

**ORANGE COUNTY COMMUNITY FOUNDATION**

**REPORT TO MANAGEMENT**

**Year Ended September 30, 2022**

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deming malone  
livesay + ostroff

To the Board of Directors of  
Orange County Community Foundation, Inc. and Affiliates

We have audited the combined financial statements of Orange County Community Foundation, Inc. and Affiliates for the year ended September 30, 2022, and have issued our report thereon dated March 3, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 1, 2022. Professional standards also require that we communicate to you the following information related to our audit.

**Significant Audit Matters**

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Orange County Community Foundation, Inc. and Affiliates are described in Note 1 to the combined financial statements. No accounting policies were adopted and the application of other previously existing policies was not changed during the fiscal year. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the combined financial statements in the proper period.

Accounting estimates are an integral part of the combined financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the combined financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the combined financial statements were:

- Management's estimate of the fair market value of financial instruments is based on quoted market prices and other relevant information generated by market transactions.
- Management's estimate of the depreciable lives of assets such as property and equipment is based on the expected useful life of each asset.
- Management's estimate of the allocation of functional expenses is based on management's estimates of time and effort.

These estimates were based on management's judgment. We evaluated the key factors and assumptions used to develop each estimate in determining they are reasonable in relation to the combined financial statements taken as a whole.

Certain combined financial statement disclosures are particularly sensitive because of their significance to combined financial statement users. The most sensitive disclosure affecting the combined financial statements were:

- The disclosure of fair value of financial instruments in Note 4 to the combined financial statements.
- The disclosure of the endowment in Note 10 to the combined financial statements.

The combined financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the combined financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated March 3, 2023.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's combined financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and Management of Orange County Community Foundation, Inc. and Affiliates and is not intended to be, and should not be, used by anyone other than these specified parties.

*Denning, Malone, Linsay & Petroff*

New Albany, Indiana  
March 3, 2023

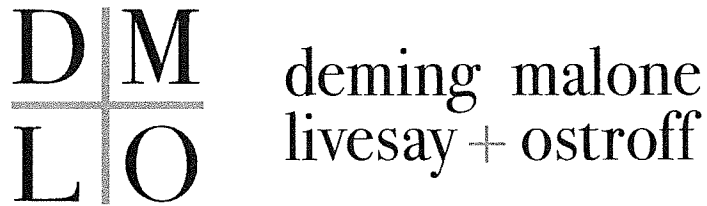
**ORANGE COUNTY COMMUNITY FOUNDATION, INC.  
AND AFFILIATES**

**COMBINED FINANCIAL STATEMENTS**

**Years Ended September 30, 2022 and 2021**

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### Independent Auditors' Report

To the Board of Directors  
Orange County Community Foundation, Inc.  
And Affiliates

#### **Opinion**

We have audited the accompanying combined financial statements of Orange County Community Foundation, Inc. (a not-for-profit organization), which comprise the combined statement of financial position as of September 30, 2022, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Orange County Community Foundation, Inc. as of September 30, 2022, and the changes in its combined net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

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

#### **Responsibilities of Management for the Combined Financial Statements**

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

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



## **Auditors' Responsibilities for the Audit of the Combined Financial Statements**

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 combined 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 combined 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 combined 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 Orange County Community Foundation, Inc.'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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Orange County Community Foundation, Inc.'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.

## **Report on Summarized Comparative Information**

We previously audited Orange County Community Foundation, Inc.'s combined financial statements as of September 30, 2021 and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated January 25, 2022. In our opinion, the summarized comparative information on page 5 as of and for the year ended September 30, 2021 is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

*Deming, Malone, Lussay & Petroff*

New Albany, Indiana  
March 3, 2023

**ORANGE COUNTY COMMUNITY FOUNDATION, INC. AND AFFILIATES**

**COMBINED STATEMENTS OF FINANCIAL POSITION**

September 30, 2022 and 2021

<b>Assets</b>	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 262,345	\$ 292,080
Investments - money market funds	180,755	217,394
Investments	9,762,062	12,011,215
Accounts receivable		1,648
Grant receivable	200,000	
Property and equipment, net of accumulated depreciation	<u>14,542</u>	<u>7,977</u>
<b>Total assets</b>	<u>\$ 10,419,704</u>	<u>\$ 12,530,314</u>
 <b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 2,463	\$ 3,273
Accrued expenses	<u>7,480</u>	<u>7,253</u>
<b>Total liabilities</b>	<u>9,943</u>	<u>10,526</u>
 <b>Net Assets</b>		
Net assets without donor restriction:		
Donor advised funds	678,667	834,104
Donor designated funds	3,946,682	4,653,123
Board designated funds	<u>4,848,686</u>	<u>6,135,484</u>
Total net assets without donor restriction	9,474,035	11,622,711
Net assets with donor restrictions	<u>935,726</u>	<u>897,077</u>
<b>Total net assets</b>	<u>10,409,761</u>	<u>12,519,788</u>
 <b>Total liabilities and net assets</b>	 <u>\$ 10,419,704</u>	 <u>\$ 12,530,314</u>

See Notes to Combined Financial Statements.

**ORANGE COUNTY COMMUNITY FOUNDATION, INC. AND AFFILIATES**

**COMBINED STATEMENTS OF ACTIVITIES**

Years Ended September 30, 2022 and 2021

	2022	2021
<b>Net Assets Without Donor Restrictions</b>		
Public support and revenues:		
Public support:		
Contributions and grants	\$ 469,783	\$ 893,066
Net investment return:		
Realized and unrealized (loss) gain on investments, net	(2,155,720)	1,311,881
Investment interest and dividends	420,133	316,871
Revenues:		
Administration fees	351,792	360,060
Rent	3,600	3,000
Other	540	107
Net assets released from restrictions	37,897	255,104
<b>Total revenues and public support without donor restrictions</b>	<b>(871,975)</b>	<b>3,140,089</b>
Expenses:		
Program	995,192	1,353,131
Management and general	213,192	234,222
Fundraising	68,317	84,668
<b>Total expenses</b>	<b>1,276,701</b>	<b>1,672,021</b>
<b>Net change in net assets without donor restrictions</b>	<b>(2,148,676)</b>	<b>1,468,068</b>
<b>Net Assets With Donor Restrictions</b>		
Public support:		
Contributions and grants	201,750	
Net investment return:		
Realized and unrealized (loss) gain on investments, net	(156,034)	101,497
Investment interest and dividends	30,830	23,795
Net assets released from restrictions	(37,897)	(255,104)
<b>Change in net assets with donor restrictions</b>	<b>38,649</b>	<b>(129,812)</b>
<b>Change in net assets</b>	<b>(2,110,027)</b>	<b>1,338,256</b>
Net assets at the beginning of the year	12,519,788	11,181,532
Net assets at the end of the year	<b>\$ 10,409,761</b>	<b>\$ 12,519,788</b>

See Notes to Combined Financial Statements.

**ORANGE COUNTY COMMUNITY FOUNDATION, INC. AND AFFILIATES**

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES**  
 Year Ended September 30, 2022 (with comparative totals for 2021)

	2022			2021	
	Program	Management and General	Fundraising	Total	Total All Funds (Memorandum Only)
Admin fee	\$ 351,792			\$ 351,792	\$ 360,060
Grants	286,583			286,583	444,659
Program expense from non-permanent funds	231,565	\$ 82	\$ 16,681	248,328	487,935
Payroll	66,108	113,513	37,838	217,459	235,567
Scholarships	40,562			40,562	32,522
Employee health insurance	7,231	12,417	4,139	23,787	34,013
Rent		21,720		21,720	21,720
Payroll taxes	5,101	8,760	2,920	16,781	18,363
Professional fees		16,016		16,016	14,765
Employee retirement benefits	2,685	4,610	1,537	8,832	10,408
Programming		1,243	5,046	6,289	6,778
Marketing	237	5,829		6,066	5,698
Business insurance		4,712		4,712	4,219
Supplies		3,272		3,272	2,572
Scholarship administration		3,074	156	3,230	626
Depreciation	3,158			3,158	2,122
Internet service and domain registration		3,064		3,064	2,372
Postage and delivery		2,497		2,497	1,566
Miscellaneous		2,391		2,391	
Equipment maintenance and tech support		2,356		2,356	3,196
Dues and subscriptions		1,703		1,703	1,894
Building maintenance		1,440		1,440	1,620
Telephone		1,239		1,239	1,136
Bank service charges	52	1,176		1,228	1,340
Conference/training/meetings	10	1,046		1,056	220
Printing and reproduction		1,000		1,000	2,777
Licenses and permits	22	32		54	263
Reimbursed	86			86	(26,390)
<b>Total expenses</b>	<u>\$ 995,192</u>	<u>\$ 213,192</u>	<u>\$ 68,317</u>	<u>\$ 1,276,701</u>	<u>\$ 1,672,021</u>
Expenses for the year ended September 30, 2021	<u>\$ 1,353,131</u>	<u>\$ 234,222</u>	<u>\$ 84,668</u>	<u>\$ 1,672,021</u>	

See Notes to Combined Financial Statements.

**ORANGE COUNTY COMMUNITY FOUNDATION, INC. AND AFFILIATES**

**COMBINED STATEMENTS OF CASH FLOWS**

Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (2,110,027)	\$ 1,338,256
Adjustments to reconcile change in net assets to net cash flows used in operating activities:		
Depreciation	3,158	2,122
Net investment loss (return)	1,860,791	(1,754,044)
Decrease (increase) in assets:		
Accounts receivable	1,648	98,352
Grant receivable	(200,000)	
Increase (decrease) in liabilities:		
Accounts payable	(810)	(46,643)
Accrued expenses	227	(1,263)
Deferred revenue		<u>(23,298)</u>
<b>Net cash flows used in operating activities</b>	<u>(445,013)</u>	<u>(386,518)</u>
 <b>Cash Flows from Investing Activities</b>		
Purchases of investments	(450,560)	(3,076,570)
Sales of investments	838,922	3,452,644
Purchases of property and equipment	<u>(9,723)</u>	<u>(6,040)</u>
<b>Net cash flows provided by investing activities</b>	<u>378,639</u>	<u>370,034</u>
 Net change in cash and cash equivalents	(66,374)	(16,484)
 Cash and cash equivalents at beginning of the year	<u>509,474</u>	<u>525,958</u>
 Cash and cash equivalents at end of the year	<u>\$ 443,100</u>	<u>\$ 509,474</u>
 <b>Reconciliation to Combined Statements of Financial Position</b>		
Cash and cash equivalents	\$ 262,345	\$ 292,080
Investments - money market funds	<u>180,755</u>	<u>217,394</u>
 Cash and cash equivalents at end of the year	<u>\$ 443,100</u>	<u>\$ 509,474</u>

See Notes to Combined Financial Statements.

**ORANGE COUNTY COMMUNITY FOUNDATION, INC.  
AND AFFILIATES**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**Note 1. Nature of Activities and Summary of Significant Accounting Policies**

**Organizational activities:**

This summary of significant accounting policies of Orange County Community Foundation, Inc. and Affiliates (“OCCF” or the “Foundation”): Orange County Commissioners Supporting Organization, Inc., Sol Strauss Supporting Organization, Inc., and Orange County Community Foundation Properties, LLC, is presented to assist in understanding the Foundation’s combined financial statements.

The Orange County Community Foundation, Inc., established as a not-for-profit organization in 2001, is an independent organization with a volunteer board of directors, which primarily serves Orange County in Southern Indiana. The Foundation’s purpose is to build a permanent resource of funds to help meet community needs today, and changing needs of future generations, by encouraging philanthropic leadership, providing flexible endowment opportunities, and practicing financial stewardship of donated funds.

The Orange County Commissioners Supporting Organization, Inc. was established as a not-for-profit charitable organization in 2005 in order to operate exclusively for the benefit of, or to perform the functions of, or carry out the purposes of Orange County Community Foundation, Inc.

The Sol Strauss Supporting Organization, Inc. was established as a not-for-profit charitable organization in 2006 in order to support and expand the charitable works and civic activities of Orange County Community Foundation, Inc. benefiting the Town of Paoli, Indiana by contributing support to the Orange County Community Foundation, Inc., with a particular emphasis on improving the quality of life in Southern Indiana.

Orange County Community Foundation Properties, LLC is a single member Limited Liability Company established in 2008 and owned by Orange County Community Foundation, Inc.

**Summary of significant accounting policies:**

This summary of significant accounting policies of the Foundation is presented to assist in understanding the Foundation’s combined financial statements. The combined financial statements and notes are representations of the Foundation’s management, which is responsible for the integrity and objectivity of the combined financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the combined financial statements.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### **Basis of accounting:**

The combined financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

### **Net Assets:**

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

**Net assets without donor restrictions:** Net assets available for use in general operations and not subject to donor restrictions. Net assets without donor restrictions include assets designated by the board for particular purposes.

**Net assets with donor restrictions:** Net assets subject to donor-imposed restrictions. The Foundation's 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. 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:**

The Foundation's major revenue sources consist of contributions and grants, administration fees, and investment income.

**Contributions and grants** - All contributions and grants are considered available for general use unless specifically restricted by the donor. Contributions and grants which are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the year in which the contributions and grants are recognized. All other donor-restricted contributions and grants are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions of noncash assets are recorded at their fair value at the date of donation.

**Administration fees** - Administration fees consist of fees charged on funds managed by the Foundation. The Foundation recognizes revenue from certain contracts over time as services are rendered under the contracts using the input method as time has elapsed.

**Investment income** - Investment income includes investment interest and dividends, as well as realized and unrealized gains and losses on investments, net of investment fees.

## NOTES TO COMBINED FINANCIAL STATEMENTS

The Foundation has determined that the nature, amount, timing and uncertainty of contract revenues and cash flows are affected by the economy, public health regulations, and general public support.

The opening balances of all accounts receivable for the years ended September 30, 2022 and 2021 were \$1,648 and \$100,000, respectively.

### **Cash equivalents:**

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

### **Investments:**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the combined statements of financial position. Realized and unrealized gains and losses are included in the change in net assets.

### **Property and equipment:**

Items capitalized as part of property and equipment are valued at cost. Maintenance and repairs are expensed as incurred. The Foundation uses the straight-line method of computing depreciation at rates adequate to amortize the cost of the applicable assets over their useful lives, which range from five to ten years. The Foundation's policy is to expense assets costing \$1,000 or less. The asset cost and related accumulated depreciation of assets sold, or otherwise disposed of, are removed from the related accounts and the gain or loss is included in operations.

### **Grants and scholarships:**

Grants and scholarships are recorded as expenses when they are approved by the Board of Directors for payment.

### **Income taxes:**

The Foundation and Affiliates are exempt from federal, Indiana, and local income taxes as not-for-profit corporations as described under Internal Revenue Code Section 501(c)(3). The Foundation and Affiliates file informational tax returns in the U.S. federal jurisdiction and with the Indiana Department of Revenue. However, income from certain activities not directly related to the Foundation and Affiliates' tax-exempt purpose may be subject to taxation as unrelated business income. Management does not believe that the Foundation and Affiliates have unrelated business income for the years ended September 30, 2022 and 2021.



## NOTES TO COMBINED FINANCIAL STATEMENTS

As of September 30, 2022 and 2021, the Foundation and Affiliates did not have any accrued interest or penalties related to income tax liabilities, and no interest or penalties have been charged to operations for the years then ended.

### **Use of estimates:**

Management uses estimates and assumptions in preparing the combined financial statements in accordance with accounting principles generally accepted by the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

### **Combined financial statements:**

The combined financial statements include the accounts of the Orange County Community Foundation, Inc. and its supporting organizations: Orange County Commissioners Supporting Organization, Inc., Sol Strauss Supporting Organization, Inc., and its wholly owned subsidiary, Orange County Community Foundation Properties, LLC. All inter-organizational accounts and transactions have been eliminated in the combined financial statements.

### **Prior year summarized comparative information:**

The September 30, 2022 combined statement of functional expenses presents summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's combined financial statements for the year ended September 30, 2021, from which the summarized information was derived.

### **Functional allocation of expenses:**

The combined 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. Management allocated these expenses based on estimates of time and effort.

### **Recent accounting pronouncements:**

The Financial Accounting Standards Board issued the following accounting standards, which will be effective in subsequent years: 1) ASU No. 2016-02, *Leases*, effective for fiscal years beginning after December 15, 2021; and 2) ASU No. 2016-13, *Financial Instruments-Credit Losses*, effective for fiscal years beginning after December 15, 2022.

The Foundation is evaluating the impact of these standards on future combined financial statements.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### Reclassifications:

Certain accounts in the prior-year combined financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year combined financial statements.

### Date of management's review:

Management has evaluated events and transactions occurring subsequent to the combined statement of financial position date of September 30, 2022 for items that should potentially be recognized or disclosed in these combined financial statements. The evaluation was conducted through the date of the report, which is the date these combined financial statements were available to be issued.

### Note 2. Liquidity and Availability of Resources

Financial assets available for general expenditure within one year of September 30, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 262,345	\$ 292,080
Investments - money market funds	180,755	217,394
Grant receivable	200,000	
Accounts receivable		<u>1,648</u>
	<u>643,100</u>	511,122
Less: assets not available for general expenditure	<u>(391,349)</u>	<u>(223,895)</u>
Assets available for general expenditure	<u>\$ 251,751</u>	<u>\$ 287,227</u>

All or portions of the payouts from the Foundation's Operating Endowment and the Irvin Mefford Designated Endowment are made available to the Foundation each year for operating expenses. In addition, the Board may designate up to 5% of the payouts from all other Unrestricted Endowments to the Foundation for operating expenses. Approximately 2% of the Foundation's invested endowment is held in liquid assets for accessibility. It is from these liquid assets that the management fees assessed on managed endowments are paid to the Foundation each year, and those management fees are held in a money market account until needed. Cash for program expenses is also maintained in the money market fund for easier accessibility. The Foundation also maintains a reserve fund in cash assets. Expenditures from donor funds designated as net assets without donor restrictions must be approved by the Board, so these balances are not included as available for general expenditure.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### Note 3. Investments

Investments in marketable securities are stated at fair value. Fair values and unrealized appreciation (depreciation) are summarized as follows:

	September 30, 2022		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Domestic equity:			
Large blend	\$ 2,572,928	\$2,772,028	\$ 199,100
World stock	893,030	895,029	1,999
World allocation	358,802	359,893	1,091
Small growth	424,579	318,270	(106,309)
Mid-cap blend	454,077	495,193	41,116
Multi-alternative	1,353,092	1,257,953	(95,139)
Domestic fixed income:			
Bond funds	4,282,164	3,663,696	(618,468)
Total	\$10,338,672	\$9,762,062	\$(576,610)
	September 30, 2021		
	Cost	Fair Value	Unrealized Appreciation
Domestic equity:			
Large blend	\$ 2,733,917	\$ 3,678,999	\$ 945,082
World stock	1,212,306	1,601,435	389,129
Small growth	367,613	545,196	177,583
Mid-cap blend	407,175	544,663	137,488
Multi-alternative	1,302,443	1,381,414	78,971
Domestic fixed income:			
Bond funds	4,193,156	4,259,508	66,352
Total	\$10,216,610	\$12,011,215	\$1,794,605

## NOTES TO COMBINED FINANCIAL STATEMENTS

### Note 4. Fair Value of Financial Instruments

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets (Level 1). Level 3 inputs are unobservable and have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 inputs are used for investments for which Level 1 inputs were not available. Level 3 inputs would only be used if Level 1 or Level 2 inputs were not available.

The Foundation's investments consist of bond and equity funds stated at fair market value as of September 30, 2022 and 2021. Equity funds are valued at the closing price reported on the active market on which the individual securities are traded (Level 1). Bond funds are valued using pricing models maximizing the use of observable inputs for similar securities (Level 1). The Foundation has no assets requiring the use of Level 2 or Level 3 inputs for the periods presented.

### Note 5. Accounts Receivable

Accounts receivable consists of amounts due from contracts and reimbursed expenses. Accounts receivable is stated at the amount management expects to collect from balances outstanding at year-end. As of September 30, 2022 and 2021, accounts receivable totaled \$0 and \$1,648, respectively. Management had determined that the accounts receivable were fully collectible; therefore, no allowance for uncollectible accounts was considered necessary as of September 30, 2021.

### Note 6. Grant Receivable

As of September 30, 2022, the Foundation had a program grant receivable in the amount of \$200,000 to support the Lost River Market and Deli. The grant payment was received in October 2022. No grants were outstanding as of September 30, 2021.

### Note 7. Property and Equipment

Property and equipment consists of the following as of September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 32,762	\$ 26,972
Less accumulated depreciation	<u>(18,220)</u>	<u>(18,995)</u>
Property and equipment, net	<u>\$ 14,542</u>	<u>\$ 7,977</u>

## NOTES TO COMBINED FINANCIAL STATEMENTS

### Note 8. Net Assets Without Donor Restrictions

Net assets without donor restrictions consist of contributions and grants without any donor restrictions, donor advised funds, donor designated funds, and board designated funds. Donor advised funds are contributions which are given by a donor with the assistance of a particular community or area in mind. Donor designated funds are given by the donor with a specific organization designated as the beneficiary. Board designated funds are designated by the Board for a specific purpose. These funds are classified as net assets without donor restrictions due to the variance power maintained by the Foundation.

Although grant recommendations are accepted from donors and other providers of grants and are typically followed, the Foundation has the right to redirect the distribution of the assets donated or the income obtained from them (“variance power”). This variance power provides that the ultimate discretion of the use of donated funds lies with the Foundation’s Board of Directors. The variance power is explicitly stated in donor and grant agreements and effectively causes donor-specified restricted funds to be classified as net assets without donor restrictions.

### Note 9. Net Assets With Donor Restrictions

Net assets with donor restrictions include assets that have restrictions which are perpetual in nature, assets with time restrictions, and assets with purpose restrictions. The fund balances with donor restrictions include the following:

	September 30,	
	2022	2021
Net assets with perpetual restrictions		
Sol Strauss Supporting Organization, Inc.	\$735,726	\$897,077
Net assets with time restrictions		
Grant receivable	200,000	_____
Total net assets with donor restrictions	\$935,726	\$897,077

### Note 10. Endowment

The Foundation’s endowment consists of 123 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, 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.

## NOTES TO COMBINED FINANCIAL STATEMENTS

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as allowing endowment funds to be classified as net assets without donor restrictions as each fund agreement includes variance power providing the Foundation’s Board with discretion regarding the expenditure of the funds. 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.

- 1) The duration and preservation of the fund
- 2) The purposes of the Foundation and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Foundation
- 7) The investment policies of the Foundation

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for granting purposes while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must use for a donor-specified purpose, 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 long-term growth of capital without undue exposure to risk. The Foundation desired the endowment funds, over time, to provide an average rate of return of approximately 6.54 percent annually. Actual returns in any given year may vary from this amount.

To satisfy the long-term rate of return objectives, the Foundation relies on a total return strategy in which investment decisions shall be made with the intent of maximizing the long-term total return of the portfolio through market value changes (realized and unrealized) and through earned income (dividends and interest).

The Foundation has a policy of appropriating for distribution each year 2.5 to 4.0 percent of the endowment funds’ average fair value over the prior 12 quarters, or a lesser percentage as voted upon annually by the Board of Directors. In establishing this policy, the Foundation considered the long-term expected return on the endowment.

**NOTES TO COMBINED FINANCIAL STATEMENTS**

Endowment funds by net asset type as of September 30, 2022 and 2021 were as follows:

	2022		
	Net assets without donor <u>restrictions</u>	Net assets with donor <u>restrictions</u>	<u>Total</u>
Board Designated Funds	\$4,766,486		\$4,766,486
Donor Advised Funds	668,844		668,844
Other	<u>3,526,447</u>	<u>\$735,726</u>	<u>4,262,173</u>
Total	<u>\$8,961,777</u>	<u>\$735,726</u>	<u>\$9,697,503</u>
	2021		
	Net assets without donor <u>restrictions</u>	Net assets with donor <u>restrictions</u>	<u>Total</u>
Board Designated Funds	\$ 6,064,913		\$ 6,064,913
Donor Advised Funds	815,480		815,480
Other	<u>4,271,383</u>	<u>\$897,077</u>	<u>5,168,460</u>
	<u>\$11,151,776</u>	<u>\$897,077</u>	<u>\$12,048,853</u>

Changes in endowed funds for the years ending September 30, 2022 and 2021 were as follows:

	2022		
	Net assets without donor <u>restrictions</u>	Net assets with donor <u>restrictions</u>	<u>Total</u>
Endowment net assets, beginning of the year	\$11,151,776	\$897,077	\$12,048,853
Contributions	187,565	1,750	189,315
Net investment return	(1,702,908)	(125,204)	(1,828,112)
Appropriation of endowment assets for expenditure	<u>(674,656)</u>	<u>(37,897)</u>	<u>(712,553)</u>
Endowment net assets, end of the year	<u>\$ 8,961,777</u>	<u>\$735,726</u>	<u>\$ 9,697,503</u>

## NOTES TO COMBINED FINANCIAL STATEMENTS

	2021		
	Net assets without donor restrictions	Net assets with donor restrictions	Total
Endowment net assets, beginning of the year	\$ 9,753,569	\$836,793	\$10,590,362
Contributions	459,765		459,765
Net investment return	1,661,238	125,292	1,786,530
Appropriation of endowment assets for expenditure	(722,796)	(65,008)	(787,804)
Endowment net assets, end of the year	<u>\$11,151,776</u>	<u>\$897,077</u>	<u>\$12,048,853</u>

### **Note 11. Revenue From Contracts With Customers**

The Foundation's revenue from contracts with customers consisted of administration fees for managing endowment funds. The total fees were \$351,792 and \$360,060 for the years ended September 30, 2022 and 2021, respectively. Performance obligations are satisfied over time as the services are provided. Transaction prices are set based on a fee schedule. The time between invoicing and when the performance obligations are satisfied is not significant, and there is not a significant financing component or significant payment terms.

### **Note 12. Lease Agreements**

The Foundation is the lessor in a month-to-month lease agreement for office space with the Orange County Habitat for Humanity. Under the initial agreement, two employees designate a total of thirty-six hours a week for services to the Orange County Habitat for Humanity. The initial monthly lease is \$350 per month, plus reimbursement of the employees' salaries, taxes, and benefits. The initial agreement was in effect through September 1, 2012, and was renewed annually. A new agreement was negotiated on July 1, 2021 for \$300 per month with no payroll services bring provided, which was in effect until December 31, 2021.

On January 1, 2017, the Foundation became the lessee in a five-year lease agreement for office space with the Orange County Indiana Board of Commissioners through December 31, 2021. In August 2021 the Foundation negotiated a new agreement covering the period January 1, 2022 through January 1, 2027. Under both agreements, the Foundation pays \$1,810 per month. Total lease expense for each of the years ended September 30, 2022 and 2021 was \$21,720.

In July 2020 the Foundation entered into an equipment lease for a point of sale system. The lease is effective for three years at \$39 per month. Total expense for both years ended September 30, 2022 and 2021 was \$468.



## NOTES TO COMBINED FINANCIAL STATEMENTS

Future minimum lease payments under the operating leases are as follows:

Years ending September 30:	
2023	\$22,071
2024	21,720
2025	21,720
2026	21,720
2027	<u>5,430</u>
	<u>\$92,661</u>

### **Note 13. Defined Contribution Retirement Plan**

The Foundation has a defined contribution retirement plan covering eligible employees. The Foundation makes a contribution to the plan each year of up to 5% of participating employees' compensation. Total expense for the years ended September 30, 2022 and 2021 was \$8,832 and \$10,408, respectively, and is included in employee retirement benefits on the combined statement of functional expenses.

### **Note 14. Related Parties**

As discussed in Note 12, the Foundation rents office space from the Orange County Indiana Board of Commissioners. One of the County Commissioners is also on the Foundation's board.