

Consolidated Financial Statements

STEUBEN COUNTY COMMUNITY FOUNDATION, INC. AND AFFILIATES

*Years ended June 30, 2023 and 2022
with Independent Auditor's Report*

Steuben County Community Foundation, Inc. and Affiliates

Consolidated Financial Statements

Years ended June 30, 2023 and 2022

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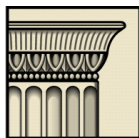
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Independent Auditor's Report

The Board of Directors
Steuben County Community Foundation, Inc. and Affiliates

Opinion

We have audited the accompanying consolidated financial statements of Steuben County Community Foundation, Inc. and Affiliates, which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Steuben County Community Foundation, Inc. and Affiliates as of June 30, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

Haines, Asenbarger & Skiba, LLC

August 17, 2023

Steuben County Community Foundation, Inc. and Affiliates

Consolidated Statements of Financial Position

	June 30	
	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,059,722	\$ 651,963
Pledges receivable	10,800,855	52,600
Prepaid expenses and other	17,781	57,542
Total current assets	<u>12,878,358</u>	762,105
Investments	33,942,497	29,291,663
Land, building and equipment:		
Land	382,781	382,781
Building and improvements	466,990	466,990
Office furniture and equipment	221,519	244,093
	<u>1,071,290</u>	1,093,864
Less accumulated depreciation	360,242	388,191
	<u>711,048</u>	705,673
Other assets:		
Cash value of life insurance policies	527,872	505,408
Beneficial interest in trusts	1,263,082	590,974
Total assets	<u>\$ 49,322,857</u>	<u>\$ 31,855,823</u>
Liabilities		
Current liabilities:		
Accounts payable and other current liabilities	\$ 27,690	\$ 27,259
Current portion of grants and scholarships payable	41,300	27,000
Deferred revenue	-	2,346
Current portion of capital lease obligation	-	750
Funds held for agencies	3,034,634	1,905,525
Total current liabilities	<u>3,103,624</u>	1,962,880
Grants and scholarships payable, less current portion	35,000	9,000
Total liabilities	<u>3,138,624</u>	1,971,880
Net assets:		
Without donor restrictions	3,966,931	3,803,177
With donor restrictions	42,217,302	26,080,766
Total net assets	<u>46,184,233</u>	29,883,943
Total liabilities and net assets	<u>\$ 49,322,857</u>	<u>\$ 31,855,823</u>

See accompanying notes to consolidated financial statements.

Steuben County Community Foundation, Inc. and Affiliates

Consolidated Statements of Activities and Changes in Net Assets

	Year ended June 30					
	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenues and gains						
Contributions and grants	\$ 47,380	\$ 15,665,236	\$ 15,712,616	\$ 18,166	\$ 1,536,715	\$ 1,554,881
Management fees	450,748	-	450,748	479,251	-	479,251
Net investment return	186,019	2,097,393	2,283,412	(337,224)	(3,176,959)	(3,514,183)
Change in value of cash value of life insurance policies	1,106	18,810	19,916	958	18,256	19,214
Loss on beneficial interest in trusts	-	(17,032)	(17,032)	-	(275,556)	(275,556)
Total support, revenues and gains before net assets released from restrictions	685,253	17,764,407	18,449,660	161,151	(1,897,544)	(1,736,393)
Net assets released from restrictions	1,627,871	(1,627,871)	-	1,709,658	(1,709,658)	-
Total support, revenues and gains	2,313,124	16,136,536	18,449,660	1,870,809	(3,607,202)	(1,736,393)
Expenses						
Program services:						
Grants	1,111,603	-	1,111,603	1,270,184	-	1,270,184
Management fees	427,589	-	427,589	457,161	-	457,161
Other program	135,214	-	135,214	92,228	-	92,228
	1,674,406	-	1,674,406	1,819,573	-	1,819,573
Supporting services:						
Fundraising	144,825	-	144,825	63,681	-	63,681
Management and general	330,139	-	330,139	297,110	-	297,110
	474,964	-	474,964	360,791	-	360,791
Total expenses	2,149,370	-	2,149,370	2,180,364	-	2,180,364
Increase (decrease) in net assets before discontinued operations	163,754	16,136,536	16,300,290	(309,555)	(3,607,202)	(3,916,757)
Discontinued operations	-	-	-	(5,118)	-	(5,118)
Increase (decrease) in net assets	163,754	16,136,536	16,300,290	(314,673)	(3,607,202)	(3,921,875)
Net assets at beginning of year	3,803,177	26,080,766	29,883,943	4,117,850	29,687,968	33,805,818
Net assets at end of year	\$ 3,966,931	\$ 42,217,302	\$ 46,184,233	\$ 3,803,177	\$ 26,080,766	\$ 29,883,943

See accompanying notes to consolidated financial statements.

Steuben County Community Foundation, Inc. and Affiliates

Consolidated Statements of Functional Expenses

	Year ended June 30							
	2023				2022			
	Program Services	Supporting Activities		Total Expenses	Program Services	Supporting Activities		Total Expenses
Management and General		Fundraising	Management and General			Fundraising		
Grants and scholarships awarded	\$ 1,111,603	\$ -	\$ -	\$ 1,111,603	\$ 1,270,184	\$ -	\$ -	\$ 1,270,184
Management fees	427,589	-	-	427,589	457,161	-	-	457,161
Personnel and related expenses:								
Salaries and wages	115,088	146,775	31,068	292,931	78,666	151,181	30,200	260,047
Payroll taxes	8,944	11,407	2,415	22,766	6,094	11,712	2,339	20,145
Employee benefits	3,225	7,696	1,011	11,932	4,583	8,808	1,760	15,151
	<u>127,257</u>	<u>165,878</u>	<u>34,494</u>	<u>327,629</u>	<u>89,343</u>	<u>171,701</u>	<u>34,299</u>	<u>295,343</u>
Administrative	5,357	-	-	5,357	285	-	-	285
Advertising and marketing	-	9,501	85,508	95,009	-	1,217	10,954	12,171
Conferences and training	-	3,250	3,250	6,500	-	1,083	1,082	2,165
Depreciation	-	22,666	400	23,066	-	17,597	400	17,997
Development	-	3,980	9,287	13,267	-	2,041	4,763	6,804
Information technology	2,600	21,007	4,147	27,754	2,600	17,448	3,659	23,707
Interest	-	170	-	170	-	146	-	146
Membership dues and subscriptions	-	6,118	-	6,118	-	5,705	-	5,705
Miscellaneous	-	1,335	830	2,165	-	1,398	1,962	3,360
Occupancy	-	27,011	6,384	33,395	-	25,708	6,062	31,770
Office	-	7,938	525	8,463	-	6,415	500	6,915
Professional fees	-	61,285	-	61,285	-	46,651	-	46,651
Total expenses	<u>\$ 1,674,406</u>	<u>\$ 330,139</u>	<u>\$ 144,825</u>	<u>\$ 2,149,370</u>	<u>\$ 1,819,573</u>	<u>\$ 297,110</u>	<u>\$ 63,681</u>	<u>\$ 2,180,364</u>

See accompanying notes to consolidated financial statements.

Steuben County Community Foundation, Inc. and Affiliates

Consolidated Statements of Cash Flows

	Year ended June 30	
	2023	2022
Operating activities		
Increase (decrease) in net assets	\$16,300,290	\$ (3,921,875)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Realized and unrealized (gain) loss on investments	(1,639,633)	4,420,491
Depreciation	23,066	17,997
Non-cash contributions	(856,062)	-
Loss on beneficial interest in trusts	15,992	280,277
Changes in operating assets and liabilities:		
Pledges receivable	(10,748,255)	512,894
Prepaid expenses and other	39,761	(37,785)
Cash value of life insurance policies	(22,464)	(21,813)
Accounts payable and other current liabilities	431	(5,639)
Grants and scholarships payable	40,300	(25,750)
Deferred revenue	(2,346)	(998)
Funds held for agencies	1,129,109	(316,323)
Net cash provided by operating activities	4,280,189	901,476
 Investing activities		
Purchases of investments	(15,764,531)	(9,423,493)
Proceeds from sale and maturities of investments	12,921,292	8,949,943
Purchases of land, building and equipment	(28,441)	(10,460)
Net cash used in investing activities	(2,871,680)	(484,010)
 Financing activity —payments of capital lease obligation	(750)	(1,693)
Increase in cash and cash equivalents	1,407,759	415,773
Cash and cash equivalents at beginning of year	651,963	236,190
Cash and cash equivalents at end of year	\$ 2,059,722	\$ 651,963

See accompanying notes to consolidated financial statements.

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

June 30, 2023

1. Organization

The Steuben County Community Foundation, Inc. (Foundation) is a not-for-profit corporation organized pursuant to the laws of the state of Indiana. The Foundation was organized for the purpose of meeting the charitable needs of primarily Steuben County, Indiana. The Foundation supports new and existing programs of not-for-profit organizations for specific charitable purposes. The Foundation's support is derived principally from contributions received from private and public organizations or individuals.

The mission of the Foundation is:

“connecting people who care with needs that matter to our community.”

Steuben County Community Foundation Building, LLC (Building LLC) and Steuben County Community Foundation Real Estate, LLC (Real Estate LLC) were formed effective July 1, 2019. The Foundation is the sole member of both entities. The land and building in which the Foundation operates were transferred to the Building LLC during fiscal 2020. The Real Estate LLC will hold other real estate on a permanent or temporary basis.

The Foundation is incorporated as a nonprofit organization, exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and qualifies for the charitable contribution deduction. The Foundation has been classified as organizations that are not private foundations under Section 509(a) of the Internal Revenue Code. It is also exempt from state income taxes.

However, the Foundation is subject to federal income tax on any unrelated business taxable income. The Foundation provides liabilities for uncertain tax positions when a liability is probable and estimable. Management believes that it has appropriate support for any tax positions it has taken or expects to take and as such, does not have any uncertain tax positions that should be recognized, measured or disclosed in the financial statements. Management believes the Foundation is no longer subject to examination by tax authorities for years before June 30, 2020.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the Foundation, Building LLC and Real Estate LLC (collectively, Organization). Accounting principles generally accepted in the United States of America require consolidation of not-for-profit entities if one entity has both control and an economic interest in another entity. All significant inter-organization accounts and transactions have been eliminated in consolidation.

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents, except those short-term investments managed as part of long-term investment strategies. The Organization maintains cash accounts at local banks. From time to time during the year, the Organization's cash accounts exceeded federally insured limits due to the transfer of funds to pay for grants awarded.

Contributions and Pledges Receivable

Contributions, including gifts, grants, bequests, pledges and other unconditional promises to give without restrictions or stipulations are recorded as support in the period received. Contributions are reported as donor restricted support if they are received with donor imposed stipulations that limit their use.

Conditional promises or pledges are recognized when the conditions on which they depend are substantially met.

Contributions of assets other than cash are recorded at their fair market value.

Unconditional promises or pledges are recorded at net realizable value. The Foundation provides an allowance for uncollectible pledges which is based on historical collection experience and management's estimate of the losses that will be incurred in the collection of all pledges receivable. As of June 30, 2023 and 2022, no allowance for uncollectible pledges was deemed necessary.

Investments and Net Investment Return

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, the Foundation's investments are reported at their fair values in the statements of financial position. Net investment return is reported in the statements of activities and changes in net assets and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See *Note 4* for discussion of fair value measurements.

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Investments and Net Investment Return (continued)

Purchases and sales are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Net realized and unrealized investment gains or losses are determined by comparison of asset cost, using the specific identification method, to net proceeds received at the time of sale and changes in the difference between market values and cost, respectively.

The Foundation maintains a significant and diverse investment portfolio, without concentration of risk by type, industry or geographic area, which is managed by professional investment managers in compliance with the investment policy established by the Board of Directors. 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 reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect account balances.

Land, Building and Equipment

Land, building and equipment are stated at cost or if donated, at fair value at the date of the donation, except for land, building and equipment that have been impaired. For impaired assets, the carrying amount is reduced to the estimated fair market value. There were no impaired assets at June 30, 2023 and 2022. Items which cost \$5,000 or more and have a useful life of one year or more are capitalized. Depreciation is computed by the straight-line method over the following estimated useful lives:

Building and improvements	39 years
Office furniture and equipment	3-7 years

Expenditures for normal repairs and maintenance are expensed when incurred.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions—Net assets available for general use and not subject to donor (or certain grantor) restrictions.

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Net Assets (continued)

Net Assets With Donor Restrictions—Net assets subject to donor- (or certain grantor-) 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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as donor-restricted revenue when received and released from restrictions when the assets are placed in service. 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. Resources arising from the results of operations or assets set aside by the Board of Directors are not considered to be donor-restricted.

Grants and Scholarships

Grants and scholarships are considered incurred and recorded as payable upon their approval by the Board of Directors and communication to designated grantees except for conditional grants which are not expensed until the conditions are met by the grantee. Grants payable in more than one year are initially recognized at fair value using present value methods at the time the grants are made.

Use of Estimates

Preparation of the consolidated 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 in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Functional Expenses

The cost of providing the program and other activities has been summarized on a functional basis in the accompanying statements of activities and changes in net assets. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional fees, office expenses, information technology, interest, insurance and other expenses, which are allocated on the basis of estimates of time and effort.

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

3. Liquidity and Availability

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. Annual program funding needs are supported by contributions received without donor restrictions, investment income without donor restrictions and appropriated earnings from gifts with donor restrictions.

The Foundation considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative, general and fundraising expenses. Annual operations are defined as activities occurring during the Foundation’s fiscal year.

The Foundation manages its cash available to meet general expenditures following three guiding principles: operating within a prudent range of financial soundness and stability; maintaining liquid assets; maintaining sufficient reserves to provide reasonable assurance that long-term grant commitments and obligations under endowments with donor restrictions and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year from the statement of financial position date, comprise the following:

	June 30	
	2023	2022
Cash and cash equivalents	\$ 2,059,722	\$ 651,963
Investments available for general expenditures	637,118	499,733
	<u>\$ 2,696,840</u>	<u>\$ 1,151,696</u>

In addition to these funds available for general expenditures, the Foundation’s Board of Directors has chosen to charge an administrative fee to all funds pursuant to the fund agreement. Certain administrative fees are based on a percentage of the fund balance and are assessed quarterly or annually. Other administrative fees are based on a percentage of annual contributions to the fund. Estimated administrative fees available for general expenditures during the year ended June 30, 2024 are \$450,000.

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

3. Liquidity and Availability (continued)

The Foundation's Grant Advisory Committee meets periodically to review and recommend grant requests for approval by the Board of Directors. The Foundation has adopted investment and spending policies for endowment assets that attempt to provide sufficient liquidity for grantmaking and other purposes.

4. Fair Value Measurements

Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

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

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

4. Fair Value Measurements (continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023 and 2022.

Money market funds: Valued at quoted market prices in an exchange and active market, which represent the net asset values (NAV) of shares held by the Foundation at year-end.

Certificates of deposit: Recorded at cost plus accrued interest (carrying value), which approximates fair value.

United States Treasury and government agency obligations, corporate bond and other debt securities and preferred stock: Valued based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar obligations or bonds, the obligation or bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

Exchange traded funds: Exchange traded funds are open-end funds that can be bought and sold throughout the day on a stock exchange. The exchange traded funds held by the Foundation are deemed to be actively traded and valued at the closing price reported on the stock exchange on which the individual securities are traded.

Common stock: Valued at the closing price reported on the active market on which the individual securities are traded.

Limited partnership: Valued based on periodic financial information received from the investment advisor and/or managing member and the Foundation's percentage ownership in the alternative investment entity. The limited partnership is a public investment vehicle, valued using the NAV provided by the managing member of the limited partnership, that focus on accumulating earnings while maintaining the appropriate level of diversified risk. The NAV is based on the value of the underlying assets owned by the partnership, minus its liabilities and then divided by the number of shares outstanding.

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

4. Fair Value Measurements (continued)

Cash value of life insurance policies: Valued at the redemption value as determined by the insurance carrier at year-end.

Beneficial interest in trusts: Valued at its proportional interest in the underlying trust assets which are valued at the fair value. The remainder interest in real estate is valued based on the fair value of the real estate times a remainder interest factor, based on mortality tables.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

4. Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2023 and 2022:

	Assets at Fair Value at June 30, 2023			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 948,581	\$ -	\$ -	\$ 948,581
U.S. Government securities	-	3,895,203	-	3,895,203
Corporate bonds and other debt securities	-	3,112,460	-	3,112,460
Mutual and exchange traded funds	14,501,201	-	-	14,501,201
Common stock	10,987,588	-	-	10,987,588
Cash value of life insurance policies	-	527,872	-	527,872
Beneficial interest in trusts	-	-	1,263,082	1,263,082
Assets in the fair value hierarchy	\$ 26,437,370	\$ 7,535,535	\$ 1,263,082	
Limited partnership valued at NAV				497,464
Total assets at fair value				\$ 35,733,451

	Assets at Fair Value at June 30, 2022			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 666,025	\$ -	\$ -	\$ 666,025
Certificates of deposit	-	60,704	-	60,704
U.S. Government securities	-	3,503,720	-	3,503,720
Corporate bonds and other debt securities	-	2,060,061	-	2,060,061
Preferred stock	-	26,168	-	26,168
Mutual funds	12,608,462	-	-	12,608,462
Common stock	9,830,832	-	-	9,830,832
Cash value of life insurance policies	-	505,408	-	505,408
Beneficial interest in trusts	-	-	590,974	590,974
Assets in the fair value hierarchy	\$ 23,105,319	\$ 6,156,061	\$ 590,974	
Limited partnership valued at NAV				535,691
Total assets at fair value				\$ 30,388,045

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

4. Fair Value Measurements (continued)

The changes in assets classified as Level 3 are as follows:

	Remainder Value of Life Estate	Charitable Remainder Trust	Total
Year ended June 30, 2023			
Balance at beginning of year	\$ 343,584	\$ 247,390	\$ 590,974
Contributions	688,100	-	688,100
Actual return on assets—net unrealized gain (loss) relating to assets still held at year-end	(24,308)	8,316	(15,992)
Balance at end of year	<u>\$ 1,007,376</u>	<u>\$ 255,706</u>	<u>\$ 1,263,082</u>

	Remainder Value of Life Estate	Charitable Remainder Trust	Total
Year ended June 30, 2022			
Balance at beginning of year	\$ 568,690	\$ 302,561	\$ 871,251
Actual return on assets—net unrealized loss relating to assets still held at year-end	(225,106)	(55,171)	(280,277)
Balance at end of year	<u>\$ 343,584</u>	<u>\$ 247,390</u>	<u>\$ 590,974</u>

5. Beneficial Interest in Trusts

The Foundation was bequeathed remainder interests in real estate located in Steuben County, Indiana, and has been named the beneficiary of charitable remainder trust that is held by a third-party trustee.

One of the real estate interests, received in 1999, was valued at fair value at the date the gift was received multiplied by the remainder interest factor, based on mortality tables. The fair value is revalued annually and was \$319,276 and \$343,584 at June 30, 2023 and 2022, respectively.

The other real estate interest was received in 2023 and was valued at fair value at the date the gift was received multiplied by the remainder interest factor, based on mortality tables. The fair value is revalued annually and was \$688,100 at June 30, 2023.

The charitable remainder trust, held by a third-party trustee, is valued at the fair value of the underlying assets and is adjusted annually for changes in the fair value. The fair value of the charitable remainder trust as of June 30, 2023 and 2022 was \$255,706 and \$247,390, respectively.

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

6. Grants and Scholarships Payable

The following summarizes the changes in grants and scholarships payable:

	Year ended June 30	
	2023	2022
Grants and scholarships payable at beginning of year	\$ 36,000	\$ 61,750
Unconditional grants and scholarships expensed	1,111,603	1,270,184
Less payments made	1,071,303	1,295,934
Grants and scholarships payable at end of year	<u>\$ 76,300</u>	<u>\$ 36,000</u>

Grants and scholarships payable at June 30, 2023 are scheduled to be disbursed as follows:

2024	\$ 41,300
2025	<u>35,000</u>
	<u>\$ 76,300</u>

7. Charitable Gift Annuity Payable

The Foundation has entered into two charitable gift annuities in which the donors contribute assets to the Foundation in exchange for the right to receive a fixed dollar annual return during his/her lifetime or, for joint annuitants, the lifetime of the donor's spouse, whichever is longer. The fair value of the assets contributed over the present value of the liability for future payments has been recognized as a contribution at the date of the gift. Annually, the Foundation revalues the liability based on applicable mortality tables and discount rate. The discount rate at June 30, 2023 and 2022 was 4.2 percent and 3.6 percent, respectively. The charitable gift annuity payable was \$21,322 and \$23,207 at June 30, 2023 and 2022, respectively, and is included in accounts payable and other current liabilities in the consolidated statements of financial position.

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

8. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

	June 30	
	2023	2022
Subject to expenditure for specific purpose:		
Specific organization fund	\$ 5,475,666	\$ 2,659,913
General funds	2,059,248	1,324,778
Operating funds	877,726	812,621
Scholarships	982,332	808,620
	9,394,972	5,605,932
Restricted in perpetuity:		
Specific organization funds	19,904,604	8,094,161
General funds	6,920,962	6,583,757
Operating funds	1,800,870	1,729,929
Scholarships	4,195,894	4,066,987
	32,822,330	20,474,834
	\$ 42,217,302	\$ 26,080,766

Income from the general endowment funds is to be used for programs benefiting Steuben County residents.

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donor or by the occurrence of the passage of time were \$1,628,911 during the year ended June 30, 2023 and \$1,709,928 the year ended June 30, 2022.

9. Endowment Funds

ASC 958, *Not-for-Profit Entities*, requires certain net asset classifications for institutional endowment funds under Uniform Prudent Management of Institutional Funds Act (UPMIFA). Effective July 1, 2007, the Indiana General Assembly adopted UPMIFA.

The Foundation's endowment consists of approximately 207 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

9. Endowment Funds (continued)

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulation to the contrary. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation added. 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. 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 (depreciation) of investments.
- Other resources of the Foundation.
- The investment policies of the Foundation.

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 as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that compare favorably with the performance of publicly traded market indices, including the S&P 500 or other recognized indices. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 7 percent annually. Actual returns in any given year may vary from this amount.

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

9. Endowment 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). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year a percentage of its endowment funds' average fair value over the preceding sixteen calendar quarters of the fiscal year in which the distribution is planned, limited to accumulated earnings. The current appropriation percentage is 4 percent. In establishing the policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

9. Endowment Funds (continued)

Endowment net asset composition by type of fund as of June 30, 2023, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-advised and designated endowment funds	\$ -	\$ 30,798,070	\$ 30,798,070
Board-advised endowment funds	2,474,669	9,755,923	12,230,592
Total funds	<u>\$ 2,474,669</u>	<u>\$ 40,553,993</u>	<u>\$ 43,028,662</u>

Changes in endowment net assets for the year ended June 30, 2023, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	\$ 2,347,371	\$ 25,284,906	\$ 27,632,277
Investment income:			
Net investment return	184,837	14,425,732	14,610,569
Other changes:			
Contributions and grants	-	2,074,141	2,074,141
Change in cash value of life insurance	1,101	18,806	19,907
Change in value of beneficial interests in trusts	-	(15,992)	(15,992)
Donor directed intrafund transfers	(22,232)	(169,933)	(192,165)
Appropriation for expenditure	(36,408)	(1,063,667)	(1,100,075)
Endowment net assets at end of year	<u>\$ 2,474,669</u>	<u>\$ 40,553,993</u>	<u>\$ 43,028,662</u>

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

9. Endowment Funds (continued)

Endowment net asset composition by type of fund as of June 30, 2022, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-advised and designated endowment funds	\$ -	\$ 15,823,103	\$ 15,823,103
Board-advised endowment funds	2,347,371	9,461,803	11,809,174
Total funds	<u>\$ 2,347,371</u>	<u>\$ 25,284,906</u>	<u>\$ 27,632,277</u>

Changes in endowment net assets for the year ended June 30, 2022, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	\$ 2,144,120	\$ 28,878,087	\$ 31,022,207
Investment income:			
Net investment return	(310,379)	(3,146,775)	(3,457,154)
Other changes:			
Contributions and grants	580,772	987,805	1,568,577
Change in cash value of life insurance	958	18,256	19,214
Change in value of beneficial interests in trusts	-	(275,556)	(275,556)
Donor directed intrafund transfers	-	(40,166)	(40,166)
Appropriation for expenditure	(68,100)	(1,136,745)	(1,204,845)
Endowment net assets at end of year	<u>\$ 2,347,371</u>	<u>\$ 25,284,906</u>	<u>\$ 27,632,277</u>

10. Management Fees

The Foundation assesses an administrative charge of 0.75 percent to 3 percent of the average asset balance on endowment funds and 2 percent to 5 percent on pass-through funds. This amount is used primarily to support the operations of the Foundation. The amount assessed is computed monthly based on the funds' market value at the end of the preceding month. For the years ended June 30, 2023 and 2022, these fees were \$450,748 and \$479,251, respectively.

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

11. Subsequent Events

Management has evaluated subsequent events through August 17, 2023, the date on which the financial statements were available to be issued.