,073,985
EXPENSES			
Grants and programs	52,744,801	0	52,744,801
Management and general	2,461,518	0	2,461,518
Fundraising	2,182,734	0	2,182,734
Total operating expenses	57,389,053	0	57,389,053
CHANGE IN NET ASSETS BEFORE TRANSFERS	(2,080,737)	1,765,669	(315,068)
TRANSFERS FROM EXISTING FUNDS	(65,910)	65,910	0
CHANGE IN NET ASSETS	(2,146,647)	1,831,579	(315,068)
NET ASSETS, BEGINNING OF YEAR	316,723,264	16,295	316,739,559
NET ASSETS, END OF YEAR	\$ 314,576,617	\$ 1,847,874	\$ 316,424,491

See accompanying notes to financial statements

**COMBINED STATEMENT OF
ACTIVITIES**

**DELAWARE COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATION**

FOR THE YEAR ENDED JUNE 30, 2023

	2023		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT			
Contributions	\$ 15,731,281	\$ 20,500	\$ 15,751,781
Interest and dividend income, net of fees of \$1,270,169	6,283,046	0	6,283,046
Realized gain	7,576,803	0	7,576,803
Unrealized loss	11,714,328	0	11,714,328
Administrative fees	309,425	0	309,425
Grants and other income	<u>10,824,869</u>	<u>0</u>	<u>10,824,869</u>
Total revenue	52,439,752	20,500	52,460,252
NET ASSETS RELEASED FROM RESTRICTIONS	<u>27,105</u>	<u>(27,105)</u>	<u>0</u>
Total revenues, gains and other support	52,466,857	(6,605)	52,460,252
EXPENSES			
Grants and programs	37,336,480	0	37,336,480
Management and General	2,347,759	0	2,347,759
Fundraising	<u>1,716,139</u>	<u>0</u>	<u>1,716,139</u>
Total operating expenses	<u>41,400,378</u>	<u>0</u>	<u>41,400,378</u>
CHANGE IN NET ASSETS	11,066,479	(6,605)	11,059,874
NET ASSETS, BEGINNING OF YEAR	<u>305,656,785</u>	<u>22,900</u>	<u>305,679,685</u>
NET ASSETS, END OF YEAR	<u>\$ 316,723,264</u>	<u>\$ 16,295</u>	<u>\$ 316,739,559</u>

See accompanying notes to financial statements

**COMBINED STATEMENT OF
FUNCTIONAL EXPENSES**

**DELAWARE COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATION**

FOR THE YEAR ENDED JUNE 30, 2024

Description	Grants and programs	Management & General	Fundraising	Total
Grants	\$ 43,992,334	\$ 0	\$ 0	\$ 43,992,334
Compensation and benefits	2,774,839	1,253,856	1,468,193	5,496,888
Professional fees and contract services	4,182,484	457,996	405,929	5,046,409
Supplies and office expense	104,307	102,416	24,404	231,127
Travel, conferences, and meetings	571,919	67,727	63,362	703,008
Occupancy	15,697	173,828	10,064	199,589
Information technology	28,617	200,593	7,272	236,482
Insurance	3,591	42,845	489	46,925
Marketing and promotion	72,317	124,849	75,254	272,420
Gift annuity distributions, net of change in annuity value	(144)	0	0	(144)
Subrecipient awards	905,324	0	0	905,324
Other	92,786	590	127,767	221,143
Depreciation	730	36,818	0	37,548
Total	<u>\$ 52,744,801</u>	<u>\$ 2,461,518</u>	<u>\$ 2,182,734</u>	<u>\$ 57,389,053</u>

See accompanying notes to financial statements

**COMBINED STATEMENT OF
FUNCTIONAL EXPENSES**

**DELAWARE COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATION**

FOR THE YEAR ENDED JUNE 30, 2023

Description	Grants and programs	Management & General	Fundraising	Total
Grants	\$ 31,164,764	\$ 0	\$ 0	\$ 31,164,764
Compensation and benefits	2,405,255	1,185,563	1,220,617	4,811,435
Professional fees and contract services	2,882,114	427,473	199,061	3,508,648
Supplies and office expense	69,690	120,802	32,053	222,545
Travel, conferences, and meetings	223,743	110,881	66,997	401,621
Occupancy	32,614	110,628	7,429	150,671
Information technology	98,878	191,658	5,373	295,909
Insurance	1,145	44,149	0	45,294
Marketing and promotion	50,115	115,297	48,088	213,500
Gift annuity distributions, net of change in annuity value	1,998	0	0	1,998
Subrecipient awards	241,064	0	0	241,064
Other	164,431	5,518	136,521	306,470
Depreciation	669	35,790	0	36,459
Total	<u>\$ 37,336,480</u>	<u>\$ 2,347,759</u>	<u>\$ 1,716,139</u>	<u>\$ 41,400,378</u>

See accompanying notes to financial statements

**COMBINED STATEMENTS OF
CASH FLOWS**

**DELAWARE COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATION**

FOR THE YEAR ENDED JUNE 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from revenues, gains and other support	\$ 22,425,500	\$ 32,228,048
Cash paid for grants and expenses	(62,708,488)	(45,451,143)
Interest and dividends received	<u>7,756,734</u>	<u>7,316,268</u>
Net cash flow from (used by) operating activities	<u>(32,526,254)</u>	<u>(5,906,827)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(957,891)	(20,857)
Notes receivable made	(475,000)	0
Notes receivable collected	297,844	540,494
Purchase of investments	(21,728,955)	(48,384,987)
Proceeds from sale of investments	<u>52,699,473</u>	<u>48,028,213</u>
Net cash flow from (used by) investing activities	<u>29,835,471</u>	<u>162,863</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(2,690,783)</u>	<u>(5,743,964)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>9,359,165</u>	<u>15,103,129</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 6,668,382</u></u>	<u><u>\$ 9,359,165</u></u>

See accompanying notes to financial statements

Note 1 Nature of activities and significant accounting policies

Nature of activities

The Delaware Community Foundation, Inc., and Rodel Charitable Foundation - DE (the Supporting Organization), collectively referred to as the Foundation, are nonprofit organizations formed for the principal purpose of attracting and administering charitable funds. The Foundation serves as a source of information for the community, identifies unmet and emerging community needs, and facilitates strategies to address these needs. The Foundation awards grants to nonprofit organizations to develop their facilities and provide services to help those in need achieve a better life. The majority of the Foundation's revenue is composed of contributions and investment income. The Foundation is located in the State of Delaware.

Principles of combination

These combined financial statements include the accounts of Delaware Community Foundation, Inc. and Rodel Charitable Foundation - DE, both of which are under common control. All significant intercompany balances and transactions have been eliminated.

Use of estimates in the preparation of financial statements

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

Cash and cash equivalents

For purposes of the statements of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Included in cash and cash equivalents at June 30, 2024 and 2023 is \$2,212,252 and \$3,211,611, respectively, that reflects cash held in investment accounts.

Note 1 Nature of activities and significant accounting policies (cont'd)

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the combined statements of financial position. Fair values are estimated based upon quoted market prices. Purchases and sales are recorded on the trade date. Realized gains and losses are determined on the basis of first-in, first-out. Unrealized gains and losses are included in the change in net assets in the combined statements of activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met in the reporting period in which the income and gains are recognized.

Investments – other consists of the estimated fair value of donated real estate, stock awaiting sale at estimated fair value and certificates of deposit, stated at cost.

Promises to give

Unconditional promises to give are recognized as revenues or gains in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met and the promises become unconditional. Unconditional promises to give are reported at their fair value or net realizable value in the combined statements of financial position. Provisions for uncollectible receivables are charged to expense when determined to be uncollectible by management. It is the opinion of management that the expense computed under this method is not materially different than what the expense would be if the allowance method were used.

Allowance for credit losses

The Foundation's management has deemed all receivables to be collectible and accordingly has not recorded an allowance for credit losses as of June 30, 2024 and 2023.

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Note 1 Nature of activities and significant accounting policies (cont'd)

Fixed assets

The Foundation capitalizes all expenditures for property, plant, and equipment in excess of \$ 1,000. Purchased property, plant, and equipment are recorded at cost. Donations of property, plant, and equipment are recorded as support at their estimated fair value. Such donations are reported as support without restriction unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property, plant, and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies net assets with donor restrictions to net assets without restriction at that time. Property, plant, and equipment are depreciated using the straight-line method over the estimated useful life of the related asset.

Nonprofit agency endowments

Nonprofit agency endowments consist of amounts received from various nonprofit organizations that, through their respective fund agreements, have designated themselves as beneficiaries. New additions, investment income, and gains increase the liability. Grants paid to the respective nonprofit organizations, management fees, and investment losses reduce the liability.

Net assets

The Foundation's by-laws include a unilateral variance power, which allows the Foundation the ability to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to specified organizations if, in the sole judgment of the Board (without the necessity of the approval of any participating trustee, custodian or agent), such restrictions or conditions become, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable, benevolent, cultural, civic, health, scientific, and educational needs of the Delaware community.

Financial statement presentation

The combined financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles ("US 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.

Note 1 Nature of activities and significant accounting policies (cont'd)

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, where by 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 statement of activities.

Contributions

Noncash contributions are recorded at fair value on the date of donation.

Support that is restricted by the donor and placed in a fund is administered and classified according to the donor's stipulations; however, the by-laws and individual fund agreements provide the governing body of the Foundation with variance power over the use of such assets, and, therefore, donor support is recorded as an increase in net assets without donor restrictions.

Support that is subject to time or use restrictions is recorded as increases in net assets without restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other time and use restricted support is reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Functional expenses

The costs of providing program and other activities have been summarized on a functional basis in the combined statement of activities. Accordingly, certain costs have been allocated among program and supporting services. Such allocations are determined by management on an equitable basis.

Allocation of costs

Directly identifiable expenses are charged to grants and programs in the combined statement of activities. Management and general expenses include those expenses that are not directly identifiable with a specific grant or program but provide for the overall support and direction of the Foundation.

Note 1 Nature of activities and significant accounting policies (cont'd)

Advertising

The Foundation expenses advertising cost as incurred. Advertising expense was \$115,331 and \$107,487 for the years ended June 30, 2024 and 2023, respectively.

Revenue and revenue recognition

Revenues are measured based on consideration specified in a contract with a customer. The Foundation recognizes revenue when it satisfies a performance obligation by assuming control over a promised service to a customer. The Foundation's principal activities resulting in contracts with customers include administration fees for services.

Monthly administration fees are based on fixed rate schedules multiplied by the monthly balance held at the Foundation specified in fund agreement. The performance obligation consists of providing fund holders with administrative services provided during the month and are nonrefundable.

Revenue from fundraisers is measured by the amount of money received for or during the event, less expenses incurred for the fundraising activity. Revenue from government agencies and other grants is measured by the consideration specified in the respective contract with the respective granting agency. The Foundation recognizes this revenue on a cost reimbursement basis as the Foundation satisfies service obligations. The Foundation submits approved expenditures to the granting agency and recognizes the revenue upon submission. The Foundation also has revenues for program services that have a duration of one year or less. The Foundation has elected the practical expedient and has not disclosed the value of unsatisfied performance obligations nor the expected timing for completion related to these revenues.

Fair value measurement

FASB ASC 820 – Fair Value Measurements and Disclosures 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 significant unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820-10 are described as follows:

Level 1 – inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Note 1 Nature of activities and significant accounting policies (cont'd)

Fair value measurement (cont'd)

Level 2 –

- 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.

Income taxes

The Delaware Community Foundation, Inc. and Rodel Charitable Foundation - DE are nonprofit organizations which are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). As a result, there is no provision for federal income taxes in the accompanying combined financial statements. In addition, both organizations qualify for the charitable contribution deduction under Section 170(b)(1)(A) and have been determined by the Internal Revenue Service (IRS) not to be a "private foundation" within the meaning of Section 509(a) of the IRC.

Income not related to the Foundation's tax-exempt purposes may be subject to taxation as unrelated business income. Accounting principles generally accepted in the United States of America impose a threshold for determining when an income tax benefit can be recognized in regard to uncertain tax positions.

The Delaware Community Foundation, Inc. and Rodel Charitable Foundation - DE have determined that no liability for uncertain tax positions is required to be accrued and included in the combined statements of financial position as of June 30, 2024 and 2023.

The federal informational returns of the Delaware Community Foundation, Inc. and Rodel Charitable Foundation - DE for the years ended June 30, 2021, 2022, and 2023 are subject to examination by the IRS, generally for three years after they were filed.

Note 1 Nature of activities and significant accounting policies (cont'd)

Accounting pronouncements adopted

Effective July 1, 2023, the Foundation adopted ASU 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASC 326). This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (“CECL”) methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses.

The Foundation adopted ASC 326 and all related subsequent amendments thereto effective July 1, 2023 using the modified retrospective approach for all financial assets measured at amortized cost. Adoption of this standard has no effect on the net assets for the year ending June 30, 2023.

Subsequent events

The date to which events occurring after June 30, 2024, the date of the most recent combined statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is January 9, 2025, which is the date on which the financial statements were available to be issued.

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**NOTES TO COMBINED FINANCIAL
STATEMENTS (cont'd)**

**DELAWARE COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATION**

Note 2 Availability and liquidity

Financial assets available for general expenditures within one year of the combined statements of financial position date are comprised of the following at June 30:

	2024	2023
Financial assets at year end:		
Cash and cash equivalents	\$ 2,561,429	\$ 2,112,696
Investment securities	<u>3,153,683</u>	<u>3,446,816</u>
Total financial assets	<u>5,715,112</u>	<u>5,559,512</u>
Less amounts not available to be used within one year:		
Interfund loan	969,637	0
Board reserves	<u>3,005,043</u>	<u>3,306,659</u>
Total financial assets	<u>\$ 1,740,432</u>	<u>\$ 2,252,853</u>

The Foundation's core operations are funded primarily through asset-based administrative fees on the charitable funds under management, calculated as a percentage of market value. The board of directors has established reserves designed to support operations during periods of market volatility, when administrative fees collected may fall short of budgeted expectations.

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**NOTES TO COMBINED FINANCIAL
STATEMENTS (cont'd)**

**DELAWARE COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATION**

Note 3 Investments

Combined investments, including investments from the Supporting Organization, consisted of the following as of June 30:

	2024	2023
	<u>Fair Value</u>	<u>Fair Value</u>
Common stocks		
Domestic	\$ 24,965,797	\$ 22,513,213
International	1,049,138	878,722
Corporate bonds (domestic)	8,103,238	14,247,854
Government agency and securities	11,685,324	19,401,201
REIT	7,401,264	8,047,821
Energy debt LP	684,104	1,270,444
Global private assets LP	6,477,771	4,601,337
Mutual funds		
Equity	182,463,646	174,216,118
Fixed Income	67,571,992	64,121,618
Other	4,613,201	2,379,780
Multi-strategy hedge funds	26,182,074	23,310,898
Private equity funds	2,375,541	2,344,075
SAFE contract	0	14,740
True Access	500,000	500,000
Neighborgood Partners	500,000	500,000
Annuity contracts	0	1,295
	<hr/>	<hr/>
Total investments	<u>\$ 344,573,090</u>	<u>\$ 338,349,116</u>

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Note 3 Investments (cont'd)

The values of the hedge funds and private equity funds as of June 30, 2024 and 2023 have been estimated by the underlying fund managers. Information on unfunded commitments and redemption restrictions, if any, as of June 30, 2024 and 2023 is listed in the following tables.

June 30, 2024	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-strategy hedge funds (DCF) ^a	\$ 26,182,074	\$ 0	Quarterly	95 Days
REIT – Core Property (DCF) ^a	7,401,264	0	Quarterly	95 Days
Energy Debt LP (DCF) ^a	684,104	0	N/A	N/A
Global Private Assets, LP (DCF) ^a	6,477,771	8,563,626	N/A	N/A
Private equity funds (Rodel) ^b	2,375,541	154,526	N/A	N/A
Grand total	<u>\$ 43,120,754</u>	<u>\$ 8,718,152</u>		
June 30, 2023	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-strategy hedge funds (DCF) ^a	\$ 23,310,898	\$ 0	Quarterly	95 Days
REIT – Core Property (DCF) ^a	8,047,821	0	Quarterly	95 Days
Energy Debt LP (DCF) ^a	1,270,444	0	N/A	N/A
Global Private Assets, LP (DCF) ^a	4,601,337	10,283,247	N/A	N/A
Private equity funds (Rodel) ^b	2,344,075	154,526	N/A	N/A
Grand total	<u>\$ 39,574,575</u>	<u>\$ 10,437,773</u>		

^a This category invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The fair values of the investments in this category have been estimated using net asset value per share of the investments.

^b This category includes several private equity funds with multiple investment managers. The Hirtle Callaghan investments can never be redeemed with the funds. Instead, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets of the fund. The fund is expected to begin liquidation 15 to 18 years from the initial offering date. The Charles Schwab investments are considered private equity investments, but offer quarterly redemptions making them more liquid. The fair values of the investments in this category have been estimated using the most recent valuations reported to the investment manager by the underlying funds in which it invests. As a result, the fair values of the investments in this category may be based on reported valuations that are several months old as of June 30, 2024 and 2023.

**NOTES TO COMBINED FINANCIAL
STATEMENTS (cont'd)**

**DELAWARE COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATION**

Note 4 Other investments

Other investments consisted of the following as of June 30:

	<u>2024</u>	<u>2023</u>
Certificates of deposit	\$ 7,147,897	\$ 12,130,803
Stock awaiting sale	0	8,629
Total	<u>\$ 7,147,897</u>	<u>\$ 12,139,432</u>

Note 5 Notes receivable

Notes receivable consisted of the following as of June 30:

	<u>2024</u>	<u>2023</u>
Notes receivable due to Capital Reserve	\$ 825,000	\$ 557,990
Interest receivable on notes receivable due to Capital Reserve	10,564	26,721
Other notes receivable	<u>562,726</u>	<u>636,423</u>
Total notes receivable	<u>\$ 1,398,290</u>	<u>\$ 1,221,134</u>

Notes receivable consisted of the following as of June 30, 2024:

<u>Date of Note</u>	<u>Due Date</u>	<u>1 Year Constant Maturity Index</u>	<u>Balance</u>
12/13/2023	12/13/2024	4.80%	\$ 250,000
03/23/2023	03/24/2025	5.01%	100,000
05/22/2024	05/22/2025	5.21%	175,000
05/22/2024	05/22/2025	5.21%	300,000
11/19/2021	11/30/2030	5.00%	<u>562,726</u>
		Total	<u>\$ 1,387,726</u>

**NOTES TO COMBINED FINANCIAL
STATEMENTS (cont'd)**

**DELAWARE COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATION**

Note 5 Notes receivable (cont'd)

Notes receivable consisted of the following as of June 30, 2023:

<u>Date of Note</u>	<u>Due Date</u>	<u>1 Year Constant Maturity Index</u>	<u>Balance</u>
12/13/2022	12/13/2023	4.64%	\$ 250,000
03/23/2023	03/24/2024	4.68%	100,000
05/07/2020	05/01/2026	0.85%	207,990
11/19/2021	11/30/2030	5.00%	636,423
		Total	<u><u>\$ 1,194,413</u></u>

The Foundation regularly grants notes to unrelated nonprofit organizations as part of its mission to help nonprofit organizations develop their facilities and provide services. These notes carry interest at rates ranging from 0% to 5.21%. Interest-bearing notes incur interest each quarter, which is recorded by the Foundation as a grant to the nonprofit organization. The majority of the Foundation's notes are due on demand. Non-demand notes are due within one to three years.

Note 6 Unconditional promises to give

Unconditional promises to give consisted of the following as of June 30:

	<u>2024</u>	<u>2023</u>
Receivable in less than one year	\$ 473,802	\$ 139,233
Receivable in one to five years	669,200	16,295
Total unconditional promises to give	<u><u>\$ 1,143,002</u></u>	<u><u>\$ 155,528</u></u>

The Foundation does not discount their unconditional promises to give as management considers it immaterial.

**NOTES TO COMBINED FINANCIAL
STATEMENTS (cont'd)**

**DELAWARE COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATION**

Note 7 Fixed assets

Fixed assets consisted of the following as of June 30:

	<u>2024</u>	<u>2023</u>
Building, furniture and equipment	\$ 1,662,633	\$ 724,175
Leasehold improvements	236,693	236,693
Less: accumulated depreciation and amortization	<u>(882,493)</u>	<u>(864,379)</u>
Total fixed assets	<u>\$ 1,016,833</u>	<u>\$ 96,489</u>

Note 8 Net assets with donor restriction

Net assets with donor restriction and net assets released from restrictions consisted of the following as of and for the year ended June 30:

	2023	Additions	Releases	2024
Time restricted pledges	\$ 16,295	\$ 21,245	\$ (13,040)	\$ 24,500
Endowment fund	0	1,826,237	(2,863)	1,823,374
Total net assets with donor restrictions	<u>\$ 16,295</u>	<u>\$ 1,847,482</u>	<u>\$ (15,903)</u>	<u>\$ 1,847,874</u>

	2022	Additions	Releases	2023
Time restricted pledges	\$ 22,900	\$ 20,500	\$ (27,105)	\$ 16,295
Total net assets with donor restrictions	<u>\$ 22,900</u>	<u>\$ 20,500</u>	<u>\$ (27,105)</u>	<u>\$ 16,295</u>

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Note 9 Financial instruments

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash accounts with local financial institutions, notes receivable, promises to give and investments. The Foundation places its cash accounts with several financial institutions to limit the amount of credit exposure to any one financial institution. Concentrations with respect to promises to give are limited due to the composition of the contributor base. Concentrations with respect to notes receivable are limited due to the Foundation limiting fund withdrawals in accordance with fund agreements.

The Foundation's investment portfolio is exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the Foundation's account balances and the amounts reported in the combined statements of financial position. The Foundation mitigates credit risk with respect to investments by placing its investments with several professional investment advisors subject to the Foundation's investment policy.

Note 10 Concentration of credit risk

The Foundation's cash and other investments are maintained in bank deposits and certificates of deposits that at times exceeds federally insured limits. The Foundation has not experienced any losses in such accounts and does not believe it is exposed to any significant risk.

The Foundation's investments and certain cash equivalents are held in the custody of investment houses and brokerage firms. Investments in securities, including money market funds, held at each of the brokers are insured up to \$500,000, while cash balances are insured up to \$250,000, under the Securities Investor Protection Corporation (SIPC). As of June 30, 2024 and 2023, substantially all of the Foundation's investments, including cash balances held by investment managers, are in excess of insured amounts.

Note 11 Retirement plan

The Delaware Community Foundation, Inc. adopted a defined contribution plan, effective January 1, 1994, for the exclusive benefit of all full-time employees. An employee is eligible for participation upon hire. The amount of the Foundation's total contribution to the plan is determined annually as part of the budget process. Employer contributions to the plan are funded quarterly based on the participant's prior fiscal period compensation and upon completion of one quarter year of service. The plan provides for full vesting immediately upon admittance to the plan. Retirement plan expense for employees of the Foundation was \$198,871 and \$182,272 for the years ended June 30, 2024 and 2023, respectively.

**NOTES TO COMBINED FINANCIAL
STATEMENTS (cont'd)**

**DELAWARE COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATION**

Note 12 Deferred compensation plan

The Foundation established a deferred compensation plan under Section 457(b) effective December 15, 2004. The purpose of the plan is to enable its eligible employees to enhance their retirement security by permitting them to enter into agreements with the Foundation to defer a portion of their compensation and receive benefits at retirement. The Foundation maintains a segregated money market account to finance this liability.

For the years ended June 30, 2024 and 2023, \$15,000 and \$5,000 were charged to operations under these arrangements, respectively. As of June 30, 2024 and 2023, \$178,445 and \$163,445 respectively, was accrued as a liability related to these arrangements.

Note 13 Fair value measurement

Fair values of assets measured on a recurring basis as of June 30, are as follows:

June 30, 2024	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stocks				
Domestic	\$ 24,965,797	\$ 24,965,797	\$ 0	\$ 0
International	1,049,138	1,049,138	0	0
Corporate bonds (domestic)	8,103,238	0	8,103,238	0
Government agency and securities	11,685,324	0	11,685,324	0
Mutual funds				
Equity	182,463,646	182,463,646	0	0
Fixed income	67,571,992	67,571,992	0	0
Other	4,613,201	4,613,201	0	0
Private equity funds	2,375,541	0	0	2,375,541
SAFE contracts	0	0	0	0
True Access	500,000	0	0	500,000
Neighborgood Partners	500,000	0	0	500,000
Annuity contracts	0	0	0	0
Total assets in fair value hierarchy	303,827,877	\$ 280,663,774	\$ 19,788,562	\$ 3,375,541
Investments measured at net asset value (a)	40,745,213			
Total investments at fair value	\$ 344,573,090			

**NOTES TO COMBINED FINANCIAL
STATEMENTS (cont'd)**

**DELAWARE COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATION**

Note 13 Fair value measurement (cont'd)

June 30, 2023	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stocks				
Domestic	\$ 22,513,213	\$ 22,513,213	\$ 0	\$ 0
International	878,722	878,722	0	0
Corporate bonds (domestic)	14,247,854	0	14,247,854	0
Government agency and securities	19,401,201	0	19,401,201	0
Mutual funds				
Equity	174,216,118	174,216,118	0	0
Fixed income	64,121,618	64,121,618	0	0
Other	2,379,780	2,379,780	0	0
Private equity funds	2,344,075	0	0	2,344,075
SAFE contracts	14,740	0	0	14,740
True Access	500,000	0	0	500,000
Neighborgood Partners	500,000	0	0	500,000
Annuity contracts	1,295	0	0	1,295
Total assets in fair value hierarchy	\$ 301,118,616	\$ 264,109,451	\$ 33,649,055	\$ 3,360,110
Investments measured at net asset value (a)	37,230,500			
Total investments at fair value	\$ 338,349,116			

(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) 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 statement of financial position.

The asset 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.

The fair values of investments in marketable securities with readily determinable market values are estimated based on quoted market prices. Market values for fixed income securities are estimated using quoted bid and ask prices.

Note 13 Fair value measurement (cont'd)

Investments for which readily ascertainable market values are not available consist primarily of partnerships invested in public equity markets, partnerships invested in private equity markets, and annuity contracts. The fair values of investment partnerships have been determined based on the Foundation's proportionate share of the underlying fair values of the net assets of the investment partnerships. The fair values relating to certain underlying investments in these partnerships have been estimated by the partnerships' managing members in the absence of readily ascertainable market values.

The fair values of annuity contracts have been determined on a discounted cash flow basis, incorporating current life expectancy assumptions. Because of the inherent uncertainty of valuation, estimated fair values for these investments may differ significantly from values that would have been used had a ready market existed and those differences could be material.

The following is a summary of the changes in the fair value of the Foundation's level 3 assets for the years ended June 30, 2024 and 2023:

	Private Equity Funds	Annuity Contracts	SAFE Contracts	True Access	Neighborgood Partners	Total
Balance – June 30, 2022	\$ 2,400,629	\$ 1,925	\$ 14,740	\$ 500,000	\$ 0	\$ 2,917,294
Realized gains (losses)	0	0	0	0	0	0
Unrealized gains (losses)	(56,554)	0	0	0	0	(56,554)
Investment income	0	0	0	0	0	0
Purchases, sales and settlements (net of fees)	0	0	0	0	500,000	500,000
Change in discount	0	(630)	0	0	0	(630)
Balance – June 30, 2023	2,344,075	1,295	14,740	500,000	500,000	3,360,110
Realized gains (losses)	0	0	0	0	0	0
Unrealized gains (losses)	31,466	0	0	0	0	31,466
Investment income	0	0	0	0	0	0
Purchases, sales and settlements (net of fees)	0	(1,295)	(14,740)	0	0	(16,035)
Change in discount	0	0	0	0	0	0
Balance – June 30, 2024	\$ 2,375,541	\$ 0	\$ 0	\$ 500,000	\$ 500,000	\$ 3,375,541

Note 14 Charitable gift annuities

The Foundation has several charitable gift annuities in which donors have given property or cash to support the work of the Foundation. The Foundation is required to make quarterly benefit payments back to the donors (annuitants). Payments are calculated based upon the donor's life expectancy and the use of a discount rate which ranges between 1.2 % and 6.0%. The Foundation records the assets received at fair market value and the resulting liability at the present value of expected future cash flows to be paid to the annuity beneficiary. As quarterly distributions are made the liability is decreased. If a change occurs to the life expectancy of the beneficiary, the liability and unrestricted change in value of annuity are increased or decreased accordingly.

Note 14 Charitable gift annuities (cont'd)

On September 27, 2012, the Foundation purchased a group annuity policy on several of its charitable gift annuitants. Under the policy, the Foundation receives a quarterly benefit payment based on several factors, including purchase rates, the type of annuity purchased, the annuity date, and the age and sex of the annuitants.

The Foundation has recorded the group annuity policies with investments on the statements of financial position at fair value as determined on a discounted cash flow basis, incorporating current life expectancy assumptions. Quarterly annuity benefits received by the Foundation are utilized to make quarterly benefit payments back to their annuitants.

Note 15 Related party transactions

Certain members of the Board of Directors of the Foundation are employees or board members of financial institutions that manage and retain custody of the Foundation's assets. These board members have no independent investment authority over the assets which are held by the financial institution for the convenience of the Foundation and at the discretion of its Board of Directors.

Certain members of the Board of Directors of the Foundation are employees or board members of nonprofit organizations to which the Foundation made grants without restrictions during the years ended June 30, 2024 and June 30, 2023. These board members recused themselves from voting on such grant approvals for their organizations.

Note 16 Endowment fund

During 2011, the Board of Directors of the Foundation (Board) created the Delaware Community Strategic Fund. The strategic fund was created to provide long-term reliable annual support to four key areas of the Foundation as determined by the Board. Funds utilized by the Foundation to establish the strategic fund, along with all future contributions without restriction transferred into the fund, are defined as a board-designated endowment. At times the Foundation receives donor contributions restricted solely for strategic fund use.

During 2023, the DCF Board voted to undertake an endowment campaign. Our objective is to raise permanently endowed funds to support the initiatives of the DCF, allow us to make grants to charitable organizations in Delaware, and provide scholarships to benefit students in the state.

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 16 Endowment fund (cont'd)

Investment return objectives, risk parameters and strategies

The Foundation has adopted investment and spending policies, approved by the Board, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution, while growing the funds if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending policy

The Foundation has a policy of appropriating for distribution each year 5% of the average daily balance for the past 12 quarters (or the number of quarters the fund has been open if fewer than 12). In establishing this policy, the Foundation considered the long-term expected return on its investment assets and the nature and duration of the individual endowment funds. The spending policy is reviewed regularly by the Board to allow its endowment funds to grow annually while maintaining the purchasing power of the endowment assets as well as to provide additional growth through new gifts and investment return.

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**NOTES TO COMBINED FINANCIAL
STATEMENTS (cont'd)**

**DELAWARE COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATION**

Note 16 Endowment fund (cont'd)

Changes in endowment net assets and endowment composition as of and for the year ended June 30, 2024 and 2023 were as follows:

<u>June 30, 2024</u>	Without Donor Restrictions Board- Designated	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,645,980	\$ 0	\$ 1,645,980
Additions	0	1,736,667	1,736,667
Investment income, net of fees	36,529	1,669	38,198
Unrealized gain	118,528	2,360	120,888
Realized gain	49,285	19,631	68,916
Interfund transfers	(569,181)	65,910	(503,271)
Amounts appropriated for expenditure	0	(2,863)	(2,863)
Endowment net assets end of year	<u>\$ 1,281,141</u>	<u>\$ 1,823,374</u>	<u>\$ 3,104,515</u>

<u>June 30, 2023</u>	Without Donor Restrictions Board- Designated	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,492,455	\$ 0	\$ 1,492,455
Additions	216,735	0	216,735
Investment income, net of fees	32,783	0	32,783
Unrealized gain	70,319	0	70,319
Realized gain	35,691	0	35,691
Amounts appropriated for	(202,003)	0	(202,003)
Endowment net assets, end of year	<u>\$ 1,645,980</u>	<u>\$ 0</u>	<u>\$ 1,645,980</u>

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Note 17 Major contributor

Of the \$8,506,389 in contributions received during the year ended June 30, 2024, 39%, or \$3,325,957, was received from three contributors. Of the \$15,751,781 in contributions received during the year ended June 30, 2023, 44%, or \$7,001,143, was received from two contributors.

Note 18 Commitments and contingencies

In the normal course of business, there are various commitments and contingencies outstanding which are not reflected in these combined financial statements. In the opinion of management, the outcome of such events, if any, will not have a material effect on the Foundation's combined financial statements.

Note 19 Grants receivable

In 2022, the Supporting Organization was awarded a total of \$7,300,000 from the U.S. Department of Treasury's Coronavirus State and Local Fiscal Recovery Funds ("SLFRF") which started March 3, 2021 and ends December 31, 2024. The SLFRF program provides governments across the country with the resources needed to: fight the pandemic and support families and businesses struggling with its public health and economic impacts, maintain vital public services, even amid declines in revenue resulting from the crisis, and build a strong, resilient, and equitable recovery by making investments that support long-term growth and opportunity. The SLFRF funds must be used to replace lost public sector revenue, respond to the far-reaching public health and negative economic impacts of the pandemic, provide premium pay for essential workers, or invest in water, sewer, and broadband infrastructure. The Supporting Organization accounted for the SLFRF funds as a cost-reimbursable grant, which are conditioned upon the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Supporting Organization incurred expenditures in compliance with grant provisions. For the year ended June 30, 2024 and 2023, \$3,092,211 and \$2,025,265 was recognized as revenue in the combined statements of activities. At June 30, 2024, \$722,895 is recorded as grants receivable on the combined statements of financial position (\$130,683 at June 30, 2023).