

HENDRICKS COUNTY COMMUNITY FOUNDATION, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

December 31, 2022 and 2021

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, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Hendricks County Community Foundation, Inc. as of December 31, 2022 and 2021, 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 29, 2023

Hendricks County Community Foundation, Inc.

STATEMENTS OF FINANCIAL POSITION

December 31,

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 1,780,173	\$ 1,031,195
Prepaid expenses	18,577	16,206
Right of use assets	10,974	24,603
Annuity receivable	70,421	84,377
Investments	15,903,754	20,517,417
Cash surrender value of life insurance	92,271	89,005
Property and equipment, net	<u>-</u>	<u>981</u>
	<u><u>\$ 17,876,170</u></u>	<u><u>\$ 21,763,784</u></u>
LIABILITIES		
Accounts payable	\$ 7,250	\$ 5,469
Grants and scholarships payable	222,403	218,659
Accrued payroll	9,454	6,217
Right of use liabilities	10,974	24,603
Annuity liability	70,421	84,377
Funds held as agency partner funds	<u>421,538</u>	<u>436,462</u>
Total liabilities	742,040	775,787
NET ASSETS		
Without donor restrictions	951,705	1,061,908
With donor restrictions	<u>16,182,425</u>	<u>19,926,089</u>
	<u>17,134,130</u>	<u>20,987,997</u>
	<u><u>\$ 17,876,170</u></u>	<u><u>\$ 21,763,784</u></u>

The accompanying notes are an integral part of these statements.

Hendricks County Community Foundation, Inc.

STATEMENTS OF ACTIVITIES

Years Ended December 31,

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating support and revenue:			
Contributions and pledges	\$ 103,414	\$ 1,012,090	\$ 1,115,504
Gifts-in-kind	-	90,451	90,451
Administrative fee income	472,488	-	472,488
Special events	-	-	-
Investment return (loss), net of fees	(19,156)	(3,187,287)	(3,206,443)
Total operating support and revenue	556,746	(2,084,746)	(1,528,000)
Net assets released from restrictions:			
Satisfaction of purpose restrictions	376,552	(376,552)	
Pursuant to spending policy	1,282,366	(1,282,366)	
Operating expenses:			
Program services			
Grants and scholarships	1,317,138		1,317,138
Other grantmaking expenses	138,818		138,818
Supporting services			
Management and general	365,289		365,289
Administrative fees	351,887		351,887
Fundraising and development	152,735		152,735
Total operating expenses	2,325,867		2,325,867
CHANGE IN NET ASSETS	(110,203)	(3,743,664)	(3,853,867)
Net assets at beginning of year	1,061,908	19,926,089	20,987,997
Net assets at end of year	\$ 951,705	\$ 16,182,425	\$ 17,134,130

The accompanying notes are an integral part of these statements.

2021		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 222,375	\$ 1,451,588	\$ 1,673,963
-	20,564	20,564
413,239	-	413,239
2,500	-	2,500
14,136	2,054,387	2,068,523
652,250	3,526,539	4,178,789
316,443	(316,443)	
2,077,752	(2,077,752)	
2,007,560		2,007,560
89,965		89,965
236,406		236,406
403,731		403,731
86,517		86,517
2,824,179		2,824,179
222,266	1,132,344	1,354,610
839,642	18,793,745	19,633,387
<u>\$ 1,061,908</u>	<u>\$ 19,926,089</u>	<u>\$ 20,987,997</u>

Hendricks County Community Foundation, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31,

	2022			
	<u>Grant- making</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants, scholarships and awards	\$ 1,317,138	\$ -	\$ -	\$ 1,317,138
Salaries and wages	101,195	198,777	61,440	361,412
Payroll taxes	8,217	16,140	4,989	29,346
Employee benefits	8,945	17,570	5,431	31,946
Depreciation	-	-	-	-
Occupancy	-	17,405	-	17,405
Equipment rental and maintenance	-	1,862	-	1,862
Meetings and conferences	7,116	13,978	4,321	25,415
Print materials	-	-	15,740	15,740
Professional fees	-	43,283	-	43,283
Office expense	-	15,756	-	15,756
Insurance	-	9,213	-	9,213
Postage	468	468	234	1,170
Communications and technical support	11,020	21,647	6,691	39,358
Advertising and promotions	-	-	48,115	48,115
Donor development and networking	-	-	4,845	4,845
Administrative fees	-	351,887	-	351,887
Other expenses:				
Auto expense	1,857	1,857	929	4,643
Bank charges	-	2,057	-	2,057
Dues and subscriptions	-	5,276	-	5,276
	<u>\$ 1,455,956</u>	<u>\$ 717,176</u>	<u>\$ 152,735</u>	<u>\$ 2,325,867</u>

The accompanying notes are an integral part of these statements.

2021			
<u>Grant-</u> <u>making</u>	<u>Management</u> <u>and General</u>	<u>Fundraising</u>	<u>Total</u>
\$ 2,007,560	\$ -	\$ -	\$ 2,007,560
64,280	126,264	39,027	229,571
5,268	10,348	3,198	18,814
5,663	11,123	3,438	20,224
-	44	-	44
-	16,050	-	16,050
-	1,563	-	1,563
6,707	13,175	4,072	23,954
-	-	13,500	13,500
-	16,437	-	16,437
-	11,446	-	11,446
-	8,191	-	8,191
333	333	166	832
7,170	14,083	4,353	25,606
-	-	16,942	16,942
-	-	1,549	1,549
-	403,731	-	403,731
544	544	272	1,360
-	1,860	-	1,860
-	4,945	-	4,945
<u>\$ 2,097,525</u>	<u>\$ 640,137</u>	<u>\$ 86,517</u>	<u>\$ 2,824,179</u>

Hendricks County Community Foundation, Inc.

STATEMENTS OF CASH FLOWS

Years Ended December 31,

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (3,853,867)	\$ 1,354,610
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	-	44
Realized (gains) losses on investments	40,845	(2,777,128)
Unrealized losses on investments	3,695,220	1,435,050
Loss on disposal of equipment	981	-
Cash received from contributors for funds held in perpetuity	(410,425)	(448,143)
Non-cash contributions	90,451	20,564
(Increase) decrease in assets:		
Annuity receivable	13,956	8,965
Prepaid expenses	(2,371)	(12,779)
Cash surrender value of life insurance	(3,266)	(7,575)
Increase (decrease) in operating liabilities:		
Accounts payable	1,781	(46,089)
Grants and scholarships payable	3,744	(73,850)
Accrued payroll	3,237	2,738
Charitable gift annuity liability	(13,956)	(8,965)
Funds held as agency partner funds	(14,924)	9,052
Net cash used in operating activities	<u>(448,594)</u>	<u>(543,506)</u>
Cash flows from investing activities:		
Purchase of investments	(2,106,827)	(19,138,858)
Proceeds from sales of investments	2,893,974	13,319,964
Net cash provided by (used in) investing activities	<u>787,147</u>	<u>(5,818,894)</u>
Cash flows from financing activities:		
Cash received from contributors for funds held in perpetuity	410,425	448,143
Net cash provided by financing activities	<u>410,425</u>	<u>448,143</u>
Net change in cash and cash equivalents	748,978	(5,914,257)
Cash and cash equivalents at beginning of year	<u>1,031,195</u>	<u>6,945,452</u>
Cash and cash equivalents at end of year	<u>\$ 1,780,173</u>	<u>\$ 1,031,195</u>

The accompanying notes are an integral part of these statements.

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

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, 2022 and 2021, the Foundation exceeded the insured limit by \$631,974 and \$655,057, respectively.

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

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, 2022 and 2021, the Foundation received gifts of public securities of \$90,451 and \$20,564, 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 \$48,115 and \$16,942 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021

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 2019, 2020, and 2021 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:

	<u>2022</u>	<u>2021</u>
Software	\$ -	\$ 30,380
Office furniture	8,375	8,724
Office equipment	1,334	36,887
Leasehold improvements	-	1,700
	<u>9,709</u>	<u>77,691</u>
Less accumulated depreciation	<u>9,709</u>	<u>76,710</u>
	<u>\$ -</u>	<u>\$ 981</u>

NOTE C - RISKS AND UNCERTAINTIES

The Foundation holds a variety of investments (Note E). 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, 2022 and 2021

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.

	2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash surrender value of life insurance		\$ 92,271		\$ 92,271
Annuity		\$ 70,421		\$ 70,421
Investments	\$ 15,427,355			\$ 15,427,355
Liabilities:				
Annuity liabilities		\$ 70,421		\$ 70,421
	2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash surrender value of life insurance		\$ 89,005		\$ 89,005
Annuity receivable		\$ 84,377		\$ 84,377
Investments	\$ 20,517,417			\$ 20,517,417
Liabilities:				
Annuity liabilities		\$ 84,377		\$ 84,377

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE D - FAIR VALUE MEASUREMENTS - Continued

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, 2022 and 2021.

- 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. 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.

NOTE E - INVESTMENTS

The following is an analysis of the cost and fair value at December 31, 2022 and 2021 by type of investment.

	<u>2022</u>	<u>2021</u>
Certificates of deposit	\$ 476,399	\$ 502,362
Mutual funds - equities:		
Foreign large blend	2,319,071	2,726,130
Foreign small/mid growth	602,440	915,681
Mid-cap value	1,036	-
Large value	117,650	141,427
Diversified emerging markets	1,132,920	1,462,020
Large growth	115,262	162,580
Small growth	457,149	756,852
Small blend	239,034	336,047
Mid-cap blend	812,121	950,211
Large blend	4,497,404	6,162,954
World allocation	132,810	196,175
Infrastructure	566,355	767,848
Real estate	87,050	226,884
Total mutual funds - equities	<u>11,080,302</u>	<u>14,804,809</u>
Mutual funds - fixed income:		
Nontraditional bonds	923,062	1,381,787
Intermediate-term bonds	3,334,156	3,691,175
High yield bonds	89,835	137,284
Total mutual funds - fixed income	<u>4,347,053</u>	<u>5,210,246</u>
Total investments, at fair value	<u>\$ 15,903,754</u>	<u>\$ 20,517,417</u>
Total investments, at historical cost	<u>\$ 18,560,754</u>	<u>\$ 19,639,694</u>

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE F - SPLIT-INTEREST AGREEMENTS

The Foundation's split-interest agreements with donors consist of charitable gift annuities. The assets received are recorded at their fair value. The fair value of assets held for the charitable gift annuities totaled \$70,421 and \$84,377 at December 31, 2022 and 2021, 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, 2022 and 2021 were \$70,421 and \$84,377, respectively. The liabilities were determined using a discount rate of 5.2% and 1.6% as of December 31, 2022 and 2021, 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. During the years ending December 31, 2022 and 2021 there were no contributions to charitable gift annuities.

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 G - 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Purpose restrictions accomplished:		
Donor advised	\$ 11,197	\$ 14,521
Designated	253,883	219,014
Field of interest	57,091	68,096
Scholarship	42,565	14,812
Community grants	<u>11,816</u>	<u> </u>
	376,552	316,443
Release or appropriated endowment returns without purpose restrictions		
Donor advised	538,244	824,955
Designated	139,223	145,694
Organization specific	22,967	105,707
Field of interest	105,530	189,163
Legacy	164,332	141,191
Scholarship	76,320	368,328
Community grants	<u>235,750</u>	<u>302,714</u>
	<u>1,282,366</u>	<u>2,077,752</u>
	<u>\$ 1,658,918</u>	<u>\$ 2,394,195</u>

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE H - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for a specific purpose:		
Donor advised	\$ 104,697	\$ 103,103
Designated	659,423	343,248
Field of interest	99,994	85,139
Scholarship	184,343	176,312
Community grants	<u>1,255</u>	<u>1,247</u>
	1,049,712	709,049
Endowments:		
Subject to appropriation and expenditure when a specific event occurs:		
Restricted by donors for:		
Donor advised	1,746,066	2,232,024
Designated	199,151	163,020
Organization specific	15,873	-
Field of interest	68,322	51,672
Scholarship	71,783	-
Community grants	<u>42,620</u>	<u>41,049</u>
	2,143,815	2,487,765
Subject to Foundation spending and appropriation:		
Donor advised	3,510,424	4,811,536
Designated	2,289,018	2,648,799
Organization specific	510,918	481,177
Field of interest	1,172,135	1,470,897
Legacy	2,785,192	3,172,260
Scholarship	993,713	952,349
Community grants	3,103,456	3,389,191
Underwater endowments	<u>(1,375,958)</u>	<u>(196,934)</u>
	12,988,898	16,729,275
	<u>\$ 16,182,425</u>	<u>\$ 19,926,089</u>

NOTE I - ENDOWMENT FUNDS

At December 31, 2022 and 2021, the Foundation's endowment consists of 203 and 198 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.

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE I - ENDOWMENT FUNDS - Continued

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, 2022 and 2021, 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:

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, 2022 and 2021, were as follows:

	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>
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 176,663	\$ -	\$ 176,663
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	13,765,029	13,765,029
Accumulated investment gains	-	5,452,011	5,452,011
	<u>\$ 176,663</u>	<u>\$ 19,217,040</u>	<u>\$ 19,393,703</u>

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE I - ENDOWMENT FUNDS - Continued

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

	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
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Contributions and grant income	\$ 3,500	\$ 1,159,091	\$ 1,162,591
Investment return, net	8,754	1,849,805	1,858,559
Total revenue and support	12,254	3,008,896	3,021,150
Appropriation of endowment assets for expenditure	4,785	2,077,752	2,082,537
Change in endowment net assets	7,469	931,144	938,613
Endowment net assets, beginning of year	169,194	18,285,896	18,455,090
Endowment net assets, end of year	\$ 176,663	\$ 19,217,040	\$ 19,393,703

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, 2022, 135 of the 203 endowment funds had deficiencies totaling \$1,375,958. As of December 31, 2021, 9 of the 198 endowment funds had deficiencies totaling \$196,934. 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, 2022 and 2021

NOTE I - 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 J - OPERATING LEASES

The Foundation leases office equipment and office space under non-cancelable leases expiring through June 2026. Minimum lease payments of \$1,275 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, 2022, along with a reconciliation to the discounted amount recorded on the Statements of Financial Position.

	2023	\$	9,150
	2024		1,500
	2025		1,500
	2026		750
	2027		-
			<u>12,900</u>
Present value discount			<u>1,926</u>
		\$	<u>10,974</u>

Total lease expense for the year ended December 31, 2022 and 2021 were \$18,943 and \$17,357 respectively.

NOTE K - 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, 2022 and 2021, \$472,488 and \$413,239 is included as support and revenue and \$351,887 and \$403,731 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.

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE L - LIQUIDITY

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

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 766,137	\$ 677,544
Investments	<u>85,917</u>	<u>138,402</u>
	<u>\$ 852,054</u>	<u>\$ 815,946</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 M - 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, 2022 and 2021, the following activity occurred in the agency funds held by the Foundation. These amounts are not reflected on the Statements of Activities.

	<u>2022</u>	<u>2021</u>
Support and revenue:		
Contributions and pledges	\$ 86,360	\$ -
Investment return (loss), net	<u>(75,595)</u>	<u>46,217</u>
	\$ 10,765	\$ 46,217
Expenses:		
Grants expense	17,063	28,597
Administrative fees	<u>8,626</u>	<u>8,568</u>
	<u>25,689</u>	<u>37,165</u>
Change in agency funds	(14,924)	9,052
Balance at beginning of year	<u>436,462</u>	<u>427,410</u>
Balance at end of year	<u>\$ 421,538</u>	<u>\$ 436,462</u>

NOTE N - RELATED-PARTY TRANSACTIONS

For the years ended December 31, 2022 and 2021, officers, board members and employees made donations and pledges to the Foundation totaling \$13,945 and \$14,865, respectively.

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE O - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through June 29, 2023, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2022, have been incorporated into these financial statements herein.

NOTE P - ADOPTION OF NEW ACCOUNTING PRINCIPLE

Effective for its 2022 annual financial statements, the Foundation adopted new accounting standards issued by FASB that require significant changes in accounting for operating leases under which the Foundation is lessee, and in the method and timing of recognition of certain nonlease contract revenues and certain incremental expenses such as sales commissions. Upon adoption, among other effects, the Foundation is required to record assets and liabilities for all operating lease obligations with terms of 12 months or greater. These changes entail certain retrospective adjustments.