

HENDRICKS COUNTY COMMUNITY FOUNDATION, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

December 31, 2023 and 2022



Independent Auditors' Report

Board of Directors
Hendricks County Community Foundation, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hendricks County Community Foundation, Inc., which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Hendricks County Community Foundation, Inc. as of December 31, 2023 and 2022, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hendricks County Community Foundation, Inc. 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 Hendricks County Community Foundation, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hendricks 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hendricks 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.

Estep Burkey Simmons, LLC

Muncie, Indiana
June 20, 2024

Hendricks County Community Foundation, Inc.

STATEMENTS OF FINANCIAL POSITION

December 31,

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 2,234,470	\$ 1,780,173
Prepaid expenses	19,672	18,577
Pledges receivable, net	210,425	-
Right of use assets	32,132	10,974
Annuity receivable	50,429	70,421
Investments	18,129,618	15,903,754
Cash surrender value of life insurance	93,464	92,271
Property and equipment, net	<u>-</u>	<u>-</u>
	<u>\$ 20,770,210</u>	<u>\$ 17,876,170</u>
LIABILITIES		
Accounts payable	\$ 6,339	\$ 7,250
Grants and scholarships payable	120,709	222,403
Accrued payroll	5,847	9,454
Right of use liabilities	32,132	10,974
Annuity liability	46,424	70,421
Funds held as agency partner funds	<u>476,645</u>	<u>421,538</u>
Total liabilities	688,096	742,040
NET ASSETS		
Without donor restrictions	1,080,015	951,705
With donor restrictions	<u>19,002,099</u>	<u>16,182,425</u>
	<u>20,082,114</u>	<u>17,134,130</u>
	<u>\$ 20,770,210</u>	<u>\$ 17,876,170</u>

The accompanying notes are an integral part of these statements.

Hendricks County Community Foundation, Inc.

STATEMENTS OF ACTIVITIES

Years Ended December 31,

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating support and revenue:			
Contributions and pledges	\$ 331,416	\$ 1,532,376	\$ 1,863,792
Gifts-in-kind	-	753,842	753,842
Administrative fee income	390,887	-	390,887
Special events	-	6,937	6,937
Investment return (loss), net of fees	15,921	2,495,806	2,511,727
Total operating support and revenue	738,224	4,788,961	5,527,185
Net assets released from restrictions:			
Satisfaction of purpose restrictions	690,495	(690,495)	
Pursuant to spending policy	1,278,792	(1,278,792)	
Operating expenses:			
Program services			
Grants and scholarships	1,363,201		1,363,201
Other grantmaking expenses	177,170		177,170
Supporting services			
Management and general	475,907		475,907
Administrative fees	381,957		381,957
Fundraising and development	180,966		180,966
Total operating expenses	2,579,201		2,579,201
CHANGE IN NET ASSETS	128,310	2,819,674	2,947,984
Net assets at beginning of year	951,705	16,182,425	17,134,130
Net assets at end of year	\$ 1,080,015	\$ 19,002,099	\$ 20,082,114

The accompanying notes are an integral part of these statements.

2022		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 103,414	\$ 1,012,090	\$ 1,115,504
-	90,451	90,451
472,488	-	472,488
-	-	-
(19,156)	(3,187,287)	(3,206,443)
556,746	(2,084,746)	(1,528,000)
376,552	(376,552)	
1,282,366	(1,282,366)	
1,317,138		1,317,138
138,818		138,818
365,289		365,289
351,887		351,887
152,735		152,735
2,325,867		2,325,867
(110,203)	(3,743,664)	(3,853,867)
1,061,908	19,926,089	20,987,997
<u>\$ 951,705</u>	<u>\$ 16,182,425</u>	<u>\$ 17,134,130</u>

Hendricks County Community Foundation, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31,

	2023			
	Grant- making	Management and General	Fundraising	Total
Grants, scholarships and awards	\$ 1,363,201	\$ -	\$ -	\$ 1,363,201
Salaries and wages	122,600	240,821	74,436	437,857
Payroll taxes	9,549	18,756	5,797	34,102
Employee benefits	10,836	21,284	6,579	38,699
Occupancy	-	13,875	-	13,875
Equipment rental and maintenance	-	2,468	-	2,468
Meetings and conferences	5,631	11,062	3,419	20,112
Print materials	-	-	13,811	13,811
Professional fees	-	91,041	-	91,041
Office expense	-	25,769	-	25,769
Insurance	-	10,661	-	10,661
Postage	507	507	253	1,267
Communications and technical support	15,403	30,256	9,352	55,011
Advertising and promotions	-	-	58,926	58,926
Donor development and networking	-	-	7,608	7,608
Administrative fees	-	381,957	-	381,957
Other expenses:				
Auto expense	1,569	1,569	785	3,923
Bank charges	-	1,493	-	1,493
Allowance for uncollectible pledges	11,075	-	-	11,075
Dues and subscriptions	-	6,345	-	6,345
	<u>\$ 1,540,371</u>	<u>\$ 857,864</u>	<u>\$ 180,966</u>	<u>\$ 2,579,201</u>

The accompanying notes are an integral part of these statements.

2022			
<u>Grant-</u> <u>making</u>	<u>Management</u> <u>and General</u>	<u>Fundraising</u>	<u>Total</u>
\$ 1,317,138	\$ -	\$ -	\$ 1,317,138
101,195	198,777	61,440	361,412
8,217	16,140	4,989	29,346
8,945	17,570	5,431	31,946
-	17,405	-	17,405
-	1,862	-	1,862
7,116	13,978	4,321	25,415
-	-	15,740	15,740
-	43,283	-	43,283
-	15,756	-	15,756
-	9,213	-	9,213
468	468	234	1,170
11,020	21,647	6,691	39,358
-	-	48,115	48,115
-	-	4,845	4,845
-	351,887	-	351,887
1,857	1,857	929	4,643
-	2,057	-	2,057
-	-	-	-
-	5,276	-	5,276
<u>\$ 1,455,956</u>	<u>\$ 717,176</u>	<u>\$ 152,735</u>	<u>\$ 2,325,867</u>

Hendricks County Community Foundation, Inc.

STATEMENTS OF CASH FLOWS

Years Ended December 31,

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,947,984	\$ (3,853,867)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized losses on investments	10,236	40,845
Unrealized (gains) losses on investments	(2,110,864)	3,695,220
Loss on disposal of equipment	-	981
Cash received from contributors for funds held in perpetuity	(1,165,410)	(410,425)
Non-cash contributions	753,842	90,451
(Increase) decrease in assets:		
Annuity receivable	19,992	13,956
Pledges receivable, net	(210,425)	-
Prepaid expenses	(1,095)	(2,371)
Cash surrender value of life insurance	(1,193)	(3,266)
Increase (decrease) in operating liabilities:		
Accounts payable	(911)	1,781
Grants and scholarships payable	(101,694)	3,744
Accrued payroll	(3,607)	3,237
Charitable gift annuity liability	(23,997)	(13,956)
Funds held as agency partner funds	55,107	(14,924)
Net cash provided by (used in) operating activities	<u>167,965</u>	<u>(448,594)</u>
Cash flows from investing activities:		
Purchase of investments	(4,223,873)	(2,106,827)
Proceeds from sales of investments	3,344,795	2,893,974
Net cash provided by (used in) investing activities	<u>(879,078)</u>	<u>787,147</u>
Cash flows from financing activities:		
Cash received from contributors for funds held in perpetuity	1,165,410	410,425
Net cash provided by financing activities	<u>1,165,410</u>	<u>410,425</u>
Net change in cash and cash equivalents	454,297	748,978
Cash and cash equivalents at beginning of year	<u>1,780,173</u>	<u>1,031,195</u>
Cash and cash equivalents at end of year	<u>\$ 2,234,470</u>	<u>\$ 1,780,173</u>

The accompanying notes are an integral part of these statements.

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

1. Nature of Activities

The Hendricks County Community Foundation, Inc. (Foundation) is a not-for-profit corporation organized under the laws of the State of Indiana. The Foundation was organized to be a trusted community partner in understanding needs, aligning resources, and empowering people to address today's priorities and create lasting impact together. Hendricks County is a place where everyone has the opportunity to have a fulfilling life and the tools they need to build a stronger future together.

2. Basis of Accounting

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

3. Financial Statement Presentation

Net assets, support, investment return, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. While most gift instruments give the Foundation's Board of Directors the right to vary the terms of the gift, this only allows for a limited right of modification and does not relieve the restrictions imposed by the donor. Accordingly, the net assets of the Foundation are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and comprised of the Foundation's operating fund and unrestricted income from endowment funds.

Net assets with donor restrictions - Net assets not yet appropriated for expenditure by the Foundation's Board of Directors in accordance with their spending policy or that have donor-imposed restrictions relating to a stipulated purpose or a specified time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished or amounts have been allocated for expenditure by the Board of Directors, net assets are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.

4. Contributions

Contributions are recognized when the donor makes a promise to give to the Foundation that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the financial year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

5. Cash and Cash Equivalents

The Foundation maintains its cash in accounts at high credit financial institutions, which are insured by agencies of the U.S. Government. For purposes of the Statements of Cash Flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

6. Concentration of Credit Risk

The Foundation maintains its cash in bank deposit accounts at high credit quality financial institutions. The balances, at times, may exceed federally insured limits. At December 31, 2023 and 2022, the Foundation exceeded the insured limit by \$1,246,653 and \$631,974, respectively.

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES - Continued

7. Investments

The Foundation records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the Statements of Financial Position. Net investment return/(loss) is reported in the Statements of Activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

8. Equipment and Depreciation

Purchased equipment is stated at cost. Donated equipment is recorded as support at the estimated fair value at the date of gift. Such donations are reported as support without donor restriction unless the donor has restricted the donated asset to a specific purpose. The Foundation has a capitalization policy which states that only items with a value of more than \$1,000 are capitalized. Expenditures for routine maintenance and repairs are expensed as incurred. Depreciation is computed according to the estimated useful lives of the respective assets using the straight-line method.

9. Income Taxes

The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision has been made for income taxes.

10. In-Kind Contributions

During the years ended December 31, 2023 and 2022, the Foundation received gifts of public securities of \$753,842 and \$90,451, respectively, which were valued at fair value. It is the Foundation's policy to immediately liquidate gifts of public securities and invest the proceeds in compliance with the Foundation's investment policy.

11. Compensated Absences

The employees of the Foundation qualify for earned time off based upon length of service. Earned time off must be used by the end of the calendar year. Any unused earned time off is paid to an employee upon termination based upon the employee's hourly rate. The Foundation's policy is to recognize the cost of compensated absences when actually paid to employees.

12. Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Foundation. Those expenses include depreciation, insurance, printing and publications, rent, telephone, repairs and maintenance, office supplies, postage, salaries and wages, payroll taxes, benefits, conferences and meetings, and miscellaneous expenses. These expenses are allocated on the basis of estimates of time and effort.

13. Advertising

Advertising expenses totaled \$58,926 and \$48,115 for the years ended December 31, 2023 and 2022, respectively. The Foundation's policy is to record advertising expenditures in the period in which they are incurred.

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES - Continued

14. Uncertain Tax Positions

The Foundation recognizes a tax benefit only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. The Foundation has examined this issue and has determined there are no material contingent tax liabilities.

The Foundation's federal and state exempt organization tax returns for 2020, 2021, and 2022 are subject to examination by the Internal Revenue Service and the Indiana Department of Revenue. Returns are generally subject to examination for three years after they are filed.

15. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - PROPERTY AND EQUIPMENT

The amounts of property and equipment, net of depreciation, consist of the following:

	2023	2022
Office furniture	\$ 8,375	\$ 8,375
Office equipment	1,334	1,334
	9,709	9,709
Less accumulated depreciation	9,709	9,709
	<u>\$ -</u>	<u>\$ -</u>

NOTE C - RISKS AND UNCERTAINTIES

The Foundation holds a variety of investments (Note F). Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

NOTE D - FAIR VALUE MEASUREMENTS

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. A hierarchy of inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Foundation. Unobservable inputs are inputs that reflect the Foundation's assumptions about the assumptions that market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE D - FAIR VALUE MEASUREMENTS - Continued

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

	2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash surrender value of life insurance		\$ 93,464		\$ 93,464
Annuity		\$ 50,429		\$ 50,429
Investments				
Alternative investments*				\$ 425,590
Certificates of deposit	\$ 219,024			\$ 219,024
Mutual funds - equities	\$ 13,031,526			\$ 13,031,526
Mutual funds - fixed income	\$ 4,453,478			\$ 4,453,478
Liabilities:				
Annuity liabilities		\$ 46,424		\$ 46,424
2022				
	Level 1	Level 2	Level 3	Total
Assets:				
Cash surrender value of life insurance		\$ 92,271		\$ 92,271
Annuity receivable		\$ 70,421		\$ 70,421
Investments				
Certificates of deposit	\$ 476,399			\$ 476,399
Mutual funds - equities	\$ 11,080,302			\$ 11,080,302
Mutual funds - fixed income	\$ 4,347,053			\$ 4,347,053
Liabilities:				
Annuity liabilities		\$ 70,421		\$ 70,421

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE D - FAIR VALUE MEASUREMENTS - Continued

* In accordance with Accounting Standards, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented at fair value in the Statements of Financial Position.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used for the years ended December 31, 2023 and 2022.

- Cash surrender value of life insurance: Fair value is determined by reference to the annual statement provided by the insurance provider.
- Annuity: Fair value is determined by the remaining value of the assets to be paid to the insurance companies.
- Investments: Valued at the daily closing price as reported by the mutual fund or exchange traded fund. Mutual funds and exchange traded funds ("funds") are held by the Foundation and are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The funds held by the Foundation are deemed to be actively traded.
- Annuity liabilities: Fair value is determined by calculating the present value of future payments to beneficiaries using published life expectancy tables, and discount rates ranging from 3.8 percent to 5.8 percent.

Alternative investments, including balances, restrictions on redemptions, and investment objectives, were purchased during the year ended December 31, 2023 and consist of the following.

	<u>Net Asset Value</u>	<u>Redemption Notice</u>	<u>Redemption Frequency</u>
North Rock Fund Limited	\$ 425,590	90 days notice	Monthly

NOTE E - PLEDGES RECEIVABLE, net

Donors have made pledges to various funds held by the Foundation. Outstanding pledges at December 31, 2023 and 2022 totaled \$221,500 and \$0-, respectively. The Foundation assessed an allowance for uncollectible pledges of \$11,075 and \$0-, for the years ending December 31, 2023 and 2022, respectively. Pledges are schedule to be collected as follows:

December 31, 2024	\$ 129,000
2025	92,500
2026	-
2027	-
2028	-
	<u>221,500</u>
Allowance for uncollectible pledges	<u>11,075</u>
	<u>\$ 210,425</u>

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE F - INVESTMENTS

The following is an analysis of the cost and fair value at December 31, 2023 and 2022 by type of investment.

	2023	2022
Certificates of deposit	\$ 219,024	\$ 476,399
Alternative investment	425,590	-
Mutual funds - equities:		
Foreign small/mid value	51,972	-
Foreign large value	68,636	-
Foreign large blend	1,368,597	2,319,071
Foreign small/mid growth	1,732,282	602,440
Foreign large growth	69,415	-
Mid-cap value	-	1,036
Large value	-	117,650
Diversified emerging markets	1,543,563	1,132,920
Large growth	-	115,262
Small growth	824,291	457,149
Small blend	272,965	239,034
Mid-cap blend	803,460	812,121
Large blend	5,441,154	4,497,404
World allocation	111,222	132,810
Infrastructure	628,043	566,355
Real estate	115,926	87,050
Total mutual funds - equities	<u>13,031,526</u>	<u>11,080,302</u>
Mutual funds - fixed income:		
Nontraditional bonds	604,440	923,062
Short-term bonds	256,428	-
Intermediate-term bonds	3,538,564	3,334,156
High yield bonds	28,050	89,835
Inflation-protected bond	25,996	-
	<u>4,453,478</u>	<u>4,347,053</u>
Total investments, at fair value	<u>\$ 18,129,618</u>	<u>\$ 15,903,754</u>
Total investments, at historical cost	<u>\$ 18,601,102</u>	<u>\$ 18,560,754</u>

NOTE G - SPLIT-INTEREST AGREEMENTS

The Foundation's split-interest agreements with a donor consists of a charitable gift annuity. The assets received are recorded at their fair value. The fair value of assets held for the charitable gift annuities totaled \$50,429 and \$70,421 at December 31, 2023 and 2022, respectively. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. These assets are included in the Level 2 inputs in Note D and annuity assets and investments on the Statements of Financial Position. The present value of future payment obligations at December 31, 2023 and 2022 were \$46,424 and \$70,421, respectively. The liabilities were determined using a discount rate of 5.8% and 5.2% as of December 31, 2023 and 2022, respectively. Changes in fair value of the charitable gift annuities are reflected as changes in net assets with donor restrictions in the Statements of Activities.

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE G - SPLIT-INTEREST AGREEMENTS - Continued

Gains or losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as increases or decreases in the value of the split-interest agreements in the Statements of Activities in their respective net asset classification.

NOTE H - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for a specific purpose:		
Donor advised	\$ 112,824	\$ 104,697
Designated	758,645	659,423
Field of interest	147,974	99,994
Scholarship	154,018	184,343
Community grants	<u>1,323</u>	<u>1,255</u>
	1,174,784	1,049,712
Endowments:		
Subject to appropriation and expenditure when a specific event occurs:		
Restricted by donors for:		
Donor advised	1,792,064	1,746,066
Designated	123,420	199,151
Organization specific	19,899	15,873
Field of interest	155,510	68,322
Scholarship	78,563	71,783
Community grants	<u>21,611</u>	<u>42,620</u>
	2,191,067	2,143,815
Subject to Foundation spending and appropriation:		
Donor advised	4,527,812	3,510,424
Designated	2,611,658	2,289,018
Organization specific	576,095	510,918
Field of interest	1,282,097	1,172,135
Legacy	3,205,495	2,785,192
Scholarship	853,632	993,713
Community grants	3,255,680	3,103,456
Underwater endowments	<u>(676,221)</u>	<u>(1,375,958)</u>
	<u>15,636,248</u>	<u>12,988,898</u>
	<u>\$ 19,002,099</u>	<u>\$ 16,182,425</u>

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE I - NET ASSETS RELEASED FROM DONOR RESTRICTION

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors as follows for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Purpose restrictions accomplished:		
Donor advised	\$ 10,500	\$ 11,197
Designated	535,131	253,883
Field of interest	101,340	57,091
Scholarship	43,524	42,565
Community grants	<u> </u>	<u>11,816</u>
	690,495	376,552
Release or appropriated endowment returns without purpose restrictions		
Donor advised	503,430	538,244
Designated	230,431	139,223
Organization specific	32,207	22,967
Field of interest	101,645	105,530
Legacy	165,014	164,332
Scholarship	59,123	76,320
Community grants	<u>186,942</u>	<u>235,750</u>
	<u>1,278,792</u>	<u>1,282,366</u>
	<u>\$ 1,969,287</u>	<u>\$ 1,658,918</u>

NOTE J - ENDOWMENT FUNDS

At December 31, 2023 and 2022, the Foundation's endowment consists of 202 and 200 donor-restricted permanent endowment funds established to support designated charitable purposes and organizations, and 2 funds designated by the Board of Directors to function as endowments to provide unrestricted support for Foundation programs. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Indiana Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2023 and 2022, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts 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 is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE J - ENDOWMENT FUNDS - Continued

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

Endowment net assets composition by type of fund as of December 31, 2023 and 2022, were as follows:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 167,706	\$ -	\$ 167,706
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	15,340,864	15,340,864
Accumulated investment gains	-	2,486,451	2,486,451
	<u>\$ 167,706</u>	<u>\$ 17,827,315</u>	<u>\$ 17,995,021</u>
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 159,561	\$ -	\$ 159,561
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	14,175,454	14,175,454
Accumulated investment gains	-	957,259	957,259
	<u>\$ 159,561</u>	<u>\$ 15,132,713</u>	<u>\$ 15,292,274</u>

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE J - ENDOWMENT FUNDS - Continued

Changes in endowment net assets for the year ended December 31, 2023 and 2022, were as follows:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Contributions and grant income	\$ 1,000	\$ 1,542,517	\$ 1,543,517
Investment return, net	11,290	2,430,877	2,442,167
Total revenue and support	12,290	3,973,394	3,985,684
Appropriation of endowment assets for expenditure	4,145	1,278,792	1,282,937
Change in endowment net assets	8,145	2,694,602	2,702,747
Endowment net assets, beginning of year	159,561	15,132,713	15,292,274
Endowment net assets, end of year	\$ 167,706	\$ 17,827,315	\$ 17,995,021
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Contributions and grant income	\$ 1,000	\$ 387,683	\$ 388,683
Investment loss, net	(14,393)	(3,189,644)	(3,204,037)
Total revenue and support	(13,393)	(2,801,961)	(2,815,354)
Appropriation of endowment assets for expenditure	3,709	1,282,366	1,286,075
Change in endowment net assets	(17,102)	(4,084,327)	(4,101,429)
Endowment net assets, beginning of year	176,663	19,217,040	19,393,703
Endowment net assets, end of year	\$ 159,561	\$ 15,132,713	\$ 15,292,274

Occasionally, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. As of December 31, 2023, 61 of the 202 endowment funds had deficiencies totaling \$676,221. As of December 31, 2022, 135 of the 200 endowment funds had deficiencies totaling \$1,375,958. Deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the board of directors.

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE J - ENDOWMENT FUNDS - Continued

The investment objective of the Foundation is to seek returns that are sufficient to preserve and increase the real, inflation-adjusted value of the investments, to meet spending needs for grantmaking, and cover operating expenses through investment and Administrative Fees. While there cannot be complete assurance that the investment objective will be realized, it is believed that the likelihood of realization is enhanced by diversifying the investments among multiple asset classes and by selecting active investment managers that have shown an ability to outperform an applicable benchmark over the long-term time horizon.

The Foundation has a policy (the spending policy) of appropriating for expenditure a percentage of the total portfolio fair value in order to provide for grants and to cover operating expenses. The purpose of the spending policy is to balance the short-term grant making obligations with its goal to provide grants into perpetuity, and, therefore, design a spending policy that is flexible. The Foundation may average the previous twelve quarters of fund's ending account balance, beginning with the September balance, and applying the determined spending rate to the resulting average balance. The spending rate of up to 5% applied to the average balance of an endowed fund shall be used to determine the spendable amount each year. From which, the Board determines the spending policy for the coming year.

NOTE K - OPERATING LEASES

The Foundation leases office equipment and office space under non-cancelable leases expiring through June 2026. Minimum lease payments of \$990 per month for the office space and \$125 per month for the office equipment are required for the term of the lease.

The following table discloses the undiscounted cash flows due related to operating leases, as of December 31, 2023, along with a reconciliation to the discounted amount recorded on the Statements of Financial Position.

	2024	\$	13,677
	2025		14,286
	2026		7,299
	2027		-
	2028		-
			<u>35,262</u>
Present value discount			<u>3,130</u>
		\$	<u><u>32,132</u></u>

Total lease expense for the year ended December 31, 2023 and 2022 were \$15,738 and \$18,943 respectively.

NOTE L - ADMINISTRATION MANAGEMENT

The Foundation assesses an administrative charge on endowment and pass-through funds. This charge is used primarily to support the operations of the Foundation. For the years ended December 31, 2023 and 2022, \$390,887 and \$472,488 is included as support and revenue and \$381,957 and \$351,887 as an expense, respectively. Due to the fact that administrative charges to various funds are considered a significant measure of the operations of community foundations, these fees have not been eliminated in the financial statements.

NOTE M - RELATED-PARTY TRANSACTIONS

For the years ended December 31, 2023 and 2022, officers, board members and employees made donations and pledges to the Foundation totaling \$337,472 and \$13,945, respectively.

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE N - LIQUIDITY

The Foundation has financial assets available within one year of the Statements of Financial Position date consisting the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 977,869	\$ 766,137
Investments	<u>94,311</u>	<u>85,917</u>
	<u>\$ 1,072,180</u>	<u>\$ 852,054</u>

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the Statements of Financial Position date. As part of its liquidity management, the Foundation invests cash in excess of daily requirements in various cash equivalents including money market funds and other interest earning opportunities.

NOTE O - AGENCY PARTNER FUNDS

The Foundation reports contributions as a liability when third party organizations transfer these assets to the Foundation and specify themselves, or their affiliates, as the beneficiary. These liabilities are offset by the Foundation's investments. During the years ended December 31, 2023 and 2022, the following activity occurred in the agency funds held by the Foundation. These amounts are not reflected on the Statements of Activities.

	<u>2023</u>	<u>2022</u>
Support and revenue:		
Contributions and pledges	\$ 13,953	\$ 86,360
Investment return (loss), net	<u>67,435</u>	<u>(75,595)</u>
	\$ 81,388	\$ 10,765
Expenses:		
Grants expense	17,351	17,063
Administrative fees	<u>8,930</u>	<u>8,626</u>
	<u>26,281</u>	<u>25,689</u>
Change in agency funds	55,107	(14,924)
Balance at beginning of year	<u>421,538</u>	<u>436,462</u>
Balance at end of year	<u>\$ 476,645</u>	<u>\$ 421,538</u>

NOTE P - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through June 20, 2024, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2023, have been incorporated into these financial statements herein.