

WABASH VALLEY COMMUNITY FOUNDATION, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

CPAs / ADVISORS



WABASH VALLEY COMMUNITY FOUNDATION, INC.

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Blue & Co., LLC / 813 West Second Street / Seymour, IN 47274
main 812.522.8416 website blueandco.com

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
Wabash Valley Community Foundation, Inc.
Terre Haute, Indiana

Opinion

We have audited the accompanying financial statements of Wabash Valley Community Foundation, Inc. (the "Foundation"), a nonprofit organization, which comprise the statements of financial position as of September 30, 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 financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of September 30, 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. 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 the Foundation 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 the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement 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 the Foundation'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation'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.

Blue & Co., LLC

Seymour, Indiana

November 29, 2022

WABASH VALLEY COMMUNITY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2022 AND 2021

ASSETS

	2022	2021
Cash	\$ 749,865	\$ -0-
Investments	75,936,683	85,923,003
Property and equipment, net	835,656	880,805
Cash surrender value of life insurance	113,368	127,760
Other assets	<u>11,888</u>	<u>27,612</u>
	<u>\$ 77,647,460</u>	<u>\$ 86,959,180</u>

LIABILITIES AND NET ASSETS

Liabilities

Cash overdraft	\$ -0-	\$ 257,807
Accounts payable and accrued expenses	3,109	109
Scholarships and grants payable	1,914,508	1,377,985
Agency endowments	3,448,500	4,239,915
Mortgage payable	455,927	472,828
Other liabilities	<u>3,615</u>	<u>3,487</u>
Total liabilities	5,825,659	6,352,131

Net assets

Without donor restrictions	68,798,551	76,812,538
With donor restrictions	<u>3,023,250</u>	<u>3,794,511</u>
Total net assets	<u>71,821,801</u>	<u>80,607,049</u>
	<u>\$ 77,647,460</u>	<u>\$ 86,959,180</u>

See accompanying notes to financial statements.

WABASH VALLEY COMMUNITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2022
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support, revenues, and other				
Contributions and grants	\$ 7,837,940	\$ -0-	\$ 7,837,940	\$ 7,539,451
Investment return, net	(12,428,270)	(540,528)	(12,968,798)	17,779,048
Administrative fees	1,128,588	-0-	1,128,588	1,017,281
Change in cash surrender value of life insurance	(14,392)	-0-	(14,392)	15,005
Miscellaneous income	34,979	-0-	34,979	28,894
Net assets released from restrictions	<u>230,733</u>	<u>(230,733)</u>	<u>-0-</u>	<u>-0-</u>
Total support and revenues	(3,210,422)	(771,261)	(3,981,683)	26,379,679
Expenses				
Program services	4,146,339	-0-	4,146,339	3,517,447
General and administrative	442,633	-0-	442,633	380,792
Fundraising	<u>214,593</u>	<u>-0-</u>	<u>214,593</u>	<u>186,267</u>
Total expenses	<u>4,803,565</u>	<u>-0-</u>	<u>4,803,565</u>	<u>4,084,506</u>
Change in net assets	(8,013,987)	(771,261)	(8,785,248)	22,295,173
Net assets, beginning of year	<u>76,812,538</u>	<u>3,794,511</u>	<u>80,607,049</u>	<u>58,311,876</u>
Net assets, end of year	<u>\$ 68,798,551</u>	<u>\$ 3,023,250</u>	<u>\$ 71,821,801</u>	<u>\$ 80,607,049</u>

See accompanying notes to financial statements.

WABASH VALLEY COMMUNITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES YEAR ENDED SEPTEMBER 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenues, and other			
Contributions and grants	\$ 7,539,451	\$ -0-	\$ 7,539,451
Investment return, net	16,922,228	856,820	17,779,048
Administrative fees	1,017,281	-0-	1,017,281
Change in cash surrender value of life insurance	15,005	-0-	15,005
Miscellaneous income	28,894	-0-	28,894
Net assets released from restrictions	321,286	(321,286)	-0-
Total support and revenues	<u>25,844,145</u>	<u>535,534</u>	<u>26,379,679</u>
Expenses			
Program services	3,517,447	-0-	3,517,447
General and administrative	380,792	-0-	380,792
Fundraising	186,267	-0-	186,267
Total expenses	<u>4,084,506</u>	<u>-0-</u>	<u>4,084,506</u>
Change in net assets	21,759,639	535,534	22,295,173
Net assets, beginning of year	<u>55,052,899</u>	<u>3,258,977</u>	<u>58,311,876</u>
Net assets, end of year	<u>\$ 76,812,538</u>	<u>\$ 3,794,511</u>	<u>\$ 80,607,049</u>

See accompanying notes to financial statements.

WABASH VALLEY COMMUNITY FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
 YEAR ENDED SEPTEMBER 30, 2022
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2021)

	2022					2021	
	Program Services			Supporting Activities		Total	Total
	Grants & Scholarships	Community Leadership	Total Program Services	General & Administrative	Fundraising		
Grants and distributions	\$ 2,625,882	\$ -0-	\$ 2,625,882	\$ -0-	\$ -0-	\$ 2,625,882	\$ 2,205,673
Administrative fees	1,097,677	-0-	1,097,677	-0-	-0-	1,097,677	987,568
Salaries and wages	116,235	90,967	207,202	227,417	70,752	505,371	477,415
Employee benefit expenses	10,410	8,147	18,557	20,366	6,336	45,259	44,785
Retirement plan	8,099	6,338	14,437	15,844	4,930	35,211	35,232
Payroll taxes	9,239	7,230	16,469	18,075	5,624	40,168	38,172
Annual report	-0-	-0-	-0-	34,020	-0-	34,020	22,105
Depreciation	8,375	7,910	16,285	17,681	12,562	46,528	52,298
Newsletter	-0-	-0-	-0-	2,593	2,594	5,187	3,191
Office supplies	1,380	1,304	2,684	2,914	2,071	7,669	5,417
Postage and shipping	1,398	1,298	2,696	4,592	2,695	9,983	11,094
Printing and copying	723	683	1,406	1,527	1,085	4,018	5,151
Professional fees	4,668	4,668	9,336	46,680	21,784	77,800	86,508
Scholarship and grant administration	31,250	-0-	31,250	-0-	-0-	31,250	5,109
Other administrative costs	5,558	3,474	9,032	9,727	15,980	34,739	20,750
Building maintenance	11,218	10,595	21,813	23,682	16,827	62,322	20,316
Interest	2,849	2,691	5,540	6,014	4,274	15,828	15,446
Other occupancy costs	3,516	3,320	6,836	7,422	5,273	19,531	17,532
Special events	54,139	-0-	54,139	-0-	-0-	54,139	88
Other development expenses	3,059	2,039	5,098	4,079	41,806	50,983	30,656
	<u>\$ 3,995,675</u>	<u>\$ 150,664</u>	<u>\$ 4,146,339</u>	<u>\$ 442,633</u>	<u>\$ 214,593</u>	<u>\$ 4,803,565</u>	<u>\$ 4,084,506</u>

See accompanying notes to financial statements.

WABASH VALLEY COMMUNITY FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2021

	Program Services			Supporting Activities		Total
	Grants & Scholarships	Community Leadership	Total Program Services	General & Administrative	Fundraising	
Grants and distributions	\$ 2,205,673	\$ -0-	\$ 2,205,673	\$ -0-	\$ -0-	\$ 2,205,673
Administrative fees	987,568	-0-	987,568	-0-	-0-	987,568
Salaries and wages	133,030	75,029	208,059	194,494	74,862	477,415
Employee benefit expenses	11,644	6,718	18,362	20,153	6,270	44,785
Retirement plan	9,160	5,285	14,445	15,855	4,932	35,232
Payroll taxes	9,925	5,726	15,651	17,177	5,344	38,172
Annual report	-0-	-0-	-0-	22,105	-0-	22,105
Depreciation	9,414	8,891	18,305	19,873	14,120	52,298
Newsletter	-0-	-0-	-0-	1,595	1,596	3,191
Office supplies	975	921	1,896	2,058	1,463	5,417
Postage and shipping	1,553	1,442	2,995	5,104	2,995	11,094
Printing and copying	927	876	1,803	1,957	1,391	5,151
Professional fees	5,190	5,190	10,380	51,906	24,222	86,508
Scholarship and grant administration	5,109	-0-	5,109	-0-	-0-	5,109
Other administrative costs	3,320	2,075	5,395	5,810	9,545	20,750
Building maintenance	3,657	3,454	7,111	7,720	5,485	20,316
Interest	2,780	2,626	5,406	5,870	4,170	15,446
Other occupancy costs	3,156	2,980	6,136	6,662	4,734	17,532
Special events	88	-0-	88	-0-	-0-	88
Other development expenses	1,839	1,226	3,065	2,453	25,138	30,656
	<u>\$ 3,395,008</u>	<u>\$ 122,439</u>	<u>\$ 3,517,447</u>	<u>\$ 380,792</u>	<u>\$ 186,267</u>	<u>\$ 4,084,506</u>

See accompanying notes to financial statements.

WABASH VALLEY COMMUNITY FOUNDATION, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021
Operating activities		
Change in net assets	\$ (8,785,248)	\$ 22,295,173
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	46,528	52,298
Reinvested interest and dividends received on investments	(3,242,310)	(1,961,845)
Realized and unrealized losses (gains) on investments	16,645,022	(17,019,867)
Change in cash surrender value of life insurance	14,392	(15,005)
Contributions restricted to endowment funds	(6,150,882)	(6,654,087)
Changes in assets and liabilities:		
Contributions receivable	-0-	350,000
Other assets	15,724	(27,612)
Accounts payable and accrued expenses	3,000	(10,093)
Scholarships and grants payable	536,523	165,975
Agency endowments	(791,415)	888,755
Other liabilities	128	(30,079)
Net cash flows from operating activities	(1,708,538)	(1,966,387)
Investing activities		
Purchases of property and equipment	(1,379)	(10,261)
Purchases of investments	(14,905,119)	(11,361,494)
Proceeds from sales of investments	11,488,727	5,518,525
Net cash flows from investing activities	(3,417,771)	(5,853,230)
Financing activities		
Change in cash overdraft	(257,807)	257,807
Payments on mortgage payable	(16,901)	(17,261)
Contributions restricted to endowment funds	6,150,882	6,654,087
Net cash flows from financing activities	5,876,174	6,894,633
Net change in cash and cash equivalents	749,865	(924,984)
Cash and cash equivalents, beginning of year	-0-	924,984
Cash and cash equivalents, end of year	\$ 749,865	\$ -0-
Supplemental disclosure of cash flow information		
Cash payments made during the year for interest	\$ 15,828	\$ 15,446

See accompanying notes to financial statements.

WABASH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Wabash Valley Community Foundation, Inc. (the "Foundation") was established as a not-for-profit organization in 1991. The Foundation engages people, builds resources, and enriches lives in the Wabash Valley. The vision of the Foundation is for a healthy, educated, and thriving community by being the primary steward of endowed funds and a leader that encourages broad-based charitable activities in the Wabash Valley.

Management's Estimates

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

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis, and have been prepared with a focus on the entity as a whole. Net assets, support, revenues, gains, and losses are classified based on the existence or absence of donor restrictions. 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 (time or purpose). Net assets without donor restrictions are amounts designated by the Foundation's board of directors for operating purposes and funds designated to function as endowments, including donor-designated funds that have granted the Foundation variance power to alter the terms of the gifts.

Net assets with donor restrictions: Net assets subject to donor stipulations for specific purposes or time restrictions. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term to support operations or specific purposes. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying Statements of Activities as net assets released from restriction.

Investments and Investment Return

The Foundation carries its investments at fair value for financial reporting purposes. Changes in unrealized appreciation or depreciation of investments are reflected in the Statements of Activities in the periods in which such changes occur.

WABASH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

Interest and dividend income and net unrealized and realized gains and losses on investments are recognized as net assets with or without donor restrictions based upon the existence or absence of donor-imposed restrictions or the related fund classification in accordance with the Foundation's spending policy.

Property and Equipment

Property and equipment, including expenditures that substantially increase the useful lives of existing assets, are recorded at cost except for donations, which are recorded at fair value at the date of the donation. Costs of ordinary maintenance and repairs are expensed as incurred.

The property and equipment of the Foundation are being depreciated over their estimated useful lives ranging from three to thirty-nine years using the straight-line method.

Support, Revenues and Expense Recognition

Contributions, which include unconditional promises to give (contributions receivable), are recognized as revenues in the period the contribution is received or the promise is made. Contributions received with donor-imposed restrictions are reported as restricted support and increases net assets with donor restrictions, unless given to a fund with variance power, whereby the contribution is reported as an increase to net assets without donor restrictions.

Support and revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in either net assets with or without donor restrictions in accordance with the classification of the fund.

All other revenue is recorded when earned.

Administrative Fees

Administrative fees are expensed from the funds to support the operations of the Foundation. Administrative fees from all funds are reflected as revenue on the Statements of Activities. The administrative fees from agency endowments are not included as expenses on the Statements of Activities because they are included in the change in agency endowments.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the Statements of Activities and Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

WABASH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Those expenses include salaries and wages, payroll taxes and employee benefits, occupancy costs, and other office expenses. These expenses are allocated on the basis of estimates of time, effort and usage. While the methods of allocation are considered appropriate, other methods could produce different results.

Income Taxes

The Wabash Valley Community Foundation, Inc. is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal taxes on related income pursuant to Section 501(a) of the Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Foundation, and has concluded that as of September 30, 2022 and 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

As such, the Foundation is generally exempt from income taxes. However, the Foundation is required to file Federal Form 990 – Return of Organization Exempt from Income Tax, which is an informational return only.

Subsequent Events

The Foundation has evaluated events or transactions occurring subsequent to the Statement of Financial Position date for recognition and disclosure in the accompanying financial statements through the date the financial statements are available to be issued, which is November 29, 2022.

WABASH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

2. INVESTMENTS

Investments consist of the following at September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash	\$ 118,205	\$ 315,596
Money market funds	845,725	796,725
Exchange traded funds		
Ultrashort bond	776,941	1,024,397
Large	3,970,284	5,630,475
Small	2,598,773	-0-
International small	2,276,256	2,451,166
Mutual funds		
Equities		
Large	16,934,186	20,921,213
International large	8,413,587	10,013,650
Domestic growth real estate	3,580,937	4,391,434
Global growth real estate	1,391,289	1,729,725
Small	9,030,249	13,373,378
International small	1,984,012	2,656,373
Energy and natural resources	6,172,216	6,966,241
Fixed income		
Government	-0-	56,819
Short term	4,147,625	4,348,002
Intermediate	6,473,140	3,541,309
Treasury inflation protected	2,964,772	3,240,255
International	<u>4,258,486</u>	<u>4,466,245</u>
	<u>\$ 75,936,683</u>	<u>\$ 85,923,003</u>

3. RISKS AND UNCERTAINTIES

The Foundation holds investments (Note 2). 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.

WABASH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2022 and 2021.

- *Money market funds*: Generally transact subscription and redemption activity at \$1 stable net asset value (NAV); however, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of the securities held in the fund.
- *Mutual funds and exchange traded funds*: Valued at the daily closing price as reported by the fund. Mutual funds and exchange traded funds ("funds") held by the Foundation are funds 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.

WABASH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

The following tables set forth financial assets measured at fair value in the Statement of Financial Position and the respective levels to which the fair value measurements are classified within the fair value hierarchy on a recurring basis at September 30, 2022 and 2021:

	2022		
	Fair Value	Level 1	Level 2
Assets			
Money market funds	\$ 845,725	\$ -0-	\$ 845,725
Exchange traded funds	9,622,254	9,622,254	-0-
Mutual funds	<u>65,350,499</u>	<u>65,350,499</u>	<u>-0-</u>
Total	<u>\$ 75,818,478</u>	<u>\$ 74,972,753</u>	<u>\$ 845,725</u>
	2021		
	Fair Value	Level 1	Level 2
Assets			
Money market funds	\$ 796,725	\$ -0-	\$ 796,725
Exchange traded funds	9,106,038	9,106,038	-0-
Mutual funds	<u>75,704,644</u>	<u>75,704,644</u>	<u>-0-</u>
Total	<u>\$ 85,607,407</u>	<u>\$ 84,810,682</u>	<u>\$ 796,725</u>

5. PROPERTY AND EQUIPMENT

A summary of property and equipment at September 30, 2022 and 2021 is as follows:

	2022	2021
Buildng	\$ 905,319	\$ 905,319
Land	59,000	59,000
Office equipment	<u>150,848</u>	<u>149,469</u>
	1,115,167	1,113,788
Less accumulated depreciation	<u>(279,511)</u>	<u>(232,983)</u>
	<u>\$ 835,656</u>	<u>\$ 880,805</u>

WABASH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

6. AGENCY ENDOWMENTS

Agency endowments, also known as custodial funds, represent assets that are transferred by a nonprofit 501(c)(3) organization to the Foundation to be placed into a fund for the benefit of the transferring charitable organization or its affiliate. The transferred funds are maintained in perpetuity by the Foundation and the earnings of these funds, less a management fee are transferred to the donor or its affiliate once a year. The Foundation accounts for these transfers as a liability in accordance with applicable accounting standards. Income is added to these funds periodically in accordance with the Foundation's investment allocation policies. Contributions by, investment interest credits for and distributions to those organizations are reflected as adjustments to the liability account and are not reflected in the Statements of Activities.

Following is a progression of agency endowments during 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 4,239,915	\$ 3,351,160
Contributions	2,563	2,390
Investment return, net	(633,872)	1,017,974
Administrative fees	(30,911)	(29,463)
Grant payments	<u>(129,195)</u>	<u>(102,146)</u>
Ending balance	<u>\$ 3,448,500</u>	<u>\$ 4,239,915</u>

7. MORTGAGE PAYABLE

The Foundation has a loan from a financial institution for renovations of a building. The loan is secured by real estate with a net book value of \$758,232 at September 30, 2022, and has an interest rate of 3.08%. Interest and principal payments are due in monthly installments of \$2,722 and the loan matures in January 2041. Maturities of payments on the mortgage payable subsequent to September 30, 2022 are as follows:

Year ending September 30,

2023	\$ 18,931
2024	19,486
2025	20,133
2026	20,762
2027	21,412
Thereafter	<u>355,203</u>
	<u>\$ 455,927</u>

WABASH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

8. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions as of September 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Operating	\$ 1,412,524	\$ 1,249,488
Operating reserve	655,791	775,955
Board designated non-endowments:		
Donor advised	229,942	218,711
Scholarship	128,276	31,391
Designated	113,890	49,604
Agency	63,873	-0-
Field of interest	1,000,871	127,572
Special project	<u>511,295</u>	<u>597,610</u>
	2,048,147	1,024,888
Board designated for endowments:		
Operating	1,010,324	1,246,889
Donor advised	3,887,332	4,715,896
Scholarship	21,323,403	23,869,633
Designated	13,975,943	15,006,433
Agency	2,885,708	3,502,618
Field of interest	3,559,388	4,299,685
Unrestricted granting	20,121,514	21,121,053
Underwater endowments	<u>(2,081,523)</u>	<u>-0-</u>
	<u>64,682,089</u>	<u>73,762,207</u>
	<u>\$ 68,798,551</u>	<u>\$ 76,812,538</u>

WABASH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

9. NET ASSETS WITH DONOR RESTRICTIONS AND NET ASSETS RELEASED FROM RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Restricted due to time restrictions:		
Charitable gift annuities	\$ 1,385	\$ 1,513
Implementation grants from Lilly Endowment	199,763	278,160
Endowment funds:		
Restricted in perpetuity	2,612,491	2,612,491
Restricted subject to the Foundation's spending policy	<u>209,611</u>	<u>902,347</u>
	<u>\$ 3,023,250</u>	<u>\$ 3,794,511</u>

Net assets were released from donor restrictions or time restrictions during the years ended September 30, 2022 and 2021 as follows:

	<u>2022</u>	<u>2021</u>
Time restrictions related to:		
Charitable gift annuities	\$ -0-	\$ 74,142
Implementation grants from Lilly Endowment	78,397	71,840
Designated purpose restrictions related to:		
Endowment funds appropriated for expenditure	<u>152,336</u>	<u>175,304</u>
	<u>\$ 230,733</u>	<u>\$ 321,286</u>

10. ENDOWMENT

The majority of the Foundation's funds consist of endowed funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring endowment funds to be classified without donor restrictions due to the variance power granted to the Foundation. These funds are designated by the Board of

WABASH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

Directors to function as endowments. Other donor-restricted endowment funds not granting variance power are classified as net assets with donor restrictions. The Board of Directors further interpreted UPMIFA as requiring the preservation of the fair value of the original gift to endowments as of the gift date absent explicit donor stipulation to the contrary. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Endowment funds are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate endowment funds:

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

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for granting purposes while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must use for a donor-specified purpose as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that provide some growth greater than current interest rates with moderate year-to-year volatility. The Foundation expects its endowment funds, over time, to provide an average rate of return equal to the spending rate plus inflation and administrative costs. Actual returns in any given year may vary from this amount.

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

WABASH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

The Foundation has a policy of appropriating for distribution each year 4 percent of its endowment funds' average market value over the prior 20 quarters, or a lesser percentage as voted upon by the Board of Directors. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Endowed funds by net asset type at September 30, 2022 and 2021 were as follows:

	2022		2021	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Board Designated Funds	\$ 64,682,089	\$ -0-	\$ 73,762,207	\$ -0-
Donor Restricted Funds	<u>-0-</u>	<u>2,822,102</u>	<u>-0-</u>	<u>3,514,838</u>
	<u>\$ 64,682,089</u>	<u>\$ 2,822,102</u>	<u>\$ 73,762,207</u>	<u>\$ 3,514,838</u>

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

	2022		2021	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Endowment net assets, beginning of year	\$ 73,762,207	\$ 3,514,838	\$ 53,137,554	\$ 2,833,322
Contributions and other revenues	6,150,882	-0-	6,654,087	-0-
Investment return, net	(12,128,410)	(540,528)	16,743,110	856,820
Interfund activity, net	(15,396)	(37,203)	(119,753)	-0-
Appropriation of endowment assets for expenditure	<u>(3,087,194)</u>	<u>(115,005)</u>	<u>(2,652,791)</u>	<u>(175,304)</u>
Endowment net assets, end of year	<u>\$ 64,682,089</u>	<u>\$ 2,822,102</u>	<u>\$ 73,762,207</u>	<u>\$ 3,514,838</u>

11. UNDERWATER ENDOWMENTS

From time to time, certain endowments funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At September 30, 2022, funds with original gift values of \$22,840,509, fair values of \$20,758,986, and deficiencies of \$2,081,523 were reported in net assets without donor restrictions.

12. LIQUIDITY AND AVAILABILITY

As part of the Foundation's liquidity management, it structures its financial assets to be available as its awarded grants, general expenditures, and other obligations become due. The Foundation invests cash in excess of daily requirements in money market accounts and other short-term investments.

WABASH VALLEY COMMUNITY FOUNDATION, INC.

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Financial assets available for general expenditures within one year of the Statements of Financial Position date comprise the following as of September 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash	\$ 749,865	\$ -0-
Investments	<u>75,936,683</u>	<u>85,923,003</u>
	76,686,548	85,923,003
Less financial assets unavailable for general expenditures within one year due to:		
Donor imposed restrictions:		
Charitable gift annuities	(1,385)	(1,513)
Implementation grants from Lilly Endowment	(199,763)	(278,160)
Endowment funds	(2,822,102)	(3,514,838)
Board designations - endowment funds	(64,682,089)	(73,762,207)
Agency endowments	<u>(3,448,500)</u>	<u>(4,239,915)</u>
	<u>\$ 5,532,709</u>	<u>\$ 4,126,370</u>

The Foundation's endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments. Income from donor-restricted endowments is restricted for specific purposes with the exception of the amounts available for general use. Donor-restricted and board designated endowment funds are not available for general expenditure. The Foundation has an annual grant approval process. This process includes evaluating a number of factors relative to the spending rate to be applied to the Foundation's fund balances in accordance with its spending policy. Once the Foundation's Board approves the spending rate, the related dollar amount of the funds becomes available for general expenditures.

The operating endowment is subject to an annual spending rate of 4 percent as described in Note 10. Although the Foundation does not intend to spend from this operating endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available, if necessary.

The Foundation relies on the administrative fees it charges its funds annually which are 0.75 to 2 percent of the fund balance to fund operational expenditures.

WABASH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

13. CONCENTRATIONS OF CREDIT RISK

The Foundation maintains its cash in bank deposit accounts insured by the Federal Deposit Insurance Corporation at its current coverage levels. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Marketable securities and money market funds are maintained with one investment firm. Such balances exceed the Securities Investor Protection Corporation insured limits of up to \$500,000.