

**DUBOIS COUNTY COMMUNITY FOUNDATION,
INC. AND AFFILIATE**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

CPAs / ADVISORS



DUBOIS COUNTY COMMUNITY FOUNDATION, INC. AND AFFILIATE

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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
Dubois County Community Foundation, Inc. and Affiliate
Jasper, Indiana

Opinion

We have audited the accompanying consolidated financial statements of Dubois County Community Foundation, Inc. and Affiliate (the "Organization"), a nonprofit organization, which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization and its affiliate as of December 31, 2022 and 2021, and the results of their operations and their 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 Organization 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated 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 consolidated 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 judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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

June 21, 2023

DUBOIS COUNTY COMMUNITY FOUNDATION, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2022 AND 2021

	ASSETS	
	2022	2021
Cash	\$ 4,055,111	\$ 2,583,083
Certificate of deposit	239,598	201,300
Investments	60,281,050	62,679,099
Contributions receivable, net	453,643	448,025
Interest in charitable remainder trusts	102,851	127,152
Property and equipment, net	2,048,266	1,036,951
Land held for preservation	115,292	115,292
Other assets	53,907	94,527
	<u>\$ 67,349,718</u>	<u>\$ 67,285,429</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$ 15,155	\$ 47,280
Grants payable	1,161,610	1,674,879
Custodial funds	1,549,354	1,723,088
Total liabilities	<u>2,726,119</u>	<u>3,445,247</u>

Net assets

Without donor restrictions		
Operating	2,249,109	1,679,599
Operating reserve	239,598	281,477
Board designated endowments	513,826	622,333
	<u>3,002,533</u>	<u>2,583,409</u>
With donor restrictions		
Restricted due to time restrictions	556,494	575,177
Restricted for specified purpose	3,315,546	3,562,157
Endowment funds	57,749,026	57,119,439
	<u>61,621,066</u>	<u>61,256,773</u>
Total net assets	<u>64,623,599</u>	<u>63,840,182</u>
	<u>\$ 67,349,718</u>	<u>\$ 67,285,429</u>

See accompanying notes to consolidated financial statements.

DUBOIS COUNTY COMMUNITY FOUNDATION, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF ACTIVITIES YEAR ENDED DECEMBER 31, 2022 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenues				
Contributions of cash and other financial assets	\$ 10,469	\$ 15,944,339	\$ 15,954,808	\$ 4,787,482
Investment return, net	(168,758)	(10,176,497)	(10,345,255)	6,506,740
Administrative fee income	579,504	-0-	579,504	531,930
Change in discount of contributions receivable	-0-	-0-	-0-	1,031
Change in value of split interest agreements	-0-	(24,301)	(24,301)	17,694
Loss on disposal of assets	-0-	-0-	-0-	(1,486)
Special events	-0-	173,024	173,024	-0-
Net assets released from restrictions	<u>5,552,272</u>	<u>(5,552,272)</u>	<u>-0-</u>	<u>-0-</u>
Total support and revenues	5,973,487	364,293	6,337,780	11,843,391
Expenses				
Program services	4,916,788	-0-	4,916,788	5,524,342
Management & general	332,983	-0-	332,983	322,498
Fundraising & development	<u>304,592</u>	<u>-0-</u>	<u>304,592</u>	<u>118,264</u>
Total expenses	<u>5,554,363</u>	<u>-0-</u>	<u>5,554,363</u>	<u>5,965,104</u>
Change in net assets	419,124	364,293	783,417	5,878,287
Net assets, beginning of year	<u>2,583,409</u>	<u>61,256,773</u>	<u>63,840,182</u>	<u>57,961,895</u>
Net assets, end of year	<u>\$ 3,002,533</u>	<u>\$ 61,621,066</u>	<u>\$ 64,623,599</u>	<u>\$ 63,840,182</u>

See accompanying notes to consolidated financial statements.

DUBOIS COUNTY COMMUNITY FOUNDATION, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues			
Contributions of cash and other financial assets	\$ 428,941	\$ 4,358,541	\$ 4,787,482
Investment return, net	70,850	6,435,890	6,506,740
Administrative fee income	531,930	-0-	531,930
Change in discount of contributions receivable	-0-	1,031	1,031
Change in value of split interest agreements	-0-	17,694	17,694
Loss on disposal of assets	(1,486)	-0-	(1,486)
Net assets released from restrictions	5,553,709	(5,553,709)	-0-
Total support and revenues	6,583,944	5,259,447	11,843,391
Expenses			
Program services	5,524,342	-0-	5,524,342
Management & general	322,498	-0-	322,498
Fundraising & development	118,264	-0-	118,264
Total expenses	5,965,104	-0-	5,965,104
Change in net assets	618,840	5,259,447	5,878,287
Net assets, beginning of year	1,964,569	55,997,326	57,961,895
Net assets, end of year	\$ 2,583,409	\$ 61,256,773	\$ 63,840,182

See accompanying notes to consolidated financial statements.

DUBOIS COUNTY COMMUNITY FOUNDATION, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022				2021			
	Program Services	Management & General	Fundraising & Development	Total	Program Services	Management & General	Fundraising & Development	Total
Grants	\$ 4,124,251	\$ -0-	\$ -0-	\$ 4,124,251	\$ 4,793,656	\$ -0-	\$ -0-	\$ 4,793,656
Administrative fees	565,130	-0-	-0-	565,130	516,854	-0-	-0-	516,854
Salaries and wages	110,008	136,373	75,090	321,471	135,177	152,961	67,588	355,726
Payroll taxes and employee benefits	38,992	48,329	26,608	113,929	38,136	43,156	19,080	100,372
Staff training & education	4,908	491	736	6,135	5,328	533	799	6,660
Travel and auto expense	6,926	495	2,473	9,894	3,595	257	1,284	5,136
Office supplies	10,052	2,565	-0-	12,617	7,163	1,272	-0-	8,435
Staff, board & committee meetings	2,099	-0-	-0-	2,099	2,967	-0-	-0-	2,967
Bank fees	-0-	2,092	-0-	2,092	-0-	2,868	-0-	2,868
Membership dues & subscriptions	7,015	-0-	-0-	7,015	4,545	-0-	-0-	4,545
Technology	29,150	43,743	196	73,089	7,841	25,214	26	33,081
Professional fees	-0-	19,253	-0-	19,253	-0-	24,014	-0-	24,014
Insurance	-0-	27,017	-0-	27,017	-0-	22,181	-0-	22,181
Occupancy	550	17,755	-0-	18,305	-0-	23,753	-0-	23,753
Depreciation	-0-	34,870	-0-	34,870	-0-	26,289	-0-	26,289
Membership and development	14,215	-0-	-0-	14,215	2,433	-0-	-0-	2,433
Donor relations	-0-	-0-	5,504	5,504	-0-	-0-	6,727	6,727
Advertising and publicity	3,492	-0-	3,492	6,984	6,647	-0-	6,647	13,294
Special events expense	-0-	-0-	190,493	190,493	-0-	-0-	16,113	16,113
Total expenses	<u>\$ 4,916,788</u>	<u>\$ 332,983</u>	<u>\$ 304,592</u>	<u>\$ 5,554,363</u>	<u>\$ 5,524,342</u>	<u>\$ 322,498</u>	<u>\$ 118,264</u>	<u>\$ 5,965,104</u>

See accompanying notes to consolidated financial statements.

DUBOIS COUNTY COMMUNITY FOUNDATION, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Operating activities		
Change in net assets	\$ 783,417	\$ 5,878,287
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	34,870	26,289
Donated property	-0-	(400,000)
Loss on disposal of assets	-0-	1,486
Interest earned on certificate of deposit	(2,638)	(1,300)
Reinvested interest and dividends received on investments	(818,004)	(799,888)
Realized and unrealized losses (gains) on investments	11,316,828	(6,105,915)
Contributions restricted to endowment funds	(13,444,874)	(3,144,614)
Change in discount of contributions receivable	-0-	(1,031)
Change in value of split interest agreements	24,301	(17,694)
Changes in assets and liabilities:		
Contributions receivable	(5,618)	(41,492)
Other assets	40,620	(837)
Accounts payable and accrued expenses	(32,125)	1,173
Grants payable	(513,269)	1,423,325
Custodial funds	(173,734)	183,880
Net cash flows from operating activities	(2,790,226)	(2,998,331)
Investing activities		
Purchase of certificate of deposit	(236,960)	-0-
Maturity of certificate of deposit	201,300	-0-
Purchases of property and equipment	(1,046,185)	(100,356)
Proceeds on sales of investments	42,237,847	8,430,275
Purchases of investments	(50,338,622)	(8,407,220)
Net cash flows from investing activities	(9,182,620)	(77,301)
Financing activities		
Contributions restricted to endowment funds	13,444,874	3,144,614
Net cash flows from financing activities	13,444,874	3,144,614
Net change in cash	1,472,028	68,982
Cash, beginning of year	2,583,083	2,514,101
Cash, end of year	\$ 4,055,111	\$ 2,583,083

See accompanying notes to consolidated financial statements.

DUBOIS COUNTY COMMUNITY FOUNDATION, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Dubois County Community Foundation, Inc. was established as a not-for-profit organization in 1996. The Dubois County Community Foundation, Inc. engages in programs and activities benefiting primarily the residents of Dubois County, Indiana. This purpose is accomplished by being the trusted charitable partner in shaping the future of the community.

Community Holdings of Dubois County, Inc. was established as a not-for-profit organization in 2012. It will act as a supporting organization of Dubois County Community Foundation, Inc. to accept on its behalf certain charitable gifts of properties and assets, such as real estate and privately held or S corporation stock.

Consolidation Policy

The accounts of Dubois County Community Foundation, Inc. are consolidated with the accounts of Community Holdings of Dubois County, Inc. as a result of common control and economic interest. All inter-entity transactions have been eliminated in consolidation. The consolidated operations of the organization are hereinafter collectively referred to as the "Foundation."

Management's Estimates

Management uses estimates and assumptions in preparing consolidated 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 consolidated 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 currently available for operating purposes under the direction of the board of directors (Board) or designated by the Board for specific use. The Foundation maintains net assets without donor restrictions as follows:

Operating – used to fund current operations of the Foundation

Operating reserve – used to fund operations of the Foundation as designated by the Board

Board designated endowments – established with the expectation that the principal

DUBOIS COUNTY COMMUNITY FOUNDATION, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

be maintained in perpetuity to generate grants, subject to the spending policy, used to support the general operations of the Foundation as designated by the Board

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. The Foundation maintains net assets with donor restrictions as follows:

Restricted due to time restrictions – all contributions to the Foundation with donor restrictions that will be met by the passage of time

Restricted for specified purpose – all contributions to the Foundation with the intention of the donor to be held for a specific program or in a donor-restricted non-endowed fund

Endowment funds – all contributions to the Foundation with the intention of the donor that the assets be held in perpetuity and related investment earnings managed in accordance with the Foundation's spending policy

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 Consolidated Statements of Activities in the period in which such changes occur.

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 five to forty years using straight-line method.

DUBOIS COUNTY COMMUNITY FOUNDATION, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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 increase net assets with 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 and are considered program expenses. Administrative fees from all funds are reflected as revenue on the Consolidated Statements of Activities. The administrative fees from custodial funds are not included as expenses on the Consolidated Statements of Activities because they are included in the change in custodial funds.

Functional Allocation of Expenses

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

The consolidated 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, office supplies and technology 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 Dubois County Community Foundation, Inc. and Community Holdings of Dubois County, Inc. are not-for-profit organizations as described in Section 501(c)(3) of the Internal Revenue Code and are 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

DUBOIS COUNTY COMMUNITY FOUNDATION, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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 December 31, 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 consolidated 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 Dubois County Community Foundation, Inc. and Community Holdings of Dubois County, Inc. are generally exempt from income taxes and are required to file Federal Form 990 – Return of Organization Exempt from Income Tax which is an informational return only.

Reclassification

Certain prior year amounts have been reclassified to conform to the current method of presentation.

Subsequent Events

The Foundation has evaluated events or transactions occurring subsequent to the Consolidated Statements of Financial Position date for recognition and disclosure in the accompanying consolidated financial statements through the date the consolidated financial statements were available to be issued, which is June 21, 2023.

2. CERTIFICATE OF DEPOSIT

The Foundation's certificate of deposit, which is valued at cost, consists of the following at December 31, 2022 and 2021:

2022			2021		
Amount	Maturity	Interest Rate	Amount	Maturity	Interest Rate
\$ 239,598	10/3/2023	2.05%	\$ 201,300	7/27/2022	0.50%

DUBOIS COUNTY COMMUNITY FOUNDATION, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

3. INVESTMENTS

Investments at December 31, 2022 and 2021 consist of the following:

	2022	2021
Money market funds	\$ 2,685,540	\$ 3,887,960
Common stocks		
Consumer discretionary	847,141	1,278,919
Consumer staples	541,727	560,800
Energy	457,371	335,320
Financial	1,643,818	1,756,349
Healthcare	1,311,979	1,575,981
Industrials	1,677,632	1,627,319
Information technology	1,680,062	2,303,326
Communication services	569,616	712,743
Real estate	208,095	177,990
Other	1,384,722	593,309
Foreign stocks	228,095	278,513
Equity mutual funds		
Small/mid	4,569,398	4,614,163
Large	17,297,330	18,571,440
International	7,669,573	8,084,734
Fixed income mutual funds		
Intermediate core plus	7,930,014	14,614,863
Short term	1,361,687	1,438,485
Equity exchange traded funds		
Large	314,686	266,885
Alternative investments		
Hedge equity	7,902,564	-0-
	\$ 60,281,050	\$ 62,679,099

4. RISKS AND UNCERTAINTIES

The Foundation holds a variety of investments (Note 3). 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

DUBOIS COUNTY COMMUNITY FOUNDATION, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying consolidated financial statements.

5. FAIR VALUE MEASUREMENTS

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 December 31, 2022 and 2021.

- *Money market funds*: Generally transact subscription and redemption activity at a \$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.
- *Common stocks and foreign stocks*: Valued at closing price reported on the active market on which the individual securities are traded. Closely held stock is valued at the estimated selling price.
- *Mutual funds and exchange traded funds*: Valued at the daily closing price as reported by the fund. Mutual funds and exchange traded funds ("funds") are held by the Foundation

DUBOIS COUNTY COMMUNITY FOUNDATION, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

and are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The funds held by the Foundation are deemed to be actively traded.

- *Hedge equity*: Valued at the NAV of the units of the funds, as provided by the investment managers. The NAV is based on the fair value of the underlying investments held by the funds less their liabilities.
- *Interest in charitable remainder trusts*: Fair value is determined by subtracting the calculated present value of the future payments to beneficiaries using published life expectancy tables, rates of return of 6 and 8 percent, discount rates of 2 and 7.6 percent, and payout rates of 20 and 6 percent from the fair value of the trust assets.

The following table sets forth financial assets measured at fair value in the Consolidated Statement of Financial Position and the respective levels to which the fair value measurements are classified within the fair value hierarchy as of December 31, 2022 and 2021:

	2022			
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Money market funds	\$ 2,685,540	\$ -0-	\$ 2,685,540	\$ -0-
Common and foreign stocks	10,550,258	9,765,758	784,500	-0-
Mutual funds	38,828,002	38,828,002	-0-	-0-
Exchange traded funds	314,686	314,686	-0-	-0-
Interest in charitable remainder trusts	102,851	-0-	-0-	102,851
Total assets in the fair value hierarchy	52,481,337	48,908,446	3,470,040	102,851
Hedge equity*	7,902,564	-0-	-0-	-0-
Total assets at fair value	\$ 60,383,901	\$ 48,908,446	\$ 3,470,040	\$ 102,851
	2021			
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Money market funds	\$ 3,887,960	\$ -0-	\$ 3,887,960	\$ -0-
Common and foreign stocks	11,200,569	11,200,569	-0-	-0-
Mutual funds	47,323,685	47,323,685	-0-	-0-
Exchange traded funds	266,885	266,885	-0-	-0-
Interest in charitable remainder trusts	127,152	-0-	-0-	127,152
Total assets in the fair value hierarchy	\$ 62,806,251	\$ 58,791,139	\$ 3,887,960	\$ 127,152

*In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented at fair value in the consolidated statement of financial position.

DUBOIS COUNTY COMMUNITY FOUNDATION, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

A summary of hedge equity, including balance and restrictions on redemption as of December 31, 2022 and 2021 is as follows:

	2022	2021	Redemption Notice	Redemption Period
Hedge equity				
Western Asset US Core Plus, LLC	\$ 7,902,564	\$ -0-	15 days notice	Daily

The progression of interest in charitable remainder trusts during the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
Beginning balance	\$ 127,152	\$ 109,458
Change in present value	(24,301)	17,694
Ending balance	\$ 102,851	\$ 127,152

6. CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable at December 31, 2022 and 2021 consist of the following:

	2022	2021
Unconditional contributions receivable	\$ 501,166	\$ 494,500
Less unamortized discount	(47,524)	(46,475)
	\$ 453,642	\$ 448,025
Amounts due in:		
Less than one year	\$ 298,333	\$ 215,000
One to five years	103,333	180,000
More than five years	99,500	99,500
	\$ 501,166	\$ 494,500

Qualifying contributions receivable were discounted at a range of 1.56% to 3.32%.

Management estimates an allowance for doubtful contributions receivable based on an

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evaluation of historical losses, current economic conditions, and other factors unique to the Foundation's donors. No allowance for doubtful contributions receivable was determined to be necessary at December 31, 2022 and 2021.

7. INTEREST IN CHARITABLE REMAINDER TRUSTS

The Foundation has been named the full or partial beneficiary of two charitable remainder trusts in which the Foundation is not the trustee. Upon termination of the trusts, the applicable remainder of the trust will revert to the Foundation to funds designated by the donors. The trust agreements stipulate that a certain portion of the trusts' assets are to be paid out each year to third party beneficiaries named by the donors. In calculating the present value of the amount to be received upon termination of the trusts, discount rates of 2 and 7.6 percent and rates of return of 6 and 8 percent were used. The date of the termination of the trusts was determined based on the applicable mortality tables. The Foundation's interest under these trusts was \$102,851 and \$127,152 at December 31, 2022 and 2021, respectively.

8. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2022 and 2021 is as follows:

	2022	2021
Land	\$ 68,194	\$ 68,194
Building and building improvements	655,964	655,964
Furniture and equipment	195,231	192,762
Non-operative assets	<u>1,502,166</u>	<u>458,449</u>
	2,421,555	1,375,369
Less accumulated depreciation	<u>(373,289)</u>	<u>(338,418)</u>
	<u>\$ 2,048,266</u>	<u>\$ 1,036,951</u>

During 2021, the Foundation received donated property from the City of Jasper which was valued at \$400,000. The property is in the process of being renovated and upon completion, the property will be granted for the future home of the Dove Recovery Home. The property and building improvements are listed as non-operative assets and are not being depreciated.

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9. CUSTODIAL FUNDS

Custodial funds represent funds placed on deposit with the Foundation by other organizations based on their individual board resolutions. The Foundation accounts for these transfers as a liability in accordance with standards set by the Financial Accounting Standards Board. Income is added to these funds periodically in accordance with the Foundation's investment allocation policies. Contributions by, investment return credits for, and distributions to those organizations are reflected as adjustments to the liability account and are not reflected in the Consolidated Statements of Activities.

Following is a progression of custodial funds during 2022 and 2021:

	2022	2021
Beginning balance	\$ 1,723,088	\$ 1,539,208
Contributions	213,699	47,363
Investment return, net	(317,605)	195,774
Administrative fees	(16,489)	(15,076)
Other expenses	(407)	(52)
Grant and scholarship payments	(52,932)	(44,129)
Ending balance	<u>\$ 1,549,354</u>	<u>\$ 1,723,088</u>

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10. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Restricted due to time restrictions		
Contributions receivable	\$ 453,643	\$ 448,025
Interest in charitable remainder trusts	<u>102,851</u>	<u>127,152</u>
	556,494	575,177
Restricted for specified purposes		
Various based on fund agreements	3,315,546	3,562,157
Endowment funds		
Restricted in perpetuity	48,106,299	34,539,723
Restricted subject to the Foundation's spending policy	<u>9,642,727</u>	<u>22,579,716</u>
	<u>57,749,026</u>	<u>57,119,439</u>
	<u>\$ 61,621,066</u>	<u>\$ 61,256,773</u>

11. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions based on the Foundation's spending policy in the amount of \$5,552,272 and \$5,553,709 based on funds appropriated for expenditure for the years ended December 31, 2022 and 2021, respectively.

12. 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 the preservation of the fair value of the original gift as of the gift

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date of the donor-restricted endowment funds 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

From time to time, due to unfavorable market fluctuations, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. The Foundation has a policy that does not preclude spending from underwater endowment funds, unless otherwise not permitted by donor intent or relevant laws and regulations.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for granting purposes while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must use for a donor-specified purpose as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce long-term growth of capital without undue exposure to risk. The Foundation expects its endowment funds, over time, to provide a total return that exceeds inflation (as measured by the U.S. consumer price index) by the average rate of the Foundation's distribution policy (5% target). 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 changes (realized and unrealized) and through earned income (interest and dividends).

The Foundation has a policy of appropriating for distribution each year up to a 5 percent of its endowment funds' average fair value over the previous twenty quarter rolling average, or lesser percentage as voted upon annually by the Board of Directors. In establishing this policy, the

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Foundation considered the long-term expected return on its endowment. Endowed funds by net asset type at December 31, 2022 and 2021 were as follows:

	2022		2021	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Donor Restricted Funds	\$ -0-	\$ 57,749,026	\$ -0-	\$ 57,119,439
Board Designated Funds	513,826	-0-	622,333	-0-
	<u>\$ 513,826</u>	<u>\$ 57,749,026</u>	<u>\$ 622,333</u>	<u>\$ 57,119,439</u>

Changes in endowment funds for the years ended December 31, 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	\$ 622,333	\$ 57,119,439	\$ 573,884	\$ 49,917,678
Contributions and other revenue	515	13,444,874	15	3,144,614
Investment return, net	(134,428)	(10,116,044)	75,539	6,440,188
Interfund, net	35,998	60,285	(21,911)	308,901
Appropriation of endowment assets for expenditure	<u>(10,592)</u>	<u>(2,759,528)</u>	<u>(5,194)</u>	<u>(2,691,942)</u>
Endowment net assets, end of year	<u>\$ 513,826</u>	<u>\$ 57,749,026</u>	<u>\$ 622,333</u>	<u>\$ 57,119,439</u>

13. 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 defines liquid assets as cash and investments without purpose restrictions and unrelated to endowments and non-endowed investments.

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Financial assets available for general expenditures (operating and operating reserve) within one year of the Consolidated Statements of Financial Position date comprise the following:

	2022	2021
Cash	\$ 200,140	\$ 734,624
Certificate of deposit	239,598	201,300
Investments	-0-	3,548
	<u>\$ 439,738</u>	<u>\$ 939,472</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 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.

While not subject to the Foundation's spending policy, expenditures from donor-restricted non-endowed funds must be approved by the Board and, therefore, are not available for general expenditure until that time. Non-endowed funds are held in cash or liquid investments and are made available upon appropriation.

The administrative endowment is subject to an annual spending rate of up to 5 percent as described in Note 12. Although the Foundation does not intend to spend from this administrative 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 also relies on the administrative fees it charges its funds annually ranging from 0.5% to 2% of the fund balance to fund operational expenditures.

14. 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 related to these accounts.

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