

MONTGOMERY COUNTY COMMUNITY FOUNDATION, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

December 31, 2022 and 2021

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Independent Auditors' Report

Board of Directors
Montgomery County Community Foundation, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Montgomery County Community Foundation, Inc. (a nonprofit organization), 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 Montgomery County Community Foundation, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Montgomery 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 Montgomery 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 Montgomery 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 Montgomery 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

May 8, 2023

Montgomery County Community Foundation, Inc.

STATEMENTS OF FINANCIAL POSITION

December 31,

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 4,464,154	\$ 2,713,261
Interest and dividends receivable	423,512	610,298
Accounts receivable	259	252
Prepaid expenses	23,716	23,283
Investments	47,941,671	57,534,774
Property and equipment		
Buildings	487,335	485,000
Office and computer equipment	232,023	187,965
Less accumulated depreciation	<u>174,086</u>	<u>147,462</u>
	545,272	525,503
Real estate	<u>7,161,550</u>	<u>6,280,844</u>
	<u>\$ 60,560,134</u>	<u>\$ 67,688,215</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 5,747	\$ 4,096
Payroll taxes payable	1,729	1,580
Amounts held in agency endowments	2,220,797	2,740,354
Agency trust funds	<u>539,617</u>	<u>611,114</u>
Total liabilities	2,767,890	3,357,144
NET ASSETS		
Without donor restrictions	1,405,823	1,303,393
With donor restrictions	<u>56,386,421</u>	<u>63,027,678</u>
	<u>57,792,244</u>	<u>64,331,071</u>
	<u>\$ 60,560,134</u>	<u>\$ 67,688,215</u>

The accompanying notes are an integral part of these statements.

Montgomery County Community Foundation, Inc.

STATEMENTS OF ACTIVITIES

Years Ended December 31,

	2022		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating revenue and support			
Contributions	\$ 56,238	\$ 2,451,219	\$ 2,507,457
Gifts-in-kind		65,528	65,528
Farm rental income		243,597	243,597
Investment return (loss), net of fees	416	(7,235,189)	(7,234,773)
Building rental income	34,493		34,493
Administrative fees, net and other income	19,088	22,820	41,908
	<hr/>	<hr/>	<hr/>
Total operating revenue and support	110,235	(4,452,025)	(4,341,790)
Net assets released from restrictions:			
Satisfaction of purpose restrictions	2,189,232	(2,189,232)	
Operating expenses			
Program services	1,602,736		1,602,736
Management and general	510,493		510,493
Fundraising expenses	83,808		83,808
	<hr/>	<hr/>	<hr/>
	2,197,037		2,197,037
	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	102,430	(6,641,257)	(6,538,827)
Net assets at beginning of year	1,303,393	63,027,678	64,331,071
	<hr/>	<hr/>	<hr/>
Net assets at end of year	<u>\$ 1,405,823</u>	<u>\$ 56,386,421</u>	<u>\$ 57,792,244</u>

The accompanying notes are an integral part of these statements.

2021		
<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
\$ 513,029	\$ 854,773	\$ 1,367,802
	567,466	567,466
	213,261	213,261
387	7,696,041	7,696,428
2,350		2,350
58,763	8,740	67,503
574,529	9,340,281	9,914,810
2,179,905	(2,179,905)	
1,719,859		1,719,859
394,608		394,608
126,398		126,398
2,240,865		2,240,865
513,569	7,160,376	7,673,945
789,824	55,867,302	56,657,126
<u>\$ 1,303,393</u>	<u>\$ 63,027,678</u>	<u>\$ 64,331,071</u>

Montgomery County Community Foundation, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31,

	2022			Total
	Grant-making	Management & General	Fundraising	
Grants, distributions, and scholarships	\$ 1,449,421			\$ 1,449,421
Salaries and wages	115,075	\$ 246,590	\$ 49,318	410,983
Payroll taxes	8,668	18,575	3,715	30,958
Employee benefits	14,127	30,272	6,054	50,453
Program expenses	1,483			1,483
Professional fees		30,155		30,155
Bank fees		786		786
Community education and mailings	13,962	3,042	9,461	26,465
Rent				
Donor development			5,266	5,266
Telephone and internet		5,385		5,385
Staff training		400		400
Postage and freight		1,937		1,937
Dues and subscriptions		15,544		15,544
Travel and meetings		14,295	2,844	17,139
Office expenses		13,142		13,142
Insurance		7,940		7,940
Depreciation		31,537		31,537
Farm and miscellaneous expense		24,839		24,839
Scholarship promotions		4,380	7,150	11,530
Occupancy		28,391		28,391
Software maintenance and other repairs		33,283		33,283
	<u>\$ 1,602,736</u>	<u>\$ 510,493</u>	<u>\$ 83,808</u>	<u>\$ 2,197,037</u>

The accompanying notes are an integral part of these statements.

2021			
<u>Grant-making</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
\$ 1,548,421			\$ 1,548,421
137,378	\$ 175,373	\$ 85,101	397,852
9,964	12,720	6,173	28,857
21,300	27,191	13,194	61,685
	21,168		21,168
	2,554		2,554
2,796	9,107	420	12,323
	27,500		27,500
		4,651	4,651
	5,500		5,500
	455		455
	1,848		1,848
	11,889		11,889
	4,902	7,427	12,329
	10,286		10,286
	5,675		5,675
	16,814		16,814
	25,113		25,113
	5,221		5,221
	9,156		9,156
	22,136	9,432	31,568
<u>\$ 1,719,859</u>	<u>\$ 394,608</u>	<u>\$ 126,398</u>	<u>\$ 2,240,865</u>

Montgomery 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	\$ (6,538,827)	\$ 7,673,945
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	31,537	16,814
Realized and unrealized (gains) losses	9,012,069	(5,239,652)
Contributions to funds held in perpetuity	(548,195)	(631,928)
Non-cash contributions	(65,528)	(567,466)
(Increase) decrease in assets:		
Accounts receivable	(7)	247
Interest and dividends receivable	186,786	(245,014)
Prepaid expense	(433)	(2,782)
Increase (decrease) in liabilities:		
Accounts payable	1,651	(3,932)
Payroll taxes payable	149	127
Amounts held in agency endowments	(519,557)	250,184
Agency trust funds	(71,497)	23,732
Net cash provided by operating activities	<u>1,488,148</u>	<u>1,274,275</u>
Cash flows from investing activities:		
Purchases of property and equipment	(65,820)	(38,355)
Proceeds from sale of investments	7,721,143	8,100,131
Purchases of investments	(7,940,773)	(10,046,026)
Net cash used in investing activities	<u>(285,450)</u>	<u>(1,984,250)</u>
Cash flows from financing activities:		
Cash received from contributors for funds held in perpetuity	<u>548,195</u>	<u>631,928</u>
Net cash provided by financing activities	548,195	631,928
Net change in cash and cash equivalents	1,750,893	(78,047)
Cash and cash equivalents at beginning of year	<u>2,713,261</u>	<u>2,791,308</u>
Cash and cash equivalents at end of year	<u>\$ 4,464,154</u>	<u>\$ 2,713,261</u>
<u>Supplemental Disclosure</u>		
Non-cash contributions	\$ 65,528	\$ 567,466

The accompanying notes are an integral part of these statements.

Montgomery County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities

The Montgomery 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 act for the primary benefit of the citizens of Montgomery County. A community foundation is established to provide a permanent and growing endowment to benefit the communities, while providing ethical philanthropic leadership for the enrichment and assistance to human services, education, revitalization, social, art, and cultural endeavors. Individuals, families, businesses, private foundations, and non-profit organizations may donate to the community foundation.

2. 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.

3. Cash and Cash Equivalents

The Foundation maintains its cash in accounts at local 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.

4. 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.

5. 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 restrictions unless the donor has restricted the donated asset to a specific purpose. Depreciation is computed according to the estimated useful lives of the respective assets using the straight-line method.

6. 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.

7. Concentration of Credit Risk

The Foundation maintains its cash in bank deposit accounts at high credit quality financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2022 and 2021, the Foundation exceeded the insured limit by approximately \$3,492,253 and \$1,659,840, respectively.

Montgomery County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - Continued

8. Net Assets and Spending Policy

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 board designated funds and unrestricted investment income.

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.

The objective of the investments is to provide for long-term growth of principal and income without undue exposure to risk to enable the Foundation to make grants on a continuing and reasonably consistent basis. In pursuing this objective, the Foundation endeavors to achieve total returns that, over time, are better than the relevant market averages. Controlling portfolio volatility to help provide stable distributions from year to year is an additional objective.

The Foundation has a policy (the distribution policy) of appropriating for expenditure each year a maximum of 4.5% of the moving average of the unitized market value at September 30 of the prior twenty quarters of the portfolio. In establishing this policy, the Foundation considered the long-term expected return on its endowment.

9. Grants and scholarships

Grants and scholarships, including multi-year awards, are recorded as an expense and a payable when grants are approved and communicated to the grantees. Grants and scholarships expense for the years ended December 31, 2022 and 2021 was \$1,449,421 and \$1,548,421, respectively.

10. In-Kind Contributions

During the years ended December 31, 2022 and 2021, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. During the years ended December 31, 2022 and 2021, the Foundation received gifts of grain in the amount of \$14,228 and \$972, respectively. During the year ended December 31, 2021, the Foundation received the donation of its office building in the amount of \$485,000. The building is being held and used by the Foundation. During the years ended December 31, 2022 and 2021, the Foundation received gifts of public securities of \$51,300 and \$81,494, respectively, which were valued at fair value. It is the Foundation's policy to immediately liquidate gifts of public securities and gifts of grain and invest the proceeds in compliance with the Foundation's investment policy.

11. Compensated Absences

The employees of the Foundation earn vacation leave based upon length of service. Vacation leave must be used by the end of the calendar year. The Foundation's policy is to recognize the cost of compensated absences when actually paid to employees.

Montgomery County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - Continued

12. Uncollectible Accounts and Pledges

Uncollectible accounts are charged directly against revenue when they are determined to be uncollectible. Use of this method does not result in a material difference from the valuation method required by accounting principles generally accepted in the United States of America.

13. Agency Trust Fund

The Foundation is a successor trustee to one community trust. The assets of this trust are included in the Statements of Financial Position and an offsetting payable has been recorded, as the Foundation is not the beneficiary of the trust. As of December 31, 2022 and 2021, agency trust funds amounted to \$539,617 and \$611,114, respectively.

14. Advertising Costs

Advertising costs are expensed as incurred. Total advertising expense was \$11,530 and \$5,221 for the years ended December 31, 2022 and 2021, respectively.

15. 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 salaries and wages, payroll taxes, and benefits. These expenses are allocated on the basis of estimates of time and effort.

16. 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.

17. 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 - RISKS AND UNCERTAINTIES

The Foundation holds a variety of investments (Note C). 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.

Montgomery County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE C - 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>
Certificate of deposit	\$ 200,000	\$ 200,000
Alternative investment	3,144,742	
Mutual funds - equities:		
Large value	5,681,445	8,788,040
Mid-cap value	3,895,215	4,566,203
Foreign large value	1,516,725	1,687,577
Foreign large growth	2,226,832	3,116,485
Large growth	3,405,158	5,463,195
Tactical allocation	475,212	3,033,977
World stock	699,739	810,380
Infrastructure	2,717,958	1,573,357
Foreign large blend	1,502,522	1,846,143
Large blend	<u>4,811,985</u>	<u>7,494,994</u>
Total mutual funds - equities	26,932,791	38,380,351
Mutual funds - fixed income:		
High yield bonds	740,226	799,400
Nontraditional bonds	7,065,314	6,891,777
Short government bonds	2,204,254	2,366,557
Short-term bonds	356,215	361,278
Multisector bonds	338,102	370,602
Intermediate-term bonds	<u>6,960,027</u>	<u>8,164,809</u>
Total mutual funds - fixed income	17,664,138	18,954,423
Total investments, at fair value	<u>\$ 47,941,671</u>	<u>\$ 57,534,774</u>
Total investments, at historical cost	<u>\$ 47,423,165</u>	<u>\$ 46,100,192</u>

NOTE D - REAL ESTATE

In past years, the Foundation received contributions of approximately 600 acres of land. This land is currently being rented as farmland and the rental income is credited to the funds for which the land was contributed. Rent collected on this land totaled \$243,597 and \$213,261 during 2022 and 2021, respectively.

NOTE E - 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:

Montgomery County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE E - FAIR VALUE MEASUREMENTS - Continued

	Level 3	
	2022	2021
Beginning balance	\$ 6,195,000	\$ 4,835,000
Unrealized gains	875,000	1,360,000
Ending balance	<u>\$ 7,070,000</u>	<u>\$ 6,195,000</u>

Fair values for level 1 investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair values for real estate classified as level 3 in the fair value hierarchy consists of farmland. The value of the Foundation's farmland has been adjusted to reflect the fair value of the property. The Foundation reviews and adjusts, if needed, the value of the farmland on its books annually. The market valuation is conducted by the farm manager, who is employed to manage the farms. The valuation method used by the farm manager takes into consideration current farmland values in the area, soil conditions as well as the latest Purdue Agricultural Economics Report.

Alternative investments, including balances, restrictions on redemptions, and investment objectives were purchased during the year ending December 31, 2022 and consist of the following as of December 31, 2022.

	Net Asset Value	Redemption Notice	Redemption Frequency
North Rock Fund Limited	\$ 3,144,742	90 days notice	Monthly

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS

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

	2022	2021
Subject to expenditure for a specific purpose:		
Lilly scholarship funds	\$ 18,276	\$ 12,973
Lilly Prosperity funds	4,325	4,325
Lilly intern funds	4,000	1,516
Lilly Implementation Grant	13,502	51,119
Early Learning Center	1,321,827	
Pass-through funds	903,188	637,221
	2,265,118	707,154
Endowments:		
Subject to expenditure for a specific purpose:		
Pathway funds	188,700	164,419
Subject to Foundation spending and appropriation:		
Restricted by donors for grants and scholarships	53,932,603	62,156,105
Underwater funds	(32,304)	
	<u>\$ 56,354,117</u>	<u>\$ 63,027,678</u>

Montgomery County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

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:		
Lilly scholarship funds	\$ 1,197	\$ 4,013
Lilly intern funds	8,317	1,046
Lilly Implementation Grant	37,617	45,297
Pass-through funds	384,773	542,905
Pathway funds	3,905	1,562
Endowment income expended in accordance with the fund agreement	<u>1,721,119</u>	<u>1,585,082</u>
	<u>\$ 2,156,928</u>	<u>\$ 2,179,905</u>

NOTE H - NET ASSETS WITHOUT DONOR RESTRICTIONS

The Foundation's governing board has designated net assets without donor restrictions for the following purposes as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Operating funds	\$ 1,372,553	\$ 1,302,427
Board designated - non-endowed funds	<u>966</u>	<u>966</u>
Total net assets without donor restrictions	<u>\$ 1,373,519</u>	<u>\$ 1,303,393</u>

NOTE I - ENDOWMENT FUNDS

The Foundation's endowment consists of 229 and 223 individual funds, as of December 31, 2022 and 2021, respectively, established for a variety of purposes. The endowment includes both funds established by donors and funds designated by the Board to function as endowments (board-designated endowment funds). The Foundation maintains variance power over all of the endowment funds (including those established by donors) as provided within the fund agreements. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions. While the Foundation ultimately has variance power over all of the assets maintained in endowment funds, the Foundation considers the following factors in making a determination to appropriate or accumulate 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

Montgomery County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE I - ENDOWMENT FUNDS - Continued

Endowment net assets composition by type of fund as of December 31, 2022 and 2021 was as follows:

	<u>2022</u>	<u>2021</u>
	<u>With Donor</u>	<u>With Donor</u>
	<u>Restrictions</u>	<u>Restrictions</u>
Donor-restricted endowment funds:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 34,513,519	\$ 33,965,324
Accumulated investment gains	<u>19,640,088</u>	<u>28,355,200</u>
	<u>\$ 54,153,607</u>	<u>\$ 62,320,524</u>

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

	<u>2022</u>	<u>2021</u>
	<u>With Donor</u>	<u>With Donor</u>
	<u>Restrictions</u>	<u>Restrictions</u>
Revenue and support		
Contributions, grants, and other income	\$ 549,699	\$ 671,274
Farm rental income	243,597	213,261
Investment return (loss), net	<u>(7,235,189)</u>	<u>7,696,041</u>
Total revenue and support	(6,441,893)	8,580,576
Appropriation of endowment assets for expenditure	<u>1,725,024</u>	<u>1,586,644</u>
Change in endowment net assets	(8,166,917)	6,993,932
Endowment net assets, beginning of year	<u>62,320,524</u>	<u>55,326,592</u>
Endowment net assets, end of year	<u>\$ 54,153,607</u>	<u>\$ 62,320,524</u>

Occasionally, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor of UPMIFA requires the Foundation to retain as a fund of perpetual duration. As of December 31, 2022, 12 of the 229 endowment funds had deficiencies totaling 32,304. As of December 31, 2021, there were no funds with deficiencies.

NOTE J - EMPLOYEE BENEFITS

The Foundation has a Simple IRA retirement plan. The Foundation will match up to 3% of an employee's wages. The Foundation contributed \$9,334 and \$10,358 to this plan in 2022 and 2021, respectively.

NOTE K - RELATED PARTIES

The following conflict of interest occurred during 2022. One employee is a board member of Hoosier Heartland State Bank, which maintains cash accounts for the Foundation.

Montgomery 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	\$ 769,393	\$ 632,054
Accounts receivable	<u>259</u>	<u>252</u>
	<u>\$ 769,652</u>	<u>\$ 632,306</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 - OPERATING LEASE

The Foundation leased commercial office space under a five-year lease agreement which began in October 2010 and was extended for five years in September 2015. The lease expired in December 2020 and has continued on a month-to-month basis. Monthly lease payments were \$1,100 per month. This amount is substantially lower than fair value. The value of the donated facility for the year ended December 31, 2021 is approximately \$15,400 and has been recorded as both revenue and expense in the financial statements. Total lease expense for the years ended December 31, 2022 and 2021 was \$-0- and \$27,500, respectively. During the year ending December 31, 2021, the Foundation became the owner of the building it was previously leasing.

NOTE N - AGENCY ENDOWMENT 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	\$ 5,000	\$ 100
Investment return (loss), net	<u>(429,647)</u>	<u>340,219</u>
	\$ (424,647)	\$ 340,319
Expenses		
Grants expense	73,375	69,900
Project management fees	<u>21,535</u>	<u>20,235</u>
	<u>94,910</u>	<u>90,135</u>
Change in agency funds	(519,557)	250,184
Balance at beginning of year	<u>2,740,354</u>	<u>2,490,170</u>
Balance at end of year	<u>\$2,220,797</u>	<u>\$2,740,354</u>

Montgomery County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE O - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through May 8, 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.