

Arlington Community Foundation

Financial Report
June 30, 2025

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Independent Auditor's Report

Board of Trustees
Arlington Community Foundation

Opinion

We have audited the financial statements of the Arlington Community Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2025 and 2024, 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 the Foundation as of June 30, 2025 and 2024, and the changes in its 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 the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with 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 the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

RSM US LLP

McLean, Virginia
February 24, 2026

Arlington Community Foundation

**Statements of Financial Position
June 30, 2025 and 2024**

	2025	2024
Assets		
Cash and cash equivalents	\$ 6,664,369	\$ 6,808,347
Investments	43,856,304	27,848,710
Promises to give	27,500	215,500
Right-of-use asset for operating lease, net	-	181,370
Prepaid expenses and other assets	77,987	48,729
	<u>77,987</u>	<u>48,729</u>
Total assets	<u>\$ 50,626,160</u>	<u>\$ 35,102,656</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 1,481	\$ 45,253
Accrued expenses	55,420	46,328
Deferred revenue	15,309	-
Grants and scholarships payable	611,420	694,917
Lease liability for operating lease, net	100,804	186,849
Agency funds	7,717,118	5,505,698
Total liabilities	<u>8,501,552</u>	<u>6,479,045</u>
Contingency (Note 10)		
Net assets:		
Without donor restrictions:		
Operating	697,511	738,231
Board-designated	39,930	43,714
Donor-advised and other funds	39,332,040	25,849,425
Total net assets without donor restrictions	<u>40,069,481</u>	<u>26,631,370</u>
With donor restrictions	2,055,127	1,992,241
Total net assets	<u>42,124,608</u>	<u>28,623,611</u>
Total liabilities and net assets	<u>\$ 50,626,160</u>	<u>\$ 35,102,656</u>

See notes to financial statements.

Arlington Community Foundation

**Statement of Activities
Year Ended June 30, 2025**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions and grants	\$ 15,391,506	\$ 18,487	\$ 15,409,993
Management fees	48,751	-	48,751
Other revenue	19,659	-	19,659
Net assets released from restriction— management fees	35,705	(35,705)	-
Net assets released from restriction	161,786	(161,786)	-
Total support and revenue	15,657,407	(179,004)	15,478,403
Expenses:			
Program services:			
Community services	4,682,601	-	4,682,601
Supporting services:			
Management and general	258,818	-	258,818
Development and fundraising	491,631	-	491,631
Total supporting services	750,449	-	750,449
Total expenses	5,433,050	-	5,433,050
Change in net assets before investment income	10,224,357	(179,004)	10,045,353
Investment income	3,213,754	241,890	3,455,644
Change in net assets	13,438,111	62,886	13,500,997
Net assets:			
Beginning	26,631,370	1,992,241	28,623,611
Ending	\$ 40,069,481	\$ 2,055,127	\$ 42,124,608

See notes to financial statements.

Arlington Community Foundation

**Statement of Activities
Year Ended June 30, 2024**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions and grants	\$ 7,312,153	\$ 22,136	\$ 7,334,289
Management fees	44,704	-	44,704
Net assets released from restriction— management fees	25,717	(25,717)	-
Net assets released from restriction	291,767	(291,767)	-
Total support and revenue	7,674,341	(295,348)	7,378,993
Expenses:			
Program services:			
Community services	5,306,741	-	5,306,741
Supporting services:			
Management and general	301,239	-	301,239
Development and fundraising	492,379	-	492,379
Total supporting services	793,618	-	793,618
Total expenses	6,100,359	-	6,100,359
Change in net assets before investment income	1,573,982	(295,348)	1,278,634
Investment income	2,481,669	243,330	2,724,999
Change in net assets	4,055,651	(52,018)	4,003,633
Net assets:			
Beginning	22,575,719	2,044,259	24,619,978
Ending	\$ 26,631,370	\$ 1,992,241	\$ 28,623,611

See notes to financial statements.

Arlington Community Foundation

**Statement of Functional Expenses
Year Ended June 30, 2025**

	Supporting Services				Total
	Community Services	Management and General	Development and Fundraising	Total Supporting Services	
Grants	\$ 4,065,119	\$ -	\$ -	\$ -	\$ 4,065,119
Salaries and fringe benefits	453,461	179,252	349,374	528,626	982,087
Advertising and publicity	-	-	31,665	31,665	31,665
Bank fees	-	21,099	-	21,099	21,099
Uncollectible accounts	-	10,000	-	10,000	10,000
Dues and subscriptions	2,559	1,012	1,972	2,984	5,543
Equipment rental and maintenance	7,581	2,996	5,841	8,837	16,418
Events	-	-	47,092	47,092	47,092
Insurance	-	7,360	-	7,360	7,360
Meetings and conferences	8,528	8,528	-	8,528	17,056
Office supplies	693	274	534	808	1,501
Sponsorship	577	228	445	673	1,250
Postage and delivery	185	73	142	215	400
Printing and duplicating	1,573	622	1,212	1,834	3,407
Professional services	139,705	26,338	51,335	77,673	217,378
Taxes and licenses	530	210	409	619	1,149
Telephone	2,090	826	1,610	2,436	4,526
	\$ 4,682,601	\$ 258,818	\$ 491,631	\$ 750,449	\$ 5,433,050

See notes to financial statements.

Arlington Community Foundation

**Statement of Functional Expenses
Year Ended June 30, 2024**

	Supporting Services				Total
	Community Services	Management and General	Development and Fundraising	Total Supporting Services	
Grants	\$ 4,470,508	\$ -	\$ -	\$ -	\$ 4,470,508
Salaries and fringe benefits	537,133	157,935	322,270	480,205	1,017,338
Advertising and publicity	-	40,500	13,715	54,215	54,215
Bank fees	-	23,030	-	23,030	23,030
Dues and subscriptions	9,829	2,889	5,897	8,786	18,615
Equipment rental and maintenance	5,379	1,581	3,227	4,808	10,187
Events	-	-	84,955	84,955	84,955
Insurance	-	4,681	-	4,681	4,681
Meetings and conferences	5,392	5,392	-	5,392	10,784
Occupancy	42,559	14,317	25,536	39,853	82,412
Office supplies	1,345	395	807	1,202	2,547
Postage and delivery	1,162	342	697	1,039	2,201
Printing and duplicating	3,565	1,048	2,139	3,187	6,752
Professional services	226,747	48,211	31,263	79,474	306,221
Taxes and licenses	558	164	335	499	1,057
Telephone	2,564	754	1,538	2,292	4,856
	<u>\$ 5,306,741</u>	<u>\$ 301,239</u>	<u>\$ 492,379</u>	<u>\$ 793,618</u>	<u>\$ 6,100,359</u>

See notes to financial statements.

Arlington Community Foundation

Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ 13,500,997	\$ 4,003,633
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized gain on investments	(2,544,693)	(2,009,089)
Endowment cash receipts	(9,687)	(11,718)
Amortization of operating lease right-of-use assets	(5,680)	68,961
Changes in assets and liabilities:		
(Increase) decrease in:		
Promises to give	188,000	102,315
Prepaid expenses and other assets	(29,258)	(10,921)
Lease incentive received	187,050	-
Increase (decrease) in:		
Accounts payable	(43,772)	33,102
Accrued expenses	9,092	(8,662)
Deferred revenue	15,309	-
Grants and scholarships payable	(83,497)	(1,009)
Agency funds	2,211,420	804,728
Operating lease liabilities	(86,045)	(67,154)
Net cash provided by operating activities	13,309,236	2,904,186
Cash flows from investing activities:		
Proceeds from sales of investments	14,618,829	17,185,362
Purchases of investments	(28,081,730)	(19,601,808)
Net cash used in investing activities	(13,462,901)	(2,416,446)
Cash flows from financing activities:		
Endowment cash receipts	9,687	11,718
Net cash provided by financing activities	9,687	11,718
Net (decrease) increase in cash and cash equivalents	(143,978)	499,458
Cash and cash equivalents:		
Beginning	6,808,347	6,308,889
Ending	\$ 6,664,369	\$ 6,808,347
Supplemental disclosure of cash flow information:		
Operating cash outflows—payments on operating leases	\$ 63,371	\$ 73,413

See notes to financial statements.

Arlington Community Foundation

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The Arlington Community Foundation (the Foundation) is a nonprofit organization incorporated under the laws of the Commonwealth of Virginia. The Foundation's primary purpose is to maintain an endowment that receives and expends contributions, donations, bequests, devises, grants and conveyances, and to render financial assistance to the charitable, educational and cultural activities of the Arlington County community and elsewhere. The Foundation's support comes primarily from various organizations and individuals located within Arlington County. Supporters of the Foundation are able to establish a Foundation Fund or support a core of existing funds.

A summary of the Foundation's significant accounting policies are as follows:

Basis of presentation: The financial statement presentation follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Not-for-Profit Entities Topic of the FASB ASC, the Foundation is required to report information regarding its financial position and activities according to the following two classes of net assets:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor restrictions. Net assets without donor restrictions consist of the following types of internally designated funds:

Operating funds: Funds available for the general operations of the Foundation and other activities as decided by the Board and management. The Foundation has community-wide interest and donors with broad interests that entrust the Foundation's Board of Trustees with selection of the most necessary or promising programs and organizations to receive competitively awarded grants. These funds allow the Foundation to respond to existing, changing or urgent community needs.

Board-designated funds: Funds whose use has been designated by the Foundation's Board of Trustees for specific purposes. Board-designated net assets consist of a board-designated endowment, the Foundation's Prompt Response Fund, which is designed to help the Foundation respond quickly to help nonprofits when an emergency, disaster or crisis hit.

Donor-advised funds: Funds established by donor contributions that enable donors to make recommendations from time to time about the distributions from the funds. These funds are established by individuals, families or businesses that choose to be actively involved in the grantmaking process. Donors with a range of community interests find these to be an ideal tool for conveniently fulfilling charitable wishes. Accounting principles generally accepted in the United States (U.S. GAAP) provide that if the governing body of an organization has unilateral power to redirect the use of a donor's contribution to another beneficiary, such contribution must be classified as a net asset without donor restriction. The Foundation's Board of Trustees has this ability (variance power). However, the Board intends to exercise this authority only if circumstances render the donor's restrictions inconsistent with the charitable needs of the community or incapable of fulfillment. Donor-advised funds include the following three types:

Community funds: The Foundation depends on these broadly responsive, community-focused funds to proactively address the changing needs of the community and support innovative responses. The Foundation's fundholders establish legacies that provide flexible support to meet the challenges of tomorrow.

Field of interest funds: These funds allow donors to address one or more focal points for their giving, often based on their personal interests. Funding is given to the donors' favorite region or cause, while remaining flexible to meet changing community needs in the focus areas over time.

Arlington Community Foundation

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Scholarship funds: Scholarship funds, often created in honor or in memory of a loved one, award funds to deserving students.

Net assets with donor restrictions: Net assets with donor restrictions represent resources restricted by donors. 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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released from restrictions when the assets are placed in service. Along with specific contributions restricted as to time or purpose, net assets with donor restrictions consist of the following types of funds:

Designated funds: Designated funds are established by donors to support one or more of their favorite nonprofit organizations. Many organizations receive crucial annual support from these funds.

Permanent endowment funds: Investment income generated from permanent endowment funds is used to fulfill programs or general operations of the Foundation.

Cash and cash equivalents: The Foundation considers highly liquid investments with an original maturity of three months or less as cash equivalents.

Investments: Investments are reported at fair value. Realized and unrealized gains and losses are reported in the statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by the donor or by law. Gains and losses related to agency funds are reported as a change in the liability for agency funds.

Financial risk: The Foundation maintains demand deposits with commercial banks and money market funds held by others. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government. The uninsured portions of cash and money market accounts are backed solely by the assets of the underlying institution. As such, the failure of an underlying institution could result in financial loss to the Foundation.

The Foundation invests funds in a professionally managed portfolio that contains various types of marketable securities. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. Thus, it is at least reasonably possible that changes in these risks could materially affect investment balances and the amounts reported in the financial statements. By policy, these investments are kept within limits intended to prevent risks caused by concentration.

Promises to give: Promises to give consist of unconditional promises to give from various donors. Amounts that are expected to be collected within one year are reported at their net realizable values. Promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows net of any discount. At June 30, 2025, \$17,500 is considered current, and \$10,000 will be received over the next two years. At June 30, 2024, \$195,500 is considered current, and \$20,000 will be received over the next three years.

Management of the Foundation reviews the outstanding promises to give at year-end for collectability, and each receivable, in conjunction with bad debt write-offs experienced in the past, is assessed based on management's knowledge of the donor, the Foundation's relationship with the donor and the age of the promise to give balance to determine the need to establish an allowance for uncollectible accounts. No allowance for uncollectible accounts was considered necessary as of June 30, 2025 and 2024. Receivables are written off when they are deemed uncollectible.

Arlington Community Foundation

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Leases: The Foundation determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Foundation also considers whether its service arrangements include the right to control the use of an asset.

The Foundation recognizes most leases on its statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance lease or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the statements of activities.

The Foundation made an accounting policy election available not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial indirect costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives received. To determine the present value of lease payments, the Foundation made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining lease term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed-rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The Foundation has made an accounting policy election to account for lease and nonlease components in its contracts as separate lease components for any real estate, vehicle or equipment asset classes. The nonlease components typically represent additional services transferred to the Foundation, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Grants and scholarships payable: Grants and scholarships payable are recorded when approved by the Board. All grants and scholarships are unconditional.

Agency funds: Organizations place endowment funds at the Foundation to help manage their long-term investments and ensure a permanent source of income. These funds are categorized as agency transactions if the contributing organization retains the right to remove the funds. The Foundation has recorded the funds received and the related net investment income for agency transactions as corresponding assets and liabilities, and has not included these transactions as support and revenue and expenses without donor restrictions.

Arlington Community Foundation

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Contributions and grants: The activities of the Foundation are primarily financed by contributions. Unconditional contributions and grants are recognized as revenue when promised unconditionally and are recorded net of any current year allowance or discount activity. The Foundation reports gifts of cash and other non-cash assets as net assets with donor restrictions if they are received or promised with donor stipulations that limit the use of the donated assets to a particular program or to a future year. When a donor restriction expires, that is, when a purpose restriction is accomplished, or time restriction has elapsed, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restriction.

Unconditional contributions that are restricted by the donor are reported as net assets without donor restriction if the restriction expires in the same reporting period in which the contribution is recognized. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are recognized only when the conditions on which they depend are met. Assets received in connection with conditional promises are reported as refundable advances until such time the conditions are met. At June 30, 2025 and 2024, there were no conditional promises to give.

Contributed securities: The Foundation recognizes donated securities or other assets that have no donor-imposed restrictions and that are immediately converted into cash as cash from operating activities. During the years ended June 30, 2025 and 2024, the Foundation received approximately \$4,945,651 and \$1,531,525, respectively, in donated securities that were immediately converted into cash and recognized as cash flows from operating activities in the accompanying statements of cash flows. There were no contributed securities with donor imposed restriction in 2025 and 2024.

Management fees: The Foundation assesses a management fee to each fund held within the Foundation. The management fee for agency funds is 1% on the first \$500,000, 0.75% for anything above \$500,000, and a minimum charge of \$200 per year. The management fee for scholarship funds is 1.5%, with a minimum fee of \$200 per year. Donor-advised funds are subject to a management fee structured as follows: 1.25% on the first \$500,000, 1% on amounts between \$500,000 and \$1,000,000, 0.75% on amounts above \$1,000,000, 0.5% on amounts above \$3,000,000, 0.25% on amounts above \$5,000,000 and 0.2% above \$7,500,000. The revenue is recognized ratably over time as the service is performed.

Use of estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs, such as salaries and benefits expenses have been allocated among programs and supporting services benefited based on estimated level of effort. Occupancy expenses have also been allocated among programs and supporting services based on the square footage occupied.

Income tax status: The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) on net income derived from activities related to its exempt purpose. This code section enables the Foundation to accept donations that qualify as charitable contributions to the donor. The Foundation has been classified as other than a private foundation under Section 509(a)(1) of the IRC. The Foundation is subject to tax on net income from unrelated business activities. For the years ended June 30, 2025 and 2024, the Foundation did not recognize income tax expense in the accompanying financial statements, as there was no unrelated business taxable income.

Subsequent events: The Foundation has evaluated subsequent events through February 24, 2026, the date on which the financial statements were available to be issued.

Arlington Community Foundation

Notes to Financial Statements

Note 2. Concentrations

Support concentration: For the year ended June 30, 2025, four donors provided approximately 62% of the \$15,478,403 total support and revenue. For the year ended June 30, 2024, two donors provided approximately 51% of the \$7,378,993 total support and revenue.

Note 3. Investments

In accordance with U.S. GAAP, the Foundation uses the following prioritized input levels to measure fair value. The input levels used for valuing investments are not necessarily an indication of risk:

Level 1: Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes.

Level 2: Includes inputs other than Level 1 that are directly or indirectly observable in the marketplace such as yield curves or other market data.

Level 3: Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk such as bid/ask spreads and liquidity discounts.

Investments are reported at fair value on a recurring basis. Such investments consist of a diversified portfolio of marketable securities.

Investments consisted of the following at June 30, 2025:

	Total	Level 1	Level 2	Level 3
Investments at fair value:				
Mutual funds/ETF—equity	\$ 27,321,653	\$ 27,321,653	\$ -	\$ -
Mutual funds/ETF—fixed income	9,397,041	9,397,041	-	-
Equities	3,687,951	3,687,951	-	-
Fixed income—U.S. Treasury bonds	3,449,659	-	3,449,659	-
Total investments at fair value	<u>\$ 43,856,304</u>	<u>\$ 40,406,645</u>	<u>\$ 3,449,659</u>	<u>\$ -</u>

Investments consisted of the following at June 30, 2024:

	Total	Level 1	Level 2	Level 3
Investments at fair value:				
Mutual funds/ETF—equity	\$ 15,299,043	\$ 15,299,043	\$ -	\$ -
Mutual funds/ETF—fixed income	7,713,119	7,713,119	-	-
Equities	2,389,836	2,389,836	-	-
Fixed income—U.S. Treasury bonds	2,446,712	-	2,446,712	-
Total investments at fair value	<u>\$ 27,848,710</u>	<u>\$ 25,401,998</u>	<u>\$ 2,446,712</u>	<u>\$ -</u>

The Foundation's mutual funds/ETF and equities are classified as Level 1 instruments because they are actively traded on public exchanges.

The Foundation's U.S. Treasury bonds are classified as Level 2 instruments because they are valued using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions.

Arlington Community Foundation

Notes to Financial Statements

Note 3. Investments (Continued)

Investment income, net for the years ended June 30, 2025 and 2024, is comprised of the following:

	2025	2024
Interest and dividends	\$ 1,025,083	\$ 803,208
Net realized and unrealized gain	2,544,693	2,009,089
Investment management fees	(114,132)	(87,298)
Total	<u>\$ 3,455,644</u>	<u>\$ 2,724,999</u>

Note 4. Liquidity

The Foundation has a goal to maintain financial assets, which consist of cash and cash equivalents, on hand to meet 90 days of normal operating expenses, which approximates \$350,000. The Foundation's financial assets available within one year to meet cash needs for general expenditures as of June 30, 2025 and 2024, are as follows:

	2025	2024
Cash and cash equivalents	\$ 6,664,369	\$ 6,808,347
Investments	43,856,304	27,848,710
Promises to give, net	27,500	215,500
Subtotal financial assets	<u>50,548,173</u>	<u>34,872,557</u>
Less those unavailable for general expenditures within one year:		
U.S. Treasury bonds with maturities greater than one year	(830,472)	(1,634,640)
Funds with donor restrictions	(2,055,127)	(1,992,241)
Board-designated funds	(39,930)	(43,714)
Agency funds	(7,717,118)	(5,505,698)
Donor-advised and other funds	(39,332,040)	(25,849,425)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 573,486</u>	<u>\$ (153,161)</u>

Although the Foundation does not intend to spend from the Board-designated net assets (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), or funds designated for donor advisement, these amounts could be made available if necessary. Management monitors cash flows and anticipates future contributions to support ongoing operations.

Note 5. Agency Funds

Agency transactions or pass-through transactions are transfers of assets from contributors to the Foundation, which the Foundation, in turn, transfers to specific beneficiaries designated by the contributors.

Arlington Community Foundation

Notes to Financial Statements

Note 5. Agency Funds (Continued)

Agency transactions during the years ended June 30, 2025 and 2024, were as follows:

	2025	2024
Agency funds payable:		
Beginning	\$ 5,505,698	\$ 4,700,970
Amounts received on behalf of others	2,312,044	484,195
Investment earnings related to agency funds, net	604,174	479,897
Amounts provided to agencies	(636,972)	(114,644)
Management fees earned by the Foundation	(67,826)	(44,720)
Ending	<u>\$ 7,717,118</u>	<u>\$ 5,505,698</u>

Note 6. Retirement Plan

The employees of the Foundation are covered by a 403(b) Tax Sheltered Annuity Plan (the TSA Plan). Employees are eligible to participate in the TSA Plan on the first of the month following their hire date, and after attaining the age of 21. The TSA Plan provides for an employer match of 100% of deferrals up to the first 3% of compensation and 50% of deferrals from over 3% to 5% of compensation. Employer contributions to the TSA Plan totaled \$25,612 and \$29,053 for the years ended June 30, 2025 and 2024, respectively.

Note 7. Net Assets With Donor Restrictions

Net assets with donor restrictions for the years ended June 30, 2025 and 2024, were available for the following activities:

	2025	2024
Endowments:		
Scholarships	\$ 1,656,255	\$ 1,540,509
Senior adults programs	312,512	280,918
Charitable organizations	86,360	85,314
	<u>2,055,127</u>	<u>1,906,741</u>
Time restricted:		
Promises to give	-	85,500
Total net assets with donor restrictions	<u>\$ 2,055,127</u>	<u>\$ 1,992,241</u>

Net assets were released from donor restriction during the years ended June 30, 2025 and 2024, by incurring expenses satisfying the restricted purposes, or by occurrence of other events specified by donors, and consisted of the following:

	2025	2024
Scholarships	\$ 82,487	\$ 96,716
Senior adults programs	4,518	3,113
Charitable organizations	24,986	23,155
American Cities	-	164,500
Time restricted	85,500	30,000
	<u>\$ 197,491</u>	<u>\$ 317,484</u>

Arlington Community Foundation

Notes to Financial Statements

Note 8. Endowment and Board-Designated Funds

The Foundation's endowment includes both endowment funds with donor restrictions and funds designated by the Board of Trustees to function as quasi-endowments/Board-designated funds. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law: The Board of Trustees of the Foundation has interpreted Virginia's enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts donated to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The resulting amounts are reported as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Funds with deficiencies: From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2025 and 2024.

Return objectives and risk parameters: The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for donor specified periods, as well as Board-designated funds. Given the relationship between risk and return, a fundamental step in determining the investment policy for the endowment fund is the determination of an appropriate risk tolerance. After taking into consideration such factors as corporate financial stability, uncertainty of cash flows in and out of the endowment fund over the long-term and capital market volatility, the Board of Trustees believes that a moderate risk strategy is prudent. Under this policy, as approved by the Board of Trustees, the goal is to have stable returns over the long-term, with a reduced potential of negative returns in any given year. The Foundation expects its endowment fund, over time, to provide an annual average rate of return of approximately 5%. Actual returns in any given year may vary from this amount.

Arlington Community Foundation

Notes to Financial Statements

Note 8. Endowment and Board-Designated Funds (Continued)

Strategies employed for achieving objectives: To satisfy its long-term, rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). As a result, the Foundation has elected to adopt a diversified asset allocation consisting of primarily equity and fixed income securities. The Foundation has several investment options with the current asset allocation ranging from 0% to 65% in equities and 25% to 100% in fixed income funds.

Spending policy and how the investment objectives relate to spending policy: At year-end, the Foundation has a policy of distributing up to 5% of the moving average of the past 12 quarters' closing market value of the endowment investment. In establishing this policy, the Foundation considered the long-term expected return of its endowment.

The changes in endowment net assets for the years ended June 30, 2025 and 2024, are as follows:

Endowment net assets, June 30, 2023	\$ 1,764,259
Net investment return	243,330
Contributions and other income	11,718
Appropriation of endowment assets for expenditure	<u>(112,566)</u>
Endowment net assets, June 30, 2024	1,906,741
Net investment return	241,890
Contributions and other income	9,687
Appropriation of endowment assets for expenditure	<u>(103,191)</u>
Endowment net assets, June 30, 2025	<u><u>\$ 2,055,127</u></u>

Endowment net assets at June 30, 2025 and 2024, are comprised of the following:

	<u>2025</u>	<u>2024</u>
Scholarship funds	\$ 1,656,255	\$ 1,540,509
Senior adults programs	312,512	280,918
Charitable organizations	86,360	85,314
	<u><u>\$ 2,055,127</u></u>	<u><u>\$ 1,906,741</u></u>

Board-designated net assets totaled \$39,930 and \$43,714 for the years ended June 30, 2025 and 2024, respectively.

Note 9. Leases

In October 2021, the Foundation entered into a new lease for its existing office space with monthly base rent of \$6,102, and an annual escalation increase at a rate of 2.5%, which expires in December 2026. The lease contains monthly abatements of rent throughout the lease.

The Foundation entered into an amendment to the lease effective August 1, 2024. The impact of the amendment resulted in the derecognition of the operating ROU asset and lease liability during the year ended June 30, 2025, and the recording of a new operating ROU asset and lease liability as of the commencement date of the amendment to the lease at a 3.96% risk free rate. The terms of the amendment provide for an incentive payment by the landlord to the Foundation of \$187,500, adjusts the terms of the lease for a termination date no earlier than June 30, 2026 and reduced the base rent.

Arlington Community Foundation

Notes to Financial Statements

Note 9. Leases (Continued)

Operating lease cost is recognized on a straight-line basis over the lease term. Operating lease cost was the sole component of lease expense during the years ended June 30, 2025 and 2024, and totaled \$0 and \$75,220, respectively.

Supplemental statements of financial position information related to leases is as follows as of June 30:

	2025	2024
Weighted-average remaining lease term (in years)	1.50	2.50
Weighted-average discount rate	3.96%	2.88%

Future undiscounted cash flows for each of the next two years and reconciliation to the lease liability recognized on the statements of financial position as of June 30, 2025, is as follows:

Years ending June 30:		
2026		\$ 68,402
2027		35,286
Total lease payments		103,688
Discount to net present value		(2,884)
Discounted lease liability		<u>\$ 100,804</u>

Note 10. Contingency

Paycheck Protection Program (PPP) loan: The Small Business Administration (SBA) has the right to audit recipients of PPP loans for up to six years from the date of forgiveness. However, management does not believe a material risk exists related to the SBA's right to audit.

Note 11. Related-Party Transactions

During the years ended June 30, 2025 and 2024, management and members of the Board of Trustees contributed \$432,890 and \$204,040 to the Foundation, respectively.