NORTHSHORE COMMUNITY FOUNDATION

COVINGTON, LOUISIANA

DECEMBER 31, 2022 AND 2021

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Independent Auditor's Report

To the Board of Directors
Northshore Community Foundation
Covington, Louisiana

Opinion

We have audited the financial statements of Northshore Community Foundation (a nonprofit organization) which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Northshore Community Foundation as of December 31, 2022 and 2021, and the results of its changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, 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 Northshore Community Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Northshore Community Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Respectfully submitted,

Hannis T. Bourgeois, LLP

Baton Rouge, Louisiana
September 6, 2023

NORTHSHORE COMMUNITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	$ 317,079	$ 201,007
Accounts receivable	19,569	-
Investments, at fair value	31,617,662	32,254,603
Property and equipment, net	1,219,248	1,597,671
Real estate held for sale	-	805,860
Contribution receivable - CEA land lease, net	317,082	341,473
Notes receivable	80,000	80,000
Deposits and other assets	875	1,575
Total assets	$ 33,571,515	$ 35,282,189
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	$ 49,121	$ 51,999
Grants payable	32,500	11,000
Amounts held on behalf of others	17,306,142	18,986,368
Deposits	6,410	5,125
Deferred revenue	20,221	18,000
Total liabilities	17,414,394	19,072,492
NET ASSETS:		
Without donor restrictions:		
Undesignated	11,321,563	10,853,341
Designated by the Board for endowment	121,641	133,751
Total without donor restrictions	11,443,204	10,987,092
With donor restrictions:		
Perpetual in nature	472,649	472,649
Restricted for a specified purpose	4,241,268	4,749,956
Total with donor restrictions	4,713,917	5,222,605
Total net assets	16,157,121	16,209,697
Total liabilities and net assets	$ 33,571,515	$ 35,282,189

The accompanying notes are an integral part of this statement.

NORTHSHORE COMMUNITY FOUNDATION

STATEMENT OF ACTIVITIES

For the Year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:			
Contributions	$ 3,072,541	$ 314,343	$ 3,386,884
Program service fees	-	50,000	50,000
Support from Baton Rouge Area Foundation	50,100	211,300	261,400
Level 1 memberships	54,330	-	54,330
Loss on sale of real estate	-	(182,211)	(182,211)
Net investment income (loss)	(556,803)	(72,941)	(629,744)
Rental revenue	-	36,450	36,450
In-kind contributions	-	18,240	18,240
Gross special events revenue	-	623,200	623,200
Less cost of direct benefit to donors	-	(100,245)	(100,245)
Net special events revenue	-	522,955	522,955
Net assets released from restriction pursuant to endowment spending-rate distribution formula	28,065	(28,065)	-
Net assets released from restriction - other	1,378,759	(1,378,759)	-
Total revenue, support, and gains	4,026,992	(508,688)	3,518,304
EXPENSES:			
Program services expense			
Grants	2,451,874	-	2,451,874
Projects	143,690	-	143,690
Other	324,195	-	324,195
Total program expenses	2,919,759	-	2,919,759
Supporting services expense			
Management and general	319,457	-	319,457
Fundraising	331,664	-	331,664
Total supporting services expenses	651,121	-	651,121
Total expenses	3,570,880	-	3,570,880
CHANGE IN NET ASSETS	456,112	(508,688)	(52,576)
Net assets - beginning of year	10,987,092	5,222,605	16,209,697
Net assets - end of year	$11,443,204	$ 4,713,917	$16,157,121

The accompanying notes are an integral part of this statement.

NORTHSHORE COMMUNITY FOUNDATION

STATEMENT OF ACTIVITIES

For the Year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:			
Contributions	$ 3,147,736	$ 1,326,873	$ 4,474,609
Program service fees	-	27,431	27,431
Support from Baton Rouge Area Foundation	50,000	275,000	325,000
PPP loan forgiveness	123,015	-	123,015
Level 1 memberships	55,700	-	55,700
Net investment income	919,224	179,624	1,098,848
Rental revenue	-	36,450	36,450
In-kind contributions	5,100	-	5,100
Gross special events revenue	-	231,191	231,191
Less cost of direct benefit to donors	-	(26,283)	(26,283)
Net special events revenue	-	204,908	204,908
Net assets released from restriction pursuant to endowment spending-rate distribution formula	43,945	(43,945)	-
Net assets released from restriction - other	1,183,471	(1,183,471)	-
Total revenue, support, and gains	5,528,191	822,870	6,351,061
EXPENSES:			
Program services expense			
Grants	2,541,319	-	2,541,319
Projects	120,554	-	120,554
Other	264,910	-	264,910
Total program expenses	2,926,783	-	2,926,783
Supporting services expense			
Management and general	278,365	-	278,365
Fundraising	226,511	-	226,511
Total supporting services expenses	504,876	-	504,876
Total expenses	3,431,659	-	3,431,659
CHANGE IN NET ASSETS	2,096,532	822,870	2,919,402
Net assets - beginning of year	8,890,560	4,399,735	13,290,295
Net assets - end of year	$10,987,092	$ 5,222,605	$16,209,697

The accompanying notes are an integral part of this statement.

NORTHSHORE COMMUNITY FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year ended December 31, 2022

	Program Services				Management	Fund-	
	Grants	Projects	Other	Total	and General	raising	Total
Grants and other assistance	$ 2,451,874	$ -	$ -	$ 2,451,874	$ -	$ -	$ 2,451,874
Salaries and wages	-	-	182,007	182,007	123,032	103,569	408,608
Employee benefits	-	-	21,205	21,205	14,334	12,067	47,606
Payroll taxes	-	-	13,424	13,424	9,075	7,639	30,138
Professional services	-	35,496	33,359	68,855	27,860	8,580	105,295
Office expenses	-	361	19,415	19,776	10,385	8,321	38,482
Insurance	-	-	3,136	3,136	2,120	1,784	7,040
Information technology	-	5,240	9,064	14,304	3,175	5,353	22,832
Printing	-	852	1,106	1,958	347	16,639	18,944
Lease	-	2,000	11,539	13,539	7,344	6,182	27,065
Travel and meetings	-	1,374	10,226	11,600	6,733	3,616	21,949
Depreciation	-	-	19,714	19,714	13,326	11,218	44,258
Other project expenses	-	98,367	-	98,367	-	-	98,367
Direct fundraising expenses	-	-	-	-	-	246,941	246,941
BRAF administrative fee	-	-	-	-	101,726	-	101,726
Total expenses by function	2,451,874	143,690	324,195	2,919,759	319,457	431,909	3,671,125
Less expenses included with revenues on the statement of activities							
Cost of direct benefit to donors	-	-	-	-	-	100,245	100,245
Total expenses included in the expenses section of the statement of activities	$ 2,451,874	$ 143,690	$ 324,195	$ 2,919,759	$ 319,457	$ 331,664	$ 3,570,880

The accompanying notes are an integral part of this statement.

NORTHSHORE COMMUNITY FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year ended December 31, 2021

	Program Services				Management	Fund-	
	Grants	Projects	Other	Total	and General	raising	Total
Grants and other assistance	$ 2,541,319	$ -	$ -	$ 2,541,319	$ -	$ -	$ 2,541,319
Salaries and wages	-	27,497	166,808	194,305	107,808	92,744	394,857
Employee benefits	-	-	19,571	19,571	12,649	10,881	43,101
Payroll taxes	-	-	12,136	12,136	7,843	6,748	26,727
Professional services	-	44,616	7,717	52,333	19,856	591	72,780
Office expenses	-	19,962	16,621	36,583	9,574	8,587	54,744
Insurance	-	-	545	545	352	303	1,200
Information technology	-	308	3,329	3,637	1,288	6,236	11,161
Printing	-	762	407	1,169	306	5,674	7,149
Lease	-	-	13,192	13,192	7,158	6,158	26,508
Travel and meetings	-	1,008	2,013	3,021	2,608	784	6,413
Depreciation	-	-	22,571	22,571	14,588	12,549	49,708
Other project expenses	-	26,401	-	26,401	-	-	26,401
Direct fundraising expenses	-	-	-	-	-	101,539	101,539
BRAF administrative fee	-	-	-	-	94,335	-	94,335
Total expenses by function	2,541,319	120,554	264,910	2,926,783	278,365	252,794	3,457,942
Less expenses included with revenues on the statement of activities							
Cost of direct benefit to donors	-	-	-	-	-	26,283	26,283
Total expenses included in the expenses section of the statement of activities	$ 2,541,319	$ 120,554	$ 264,910	$ 2,926,783	$ 278,365	$ 226,511	$ 3,431,659

The accompanying notes are an integral part of this statement.

NORTHSHORE COMMUNITY FOUNDATION

STATEMENTS OF CASH FLOWS

For the Years ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (52,576)	$ 2,919,402
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	68,648	74,100
Contribution of stock and other investments	(228,483)	(1,207,957)
PPP loan forgiveness	-	(123,015)
Loss on disposal of property and equipment	2,938	880
Loss on disposal of real estate	182,211	-
Non-cash grant	700	-
Decrease (increase) in accounts receivable	(19,569)	5,068
Decrease (increase) in deposits and other assets	-	(300)
Increase (decrease) in accounts payable	(2,878)	13,475
Increase (decrease) in grants payable	21,500	11,000
Increase in amounts held on behalf of others	(1,680,226)	3,068,255
Increase (decrease) in deferred revenue and deposits	3,506	(500)
Share reduction (appreciation) in investment pools held by Baton Rouge Area Foundation	2,150,003	(3,826,857)
Net losses (gains) on investments	179,379	(195,933)
Other increases in long-term investments:		
Cash contributions to endowments	-	(102,140)
Net cash provided by (used in) operating activities	625,153	635,478
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(12,951)	(210,686)
Purchase of property and equipment	(922)	(2,196)
Proceeds from sale of stock and partnership interests	163,125	113,111
Proceeds from sale of real estate	992,500	-
Investment pools held by Baton Rouge Area Foundation:		
Additional investments	(4,938,998)	(4,354,657)
Distributions	3,288,165	3,385,616
Net cash provided by (used in) investing activities	(509,081)	(1,068,812)

NORTHSHORE COMMUNITY FOUNDATION

STATEMENTS OF CASH FLOWS

For the Years ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program loan	-	68,730
Cash contributions to endowments	-	102,140
Net cash provided by (used in) financing activities	$ -	$ 170,870
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ 116,072	$ (262,464)
Cash and cash equivalents - beginning of year	201,007	463,471
Cash and cash equivalents - end of year	$ 317,079	$ 201,007
SUPPLEMENTAL DISCLOSURES OF NON-CASH FINANCING ACTIVITIES:		
PPP loan forgiveness	$ -	$ 123,015

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

Note 1 - Summary of Significant Accounting Policies and Nature of Activities

Organization and nature of activities
Northshore Community Foundation (NCF or the Foundation) was organized on January 11, 2007 as a non-profit corporation and is operated exclusively for religious, charitable, scientific, medical, literacy, or educational purposes through and for the benefit of Baton Rouge Area Foundation (BRAF) and such other organizations located in the Louisiana Parishes of St. Helena, St. Tammany, Tangipahoa and Washington (Northshore Community). NCF is exempt from federal income tax under Section 501(c)(3) and qualifies as a non-private foundation under Sections 509(a)(1) and (2) of the Internal Revenue Code. NCF's office is in Covington, Louisiana. NCF serves the needs of the Northshore Community through charitable grants made and other Foundation projects carried out at the discretion of the Board of Directors.

In addition to annual support, BRAF continues to provide significant administrative and advisory services to NCF.

Basis of presentation
The financial statements have been prepared on the accrual basis of accounting.

NCF is required to report information regarding its financial position and activities according to the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without donor restrictions: Net assets available to use in general operations and not subject to donor restrictions. As discussed in Note 9, the governing board has designated from net assets without donor restrictions, certain endowment funds.

With donor restrictions: Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue recognition
NCF utilizes the accrual basis of accounting for recognizing revenue from Level 1 memberships, rental income, special events, and program service fees whereby income is recognized when earned. Revenue from program service fees and special events is recognized at a point in time when the goods or services are provided by NCF or the event is held. Revenue

from Level 1 memberships and rental income is recognized over time in the period in which

the service is provided. Any payments received in advance from these sources of revenues are deferred and recognized in the period when the underlying performance obligation is satisfied.

Contributions
NCF recognizes contributions when cash, securities or other assets, or an unconditional promise to give is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value for the amounts expected to be collected. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. All contributions are considered available without donor restrictions unless specifically restricted by the donor.

Use of estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 and such difference may be material.

A material estimate that is particularly susceptible to significant change relates to the determination of the fair value for investments. Investments are 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 reasonable possible that changes in risks in the near term would materially affect account balances and the amounts reported in the accompanying financial statements.

Gifts of marketable securities and other items
Gifts of marketable securities and other noncash donations are recorded as contributions at their fair values at the date of the donation.

Donated services
No amounts have been reflected in the financial statements for donated services. NCF generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist NCF in the performance of its projects and various committee activities.

Cash and cash equivalents
Generally all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents for the purposes of the statement of cash flows.

Accounts receivable
Uncollectible accounts receivable are charged directly to earnings when they are determined to be uncollectible. Use of this method does not result in a material difference from the

Note 1 - Summary of Significant Accounting Policies (Continued)

valuation method required by accounting principles generally accepted in the United States of America.

In accordance with ASC Topic 606, *Revenue from Contracts with Customers,* accounts receivable and deferred revenue totaled $5,068 and $18,500 as of December 31, 2020.

Property and equipment

Property and equipment are recorded at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is recorded using the straight-line method over the estimated useful life of the asset. The basis of property and equipment sold or otherwise disposed of and the accumulated depreciation thereon is eliminated, and any gain or loss is reported in operations.

The estimated useful lives for office furniture and equipment range from three to ten years, and the estimated useful live for the building is forty years.

Investments

Investments are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

NCF participates in the investment pools managed by Baton Rouge Area Foundation. The BRAF pools are currently managed by two investment advisors that are authorized to allocate the portion of the investment portfolio under their control within policy guidelines between equity, fixed income and cash, and alternative assets. These advisors select the various investment managers needed to accomplish the investment objectives that provide funding for current grant commitments, as well as providing income to fund future grant requests and to meet the operating needs of the Foundation. Investments held in the pools are stated at fair value. Increases and decreases in market value are recognized in the period in which they occur. Stocks, bonds, mutual funds and similar securities traded in established markets are valued at their quoted market price. Other securities are valued based on estimates prepared by the investment managers. Upon disposition, the cost of the specific investment is used to compute the realized gain or loss to be recognized except with regards to mutual funds whose costs are removed on the first-in, first-out basis.

Investments by BRAF in venture capital funds included in its investment pools are accounted for using the equity method of accounting and the net income or loss related to these investments is reflected in “earnings on investments and cash balances” on the accompanying statement of activities.

Note 1 - Summary of Significant Accounting Policies (Continued)

Grants

Grants are recorded as expenses at the time the recipient has met all the necessary qualifying conditions and has gained approval of the Board of Directors. Grants payable in future periods that do not require subsequent review and approval for continuance of payment are recorded as expenses and grants payable in the period the grant is approved.

Retirement plan

NCF has established a simplified employee plan (SEP) which is a defined contribution retirement plan covering all eligible employees with at least one year of service. Contributions are based upon employee compensation at rates determined annually by NCF not to exceed 15% of eligible compensation. During 2022 and 2021, the contribution rate was 11%. Contributions of $ 43,340 and $40,370 were made to the plan for the years ended December 31, 2022 and 2021, respectively.

Other employee benefit plan

NCF also provides group health and term life insurance coverage for all employees.

Functional expense allocation

The costs of program and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function, including salaries, employee benefits, and payroll taxes are charged to programs and supporting services based on time and usage considerations. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of NCF.

Advertising

NCF expenses advertising costs as incurred.

Income tax status

NCF is a not-for-profit organization that has qualified as a public charity under sections 501(c)(3) and 509(a)(2) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made, however, should NCF engage in activities unrelated to the purpose for which it was created, taxable income and related taxes could result.

NCF files income taxes in the U.S. federal jurisdiction. With few exceptions, NCF is no longer subject to federal tax examinations by tax authorities for years before 2019. Any interest and penalties assessed by income taxing authorities are not significant and would be included in general and administrative expenses in these financial statements, as applicable.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, NCF may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. There were no unrecognized tax benefits identified or recorded as liabilities for the years ended December 31, 2022 and 2021.

<u>Real estate investment held for sale</u>
Various tracts of land were donated to NCF during 2017 (with an estimated value of $805,860) and were classified as real estate held for sale as of December 31, 2021 in these financial statements. During the year ended December 31, 2022, these tracts of land were sold for $600,000 and the loss of $205,860 is included in the loss on sale of real estate reported in these financial statements.

<u>Leases</u>
Effective January 1, 2022, NCF adopted Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842), and all related amendments retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment, electing not to adjust the comparative period. This guidance requires that the right-of-use (ROU) assets and lease liabilities be recorded on the statement of financial position. NCF elected the practical expedient relief package allowed by the new standard, which does not require the reassessment of (1) whether existing contracts contain a lease, (2) the lease classification or (3) unamortized initial direct costs for existing leases. Additionally, NCF made accounting policy elections for the exclusion of short-term leases (leases with an initial term of twelve months or less and which do not include a purchase option that NCF is reasonably certain to exercise) from the statement of financial position presentation. NCF had no operating or finance leases as of December 31, 2022, which required the capitalization of related assets and liabilities under Topic 842.

NCF does not recognize ROU assets and liabilities on short-term leases but recognizes lease expense for these leases on a straight-line basis over the lease terms and any variable lease payments in the period in which the obligation for those payments is incurred. NCF had short-term lease expense of $2,674 for the year ended December 31, 2022.

NCF’s reporting as of and for the year ended December 31, 2021, is in accordance with ASC Topic, *Leases,* under United States generally accepted accounting principles. Lease expense for the year ended December 31, 2021 was $26,508.

<u>Contributions of nonfinancial assets</u>
During the year ended December 31, 2022, NCF adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirement of contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant

Note 1 - Summary of Significant Accounting Policies (Continued)

impact on the financial statements, with the exception of increased disclosure.

Note 2 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of December 31, 2022 and 2021:

	2022	2021
Cash and cash equivalents	$ 317,079	$ 201,007
Accounts receivable	19,569	-
Portion of BRAF investment pool held in money-market accounts and available for liquidity, net of donor-imposed restrictions	3,966,115	3,517,132
	$ 4,302,763	$ 3,718,139

The board-designated endowment of $121,641 and $133,751 at December 31, 2022 and 2021, respectively, is also available for expenditure. Although spending from this board designated endowment is not intended, these amounts could be available if necessary.

As part of the liquidity management plan, excess cash may be added to the BRAF investment pool on a weekly basis. NCF's goal is to maintain liquid financial assets to meet current operating expenses.

Note 3 – Spending Policy

NCF uses the total return concept to determine the amount of grantmaking dollars available each year. Under the total return concept amounts available for distribution are determined based upon total investment return, which consists of investment income and realized and unrealized gains and losses. Under this policy, distributions made during the year are not dependent on the availability of cash investment earnings. In December of each year, the Board of Directors of NCF establishes the amount of dollars available for grants for the following year stated as a percentage of the fair value of the individual endowment funds as of the end of each calendar quarter. The percentage per quarter was 1.25% for 2022 and 2021 and is subject to change in the future at the discretion of the Board of Directors.

Note 4 – Notes Receivable

Various donors have contributed notes to NCF with a stated value of $80,000 and $80,000 as of December 31, 2022 and 2021, respectively. These notes are receivable from over 1 to 3 years with an annual payment of $0 to $5,000, with a final original payment due December 31, 2024. These notes bear interest of 3%.

The maturity on the notes receivable as of December 31, 2022 and 2021 follows:

	2022	2021
Due in less than one year	$ 75,000	$ -
Due in one to five years	5,000	80,000
	$ 80,000	$ 80,000

Note 5 – Fair Value Measurements and Investments

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (Unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the

Note 4 – Fair Value Measurements and Investments (Continued)

lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the assets and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

The beneficial interest in assets held by Baton Rouge Area Foundation in its investment pools have been valued, as a practical expedient, at the fair value of NCF's share of BRAF's investment pool as of the measurement date, utilizing valuations provided by the investment funds. BRAF values securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of BRAF, which include private placements and other securities for which prices are not readily available, are determined by the management of BRAF and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair value values may differ significantly from the values that would have been used had a ready market existed for these investments. As of December 31, 2022 and 2021, BRAF's investments are composed of approximately:

	2022	2021
Cash and cash equivalents	13%	15%
Fixed income	16%	14%
US equity	29%	31%
Non-US equity	9%	12%
Alternative *	30%	25%
Other	3%	3%
	100%	100%

* Includes hedge funds, venture capital funds, and private equity funds

The assets held by Baton Rouge Area Foundation in its investment pools are redeemable by NCF upon request and is therefore considered a Level 2 fair value measurement.

Other investments held by NCF may include investments in securities with readily determinable fair values including common and preferred stocks, mutual funds, U. S. government bonds, and U. S. Treasury notes that are recorded at fair value based on quoted market prices. For those investments where quoted prices are unavailable (Level 2), management estimates fair value based on quoted prices for similar instruments with consideration of actively quoted interest rates, credit ratings and spreads, prepayment models, and collateral data. For investments (Level 3) where quoted prices are often unavailable, and pricing inputs are generally unobservable, NCF relies on the valuation procedures and methodologies used by external parties hired specifically to value such assets.

Note 5 – Fair Value Measurements and Investments (Continued)

The following table presents the fair value measurements of assets recognized in the accompanying statement of financial position that are measured at fair value on a recurring basis as of December 31, 2022 and 2021:

	December 31, 2022			
	Fair Value	Level 1	Level 2	Level 3
Beneficial interest in assets held by Baton Rouge Area Foundation	$ 30,604,267	$ -	$ 30,604,267	$ -
Common stocks	18,016	18,016	-	-
Investment portfolios:				
Cash and cash equivalents	14,107	14,107	-	-
Mutual funds:				
Equities - unclassified	593,716	593,716	-	-
Fixed income - unclassified	387,556	387,556	-	-
	$ 31,617,662	$ 1,013,395	$ 30,604,267	$ -

	December 31, 2021			
	Fair Value	Level 1	Level 2	Level 3
Beneficial interest in assets held by Baton Rouge Area Foundation	$ 30,874,955	$ -	$ 30,874,955	$ -
Mutual funds	43,111	43,111	-	-
Investment portfolios:				
Cash and cash equivalents	29,837	29,837	-	-
Mutual funds:				
Equities - unclassified	865,886	865,886	-	-
Fixed income - unclassified	440,814	440,814	-	-
	$ 32,254,603	$ 1,379,648	$ 30,874,955	$ -

Note 5 – Fair Value Measurements and Investments (Continued)

Changes in the BRAF investment pools for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Balance, Beginning of Year	$ 30,874,955	$ 24,871,100
Additional amounts invested in the fund	5,167,481	5,562,614
Share of appreciation (reduction) of the fund	(2,150,004)	3,826,857
Distributions received	(3,288,165)	(3,385,616)
Balance, End of Year	$ 30,604,267	$ 30,874,955

Note 6 – Property and Equipment

Property and equipment consists of the following:

	2022	2021
Buildings	$ 1,400,422	$ 1,764,422
Office Furniture and Equipment	96,612	99,885
	1,497,034	1,864,307
Less: Accumulated Depreciation	(277,786)	(266,636)
	$ 1,219,248	$ 1,597,671
Depreciation Expense	$ 44,258	$ 49,708

Note 7 – Amounts Held on Behalf of Others

Amounts held on behalf of others represent pass-through transactions that are transfers of assets from resource providers (contributors) to intermediary not-for-profit organizations that act as agents for resource providers by transferring those assets to specified third-party recipients. When contributors, acting in other than an advisory capacity, designate specific beneficiaries, NCF has no discretion in distributing those assets. Consequently, the transactions only pass through NCF in route to the specified beneficiary.

Additionally, endowment funds of NCF set up by non-profit organizations for their own benefit are also amounts held on behalf of others. That is, NCF is acting as a trustee on behalf of the non-profit organization.

Note 7 – Amounts Held on Behalf of Others (Continued)

These transactions for the years ended December 31, 2022 and 2021 are scheduled as follows:

	2022	2021
Balance - beginning of year	$ 18,986,368	$ 15,918,113
Amounts received on behalf of others	109,333	216,180
	19,095,701	16,134,293
Net Earnings (Losses) allocated to agency accounts	(1,675,028)	2,918,856
Less: administrative assessment	(66,220)	(65,781)
Net Earnings (Losses) allocated to agency accounts	(1,741,248)	2,853,075
Amounts remitted to others	(48,311)	(1,000)
Balance - end of year	$ 17,306,142	$ 18,986,368

Note 8 – Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, 2022 and 2021:

	2022	2021
Subject to expenditure for specified purposes		
Donor designated	$ 18,880	$ 26,520
Scholarship	74,495	52,343
Field of interest	3,063,737	3,796,003
Other	1,084,156	875,090
	4,241,268	4,749,956
Perpetual in nature (endowments)		
Donor advised	$ 87,500	$ 87,500
Scholarship	149,699	149,699
Field of interest	235,450	235,450
	472,649	472,649
Total net assets with donor restrictions	$ 4,713,917	$ 5,222,605

In 2022 and 2021, $1,378,759 and $1,183,471, respectively, of net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors.

Included in NCF's net assets without donor restrictions is $9,298,833 and $8,249,312 of donor advised funds as of December 31, 2022 and 2021, respectively. Although grant recommendations are accepted from the donors or other advisors of these funds, the ultimate discretion as to the use of the funds lies with the Board of Directors.

Note 9 – Endowments

NCF's net assets with restrictions include 6 individual funds that function as endowments established by donors to provide funding for a variety of purposes. Additionally, certain net assets have been designated for endowment by the Board of Directors.

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires the preservation of the fair value of the original gift as of the date of the donor-restricted funds, unless there are explicit donor stipulations to the contrary. At December 31, 2022 and 2021, there were no such donor stipulations. As a result, the original value of initial and subsequent gift amounts donated to the endowment funds and any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added are retained in perpetuity. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. Seven criteria are to be used in deciding to appropriate or accumulate donor-restricted endowment funds:

(1) duration and preservation of the endowment funds
(2) the purposes of the Foundation and the endowment funds
(3) general economic conditions
(4) effect of inflation or deflation
(5) the expected total return from income and the appreciation of investments
(6) other resources of the Foundation
(7) the investment policy of the Foundation

The endowment net asset composition by type of fund as of December 31, 2022 and 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2021			
Board-designated endowment funds	$ 133,751	$ -	$ 133,751
Donor-restricted endowment funds	-	472,649	472,649
	$ 133,751	$ 472,649	$ 606,400
December 31, 2022			
Board-designated endowment funds	$ 121,641	$ -	$ 121,641
Donor-restricted endowment funds	-	472,649	472,649
	$ 121,641	$ 472,649	$ 594,290

As discussed in Note 3, the maximum amount to spend from these donor-restricted endowment funds, including those endowments deemed to be underwater, is determined by the spending policy. The spending rate is determined and adjusted from time to time by the Board of Directors with the objective of maintaining the purchasing power of the endowments over time.

Note 9 – Endowments (Continued)

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). UPMIFA permits spending from underwater endowments in accordance with prudent measures included in the act. At December 31, 2022 and 2021, funds with original gift values of $186,040 and $83,900, fair values of $153,084 and $55,477, and deficiencies of $32,996 and $28,423, respectively, were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred throughout 2018 after the spending policy rate had already been determined in 2017. The recoveries experienced during 2019, 2020, and 2021 were not sufficient to offset the losses incurred prior to December 31, 2018. Additionally, the unfavorable market conditions during 2022 also increased the deficiencies in these accounts. The continued appropriation from these underwater endowments for certain programs was deemed prudent by the Board of Directors. Additionally, a donor was given a variance to the endowment policy and was allowed to use more than the available earnings to fulfill grant requests.

Changes in endowment net assets for the year ended December 31, 2022 and 2021 follows:

	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2021			
Endowment net assets, beginning of year	$ 123,916	$ 370,509	$ 494,425
Contributions	4,000	102,140	106,140
Investment income	3,187	-	3,187
Net appreciation (depreciation)	18,402	-	18,402
Amounts appropriated for expenditure	(15,754)	-	(15,754)
Endowment net assets, end of year	$ 133,751	$ 472,649	$ 606,400
December 31, 2022			
Endowment net assets, beginning of year	$ 133,751	$ 472,649	$ 606,400
Contributions	5,000	-	5,000
Investment income	4,134	-	4,134
Net appreciation (depreciation)	(15,716)	-	(15,716)
Amounts appropriated for expenditure	(5,528)	-	(5,528)
Endowment net assets, end of year	$ 121,641	$ 472,649	$ 594,290

Note 10 – Leases – Lessee

St. Tammany Parish Government

In May 2015, NCF entered a cooperative endeavor agreement (Lease of Justice Center Property) with the St. Tammany Parish Government (STPG) to lease, develop and use the Justice Center property in accordance with the "West 30's Neighborhood Revitalization Plan" by constructing an office building and conference center (the "Coatney Conference Center") to provide administrative, conference and training facilities for non-profit organizations.

The initial term of the lease is 20 years, and there are renewal options that can extend the lease for a total of ninety-nine years. In connection with this agreement, NCF recorded a contribution receivable of $487,818, the estimated value of the land. The receivable is being amortized over the initial 20-year term of the lease as rent expense.

During the term, NCF shall have the sole and exclusive ownership of and right to depreciate the costs and expenses of construction of any buildings and improvements upon the property. On the last day of the entire term including all option periods, NCF will surrender the property to STPG.

For the years ended December 31, 2022 and 2021, rent expense relating to the above-mentioned agreement was $24,391 annually. This amount is recognized as lease expense annually during the initial twenty-year term of the lease.

Note 11 – Leases - Lessor

NCF subleases office space to other non-profit organizations and the payments received by NCF are referred to as "Level 1 Membership". These lease agreements are for a term of one year or less. Total revenue recognized from these agreements during 2022 and 2021 was $54,330 and 55,700, respectively.

NCF leased office space under a three-year agreement with two two-year renewal terms. Net rental income for the years ended December 31, 2022 and 2021 was $36,450 annually. This property was sold in December 2022.

Note 12 – In-Kind Contributions

NCF received contributed goods and services for the following:

In-kind expenses have been charged to the following categories: professional services, building maintenance, travel and meetings, other project expenses, and direct fundraising expenses. The contributed goods and services are valued based on estimates of fair market using billing rates in like circumstances, wholesale prices of similar products, or standard industry pricing for similar services.

	2022	2021
Professional services	$ 2,125	$ -
Building maintenance	-	5,000
Travel and meetings	-	100
Project supplies	1,990	-
Fundraising expenses		
Facility and rentals	3,500	-
Entertainment	3,126	-
Prizes	4,499	-
Advertising	3,000	-
	$ 18,240	$ 5,100

Note 13 – Concentrations of Credit Risk

NCF deposits its cash in a national financial institution and at times the account balance may exceed the federally insured limit. At December 31, 2022 and 2021, NCF's checking account balances did not exceed the federally insured limit.

In addition, as part of NCF's investment in BRAF's investment pool at December 31, 2022 and 2021, a portion was held in cash money market funds which are in excess of FDIC insurance limits. Amounts in excess of this limit are not insured or guaranteed by the FDIC.

Note 14 – Related Parties

NCF utilizes facilities and personnel of the Baton Rouge Area Foundation for administrative assistance. NCF paid an administrative assessment of $101,726 and $94,335 to BRAF for these services during 2022 and 2021, respectively. BRAF was owed $32,800 and $27,583 as of December 31, 2022 and 2021, respectively.

Note 15 – Commitments and Contingencies

Grants
As of December 31, 2022, and 2021, NCF was committed to the payment of certain grants as follows, contingent upon the fulfillment of certain criteria by the potential grant recipient:

	2022	2021
St. Tammany Cancer Fund Scholarships	$ 19,000	$ 45,000
Fund for Bogalusa Scholarships	16,000	-
Summers Legacy Foundaton	15,000	-
Greg Zelden Foundation Fund	12,000	12,000
Gene and Betty VanNorman Scholarship	-	6,250
Southside Slidell Swin Club Scholarship	2,000	2,000
Donna Kahl Manetta Scholarship	1,000	1,000
Notes for Education Northshore	1,000	-
	$ 66,000	$ 66,250

PPP Loan Forgiveness
See Note 16 to these financial statements for the six year audit provisions related to the PPP loan forgiveness.

Note 16 – Notes Payable-Payroll Protection Program

In April 2020, NCF qualified for and received loan proceeds in the principal amount of $54,285 pursuant to the Paycheck Protection Program (PPP), a program implemented by the U.S. Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The PPP loan was unsecured and guaranteed by the SBA. The principal amount of the PPP loan was subject to forgiveness under the PPP upon NCF's request to the extent that the PPP loan proceeds were used to pay expenses permitted by the PPP, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by NCF. NCF applied for and received forgiveness of the PPP loan with respect to these covered expenses during the year ended December 31, 2021.

On December 27, 2020, as part of the Consolidated Appropriations Act, 2021, the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Economic Aid Act) was signed into law to provide additional COVID-19 relief to small businesses, providing that if certain eligibility tests are met, NCF could apply for an additional loan under the Paycheck Protection Program (PPP). Management determined that NCF met the eligibility requirements, filed an application, and received additional loan proceeds of $68,730 in February 2021. Similar to the first PPP loan, if the funds were utilized to pay covered expenses as permitted by the PPP, the principal amount of the loan would be eligible for forgiveness. NCF applied for and received forgiveness of this additional PPP loan with respect to these covered expenses during the year ended December 31, 2021.

Note 16 – Notes Payable-Payroll Protection Program (Continued)

In accordance with generally accepted accounting principles, NCF recognized a gain of $123,015 on the forgiveness of both PPP loans during the year ended to December 31, 2021.

PPP loans are subject to audit for six years from the date of forgiveness. Department of Treasury guidance states that loans over $2 million will be fully audited and loans under $2 million are subject to random audits. If audited, the SBA could redetermine the amount of forgiveness.

Note 17 – Subsequent Events

NCF evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through September 6, 2023, the date which the financial statements were available to be issued.