

Consolidated Financial Statements

STEUBEN COUNTY COMMUNITY FOUNDATION, INC. AND AFFILIATES

*Years ended June 30, 2022 and 2021 (Restated)
with Independent Auditor's Report*

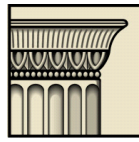
Steuben County Community Foundation, Inc. and Affiliates

Consolidated Financial Statements

Years ended June 30, 2022 and 2021 (*Restated*)

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Independent Auditor's Report

The Board of Directors
Steuben County Community Foundation, Inc. and Affiliates

Opinion

We have audited the accompanying consolidated financial statements of Steuben County Community Foundation, Inc. and Affiliates, which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities and changes in net assets, 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 Steuben County Community Foundation, Inc. and Affiliates as of June 30, 2022 and 2021, and the changes in their net assets 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 audit 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 Consolidated Financial Statements section of our report. We are required to be independent of Steuben County Community Foundation, Inc. and Affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

In our report dated September 13, 2021, we expressed an opinion that the 2021 financial statements did not fairly present the financial position, changes in net assets and cash flows in conformity with accounting principles generally accepted in the United States of America because of a departure from such principles: the Steuben County Community Foundation, Inc. did not recognize the fair value of assets accepted from donors and the related return on investment of those assets as a liability to the specified beneficiary. As described in *Note 1*, the Steuben County Community Foundation, Inc. has changed its method of accounting for these items and restated its 2021 financial statements to conform with accounting principles generally accepted in the United States of America. Accordingly, our present opinion on the 2021 financial statements, as presented herein, is different from that expressed in our previous report.

Responsibilities of Management for the Consolidated 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 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 Steuben County Community Foundation, Inc. and Affiliates 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 Consolidated 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 a 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 Steuben County Community Foundation, Inc. and Affiliates' 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 Steuben County Community Foundation, Inc. and Affiliates' 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.

Laines, Lemberger & Skiba, LLC

October 18, 2022

Steuben County Community Foundation, Inc. and Affiliates

Consolidated Statements of Financial Position

	June 30	
	2022	2021
	<i>(Restated)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 651,963	\$ 236,190
Accounts and other receivables	52,600	565,494
Prepaid expenses and other	57,542	19,757
Total current assets	<u>762,105</u>	821,441
Investments	29,291,663	33,238,604
Land, building and equipment:		
Land	382,781	382,781
Building and improvements	466,990	466,990
Office furniture and equipment	244,093	282,273
	<u>1,093,864</u>	1,132,044
Less accumulated depreciation	<u>388,191</u>	418,834
	705,673	713,210
Other assets:		
Cash value of life insurance policies	505,408	483,595
Beneficial interest in trusts	590,974	871,251
Total assets	<u><u>\$ 31,855,823</u></u>	<u><u>\$ 36,128,101</u></u>
Liabilities		
Current liabilities:		
Accounts payable and other current liabilities	\$ 27,259	\$ 32,898
Current portion of grants and scholarships payable	27,000	36,750
Deferred revenue	2,346	3,344
Current portion of capital lease obligation	750	1,693
Funds held for agencies	1,905,525	2,221,848
Total current liabilities	<u>1,962,880</u>	2,296,533
Grants and scholarships payable, less current portion	9,000	25,000
Capital lease obligation, less current portion	-	750
Total liabilities	<u>1,971,880</u>	2,322,283
Net assets:		
Without donor restrictions	3,803,177	4,117,850
With donor restrictions	26,080,766	29,687,968
Total net assets	<u>29,883,943</u>	33,805,818
Total liabilities and net assets	<u><u>\$ 31,855,823</u></u>	<u><u>\$ 36,128,101</u></u>

See accompanying notes to consolidated financial statements.

Steuben County Community Foundation, Inc. and Affiliates

Consolidated Statements of Activities and Changes in Net Assets

	Year ended June 30					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions (Restated)	With Donor Restrictions (Restated)	Total (Restated)
Support, revenues and gains						
Contributions and grants	\$ 18,166	\$ 1,536,715	\$ 1,554,881	\$ 214,871	\$ 837,163	\$ 1,052,034
Management fees	479,251	-	479,251	410,866	-	410,866
Net investment return	(337,224)	(3,176,959)	(3,514,183)	154,165	5,272,012	5,426,177
Change in value of cash value of life insurance policies	958	18,256	19,214	336	18,192	18,528
Loss on beneficial interest in trusts	-	(275,556)	(275,556)	-	(20,865)	(20,865)
Total support, revenues and gains before net assets released from restrictions	161,151	(1,897,544)	(1,736,393)	780,238	6,106,502	6,886,740
Net assets released from restrictions	1,709,658	(1,709,658)	-	1,328,573	(1,328,573)	-
Total support, revenues and gains	1,870,809	(3,607,202)	(1,736,393)	2,108,811	4,777,929	6,886,740
Expenses						
Program services:						
Grants	1,270,184	-	1,270,184	951,162	-	951,162
Management fees	457,161	-	457,161	390,716	-	390,716
Other program	92,228	-	92,228	76,046	-	76,046
	1,819,573	-	1,819,573	1,417,924	-	1,417,924
Supporting services:						
Fundraising	63,681	-	63,681	48,242	-	48,242
Management and general	297,110	-	297,110	299,366	-	299,366
	360,791	-	360,791	347,608	-	347,608
Total expenses	2,180,364	-	2,180,364	1,765,532	-	1,765,532
Increase (decrease) in net assets before discontinued operations	(309,555)	(3,607,202)	(3,916,757)	343,279	4,777,929	5,121,208
Discontinued operations	(5,118)	-	(5,118)	(73,564)	-	(73,564)
Increase (decrease) in net assets	(314,673)	(3,607,202)	(3,921,875)	269,715	4,777,929	5,047,644
Net assets at beginning of year	4,117,850	29,687,968	33,805,818	3,848,135	24,910,039	28,758,174
Net assets at end of year	\$ 3,803,177	\$ 26,080,766	\$ 29,883,943	\$ 4,117,850	\$ 29,687,968	\$ 33,805,818

See accompanying notes to consolidated financial statements.

Steuben County Community Foundation, Inc. and Affiliates

Consolidated Statements of Functional Expenses

	Year ended June 30							
	2022				2021			
	Supporting Activities			Total Expenses	Supporting Activities			Total Expenses
	Program Services	Management and General	Fundraising		Program Services (Restated)	Management and General (Restated)	Fundraising (Restated)	
Grants and scholarships awarded	\$ 1,270,184	\$ -	\$ -	\$ 1,270,184	\$ 951,162	\$ -	\$ -	\$ 951,162
Management fees	457,161	-	-	457,161	390,716	-	-	390,716
Personnel and related expenses:								
Salaries and wages	78,666	151,181	30,200	260,047	66,148	147,683	26,733	240,564
Payroll taxes	6,094	11,712	2,339	20,145	5,120	11,432	2,069	18,621
Employee benefits	4,583	8,808	1,760	15,151	1,984	4,235	802	7,021
	89,343	171,701	34,299	295,343	73,252	163,350	29,604	266,206
Administrative	285	-	-	285	294	-	-	294
Advertising and marketing	-	1,217	10,954	12,171	-	786	7,080	7,866
Conferences and training	-	1,083	1,082	2,165	-	25,261	260	25,521
Depreciation	-	17,597	400	17,997	-	15,731	393	16,124
Development	-	2,041	4,763	6,804	-	1,890	4,411	6,301
Information technology	2,600	17,448	3,659	23,707	2,500	24,215	2,969	29,684
Interest	-	146	-	146	-	287	-	287
Membership dues and subscriptions	-	5,705	-	5,705	-	5,723	-	5,723
Miscellaneous	-	1,398	1,962	3,360	-	1,617	928	2,545
Occupancy	-	25,708	6,062	31,770	-	19,458	2,162	21,620
Office	-	6,415	500	6,915	-	2,682	435	3,117
Professional fees	-	46,651	-	46,651	-	38,366	-	38,366
Total expenses	<u>\$ 1,819,573</u>	<u>\$ 297,110</u>	<u>\$ 63,681</u>	<u>\$ 2,180,364</u>	<u>\$ 1,417,924</u>	<u>\$ 299,366</u>	<u>\$ 48,242</u>	<u>\$ 1,765,532</u>

See accompanying notes to consolidated financial statements.

Steuben County Community Foundation, Inc. and Affiliates

Consolidated Statements of Cash Flows

	Year ended June 30	
	2022	2021
	<i>(Restated)</i>	
Operating activities		
Increase (decrease) in net assets	\$ (3,921,875)	\$ 5,047,644
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Realized and unrealized (gain) loss on investments	4,420,491	(5,262,689)
Loss on disposal of SCFN	-	80,925
Depreciation	17,997	133,739
Donated securities	-	(100,887)
Loss on beneficial interest in trusts	280,277	21,578
Changes in operating assets and liabilities:		
Accounts receivable	512,894	(511,447)
Prepaid expenses and other	(37,785)	21,720
Cash value of life insurance policies	(21,813)	(21,168)
Accounts payable and other current liabilities	(5,639)	(30,976)
Grants and scholarships payable	(25,750)	(220,450)
Deferred revenue	(998)	(190,269)
Funds held for agencies	(316,323)	426,145
Net cash provided by (used in) operating activities	901,476	(606,135)
Investing activities		
Purchases of investments	(9,423,493)	(10,288,657)
Proceeds from sale and maturities of investments	8,949,943	7,411,118
Proceeds from sale of SCFN	-	2,800,000
Purchases of land, building and equipment	(10,460)	(65,201)
Net cash used in investing activities	(484,010)	(142,740)
Financing activity —payments of capital lease obligation	(1,693)	(1,553)
Increase (decrease) in cash and cash equivalents	415,773	(750,428)
Cash and cash equivalents at beginning of year	236,190	986,618
Cash and cash equivalents at end of year	\$ 651,963	\$ 236,190

See accompanying notes to consolidated financial statements.

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

June 30, 2022

1. Organization

The Steuben County Community Foundation, Inc. (Foundation) is a not-for-profit corporation organized pursuant to the laws of the state of Indiana. The Foundation was organized for the purpose of meeting the charitable needs of primarily Steuben County, Indiana. The Foundation supports new and existing programs of not-for-profit organizations for specific charitable purposes. The Foundation's support is derived principally from contributions received from private and public organizations or individuals.

The mission of the Foundation is:

"connecting people who care with needs that matter to our community."

I-MAN, Inc., d/b/a Steuben County Fiber Network (SCFN) is a not-for-profit corporation organized under the laws of the state of Indiana. SCFN's mission was to develop and implement the mechanisms necessary for improving future generations' quality and standard of life in Steuben County and surrounding communities by the creation of digital real-estate that reaches education facilities, the community, businesses, the county, state and the world. SCFN is a supporting entity of the Foundation. Earnings from SCFN's operations were used to support endowments of the Foundation. Effective January 1, 2021, the Foundation sold all non-cash assets of SCFN.

Steuben County Community Foundation Building, LLC (Building LLC) and Steuben County Community Foundation Real Estate, LLC (Real Estate LLC) were formed effective July 1, 2019. The Foundation is the sole member of both entities. The land and building in which the Foundation operates were transferred to the Building LLC during fiscal 2020. The Real Estate LLC will hold other real estate on a permanent or temporary basis.

The Foundation and SCFN are incorporated as a nonprofit organization, exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and qualifies for the charitable contribution deduction. The Foundation and SCFN have been classified as organizations that are not private foundations under Section 509(a) of the Internal Revenue Code. They are also exempt from state income taxes.

However, the Foundation and SCFN are subject to federal income tax on any unrelated business taxable income. The Foundation and SCFN provide liabilities for uncertain tax positions when a liability is probable and estimable. Management believes that it has appropriate support for any tax positions it has taken or expects to take and as such, does not have any uncertain tax positions that should be recognized, measured or disclosed in the financial statements. Management believes the Foundation and SCFN no longer subject to examination by tax authorities for years before June 30, 2019.

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the Foundation, SCFN, Building LLC and Real Estate LLC (collectively, Organization). Accounting principles generally accepted in the United States of America require consolidation of not-for-profit entities if one entity has both control and an economic interest in another entity. All significant inter-organization accounts and transactions have been eliminated in consolidation.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

Restatement

Prior to fiscal 2022, the Foundation did not recognize the fair value of assets accepted from donors and the related return on investment of those assets as a liability to the specified beneficiary. Furthermore, the Foundation recognized revenue and support for the fair value of the assets and investment income and reports expenses when the assets were transferred to the beneficiary. The Foundation has changed its method of accounting for these items. As a result, the Foundation recorded a cumulative effect reduction of net assets of \$1,795,703 as of July 1, 2020 and restated its financial statements as of and for the year ended June 30, 2021. Contribution revenue was reduced by \$98,503, net investment return was reduced by \$406,243, grants expense was reduced by \$59,324 and management fees expense was reduced by \$20,150 in the restated statement of activities for the year ended June 30, 2021.

Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents, except those short-term investments managed as part of long-term investment strategies. The Organization maintains cash accounts at local banks. From time to time during the year, the Organization's cash accounts exceeded federally insured limits due to the transfer of funds to pay for grants awarded.

Accounts and Other Receivables

Accounts and other receivables are stated at the amount the Organization plans to collect. The balance at June 30, 2021 is primarily comprised of funds held in escrow pursuant to the sale of SCFN. See *Note 3* for discussion of the sale transaction. The Organization provides an

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Accounts and Other Receivables (continued)

allowance for doubtful accounts for estimated losses in the collections of accounts receivable, which is based upon an analysis of outstanding receivables, taking into consideration the age of past due accounts, an assessment of the customer's ability to pay and historical collection information. When specific accounts are deemed uncollectible, in whole or in part, such amounts are removed from the accounts, although collection efforts may continue. As of June 30, 2022 and 2021, no allowance for doubtful accounts was deemed necessary.

Contributions and Pledges Receivable

Contributions, including gifts, grants, bequests, pledges and other unconditional promises to give without restrictions or stipulations are recorded as support in the period received. Contributions are reported as donor restricted support if they are received with donor imposed stipulations that limit their use.

Conditional promises or pledges are recognized when the conditions on which they depend are substantially met.

Contributions of assets other than cash are recorded at their fair market value.

Unconditional promises or pledges are recorded at net realizable value. The Foundation provides an allowance for uncollectible pledges which is based on historical collection experience and management's estimate of the losses that will be incurred in the collection of all pledges receivable. As of June 30, 2022 and 2021, no allowance for uncollectible pledges was deemed necessary.

Investments and Net Investment Return

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, the Foundation's 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 changes in net assets and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses. 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. See *Note 5* for discussion of fair value measurements.

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Investments and Net Investment Return (continued)

Purchases and sales are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Net realized and unrealized investment gains or losses are determined by comparison of asset cost, using the specific identification method, to net proceeds received at the time of sale and changes in the difference between market values and cost, respectively.

The Foundation maintains a significant and diverse investment portfolio, without concentration of risk by type, industry or geographic area, which is managed by professional investment managers in compliance with the investment policy established by the Board of Directors. Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect account balances.

Land, Building and Equipment

Land, building and equipment are stated at cost or if donated, at fair value at the date of the donation, except for land, building and equipment that have been impaired. For impaired assets, the carrying amount is reduced to the estimated fair market value. There were no impaired assets at June 30, 2022 and 2021. Items which cost \$5,000 or more and have a useful life of one year or more are capitalized. Depreciation is computed by the straight-line method over the following estimated useful lives:

Building and improvements	39 years
Office furniture and equipment	3-7 years
Website	5 years

Expenditures for normal repairs and maintenance are expensed when incurred.

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions—Net assets available for general use and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions—Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as donor-restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled or both. Resources arising from the results of operations or assets set aside by the Board of Directors are not considered to be donor-restricted.

Grants and Scholarships

Grants and scholarships are considered incurred and recorded as payable upon their approval by the Board of Directors and communication to designated grantees except for conditional grants which are not expensed until the conditions are met by the grantee. Grants payable in more than one year are initially recognized at fair value using present value methods at the time the grants are made.

Use of Estimates

Preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Functional Expenses

The cost of providing the program and other activities has been summarized on a functional basis in the accompanying statements of activities and changes in net assets. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional fees, office expenses, information technology, interest, insurance and other expenses, which are allocated on the basis of estimates of time and effort.

Reclassification

Certain amounts as of and for the year ended June 30, 2021 have been reclassified to conform with the presentation as of and for the year ended June 30, 2022.

Newly Adopted Accounting Standard

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 clarifies the presentation and disclosure of contributed nonfinancial assets, including land, buildings and other items. This standard is intended to enhance the presentation and disclosures of these items; however, the recognition and measurement requirements for these nonfinancial assets remain unchanged in Accounting Standards Codification (ASC) 958-605. The Foundation adopted ASU 2020-07 with no effect on its net assets.

Recently Issued Accounting Standard

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for the Foundation's June 30, 2023 financial statements. The Foundation is currently evaluating the effect of the pending adoption of the new standard on the financial statements.

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

3. Sale of SCFN

On January 1, 2021, the Foundation closed on the sale of all non-cash assets of SCFN to Steuben County REMC for \$2,800,000. In accordance with the asset purchase agreement, 20 percent of the purchase price (\$560,000) was placed in an escrow account. The remaining 80 percent (\$2,240,000) was received in cash. The sales price was allocated as follows:

Office furniture and equipment, net	\$ 3,303
Fiber optic network, net	2,876,105
Inventory	1,517
	<hr/>
	2,880,925
Purchase price	<hr/>
	2,800,000
Loss on sale	<hr/>
	\$ 80,925

4. Liquidity and Availability

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. Annual program funding needs are supported by contributions received without donor restrictions, investment income without donor restrictions and appropriated earnings from gifts with donor restrictions.

The Foundation considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative, general and fundraising expenses. Annual operations are defined as activities occurring during the Foundation's fiscal year.

The Foundation manages its cash available to meet general expenditures following three guiding principles: operating within a prudent range of financial soundness and stability; maintaining liquid assets; maintaining sufficient reserves to provide reasonable assurance that long-term grant commitments and obligations under endowments with donor restrictions and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

4. Liquidity and Availability

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year from the statement of financial position date, comprise the following:

	June 30	
	2022	2021
Cash and cash equivalents	\$ 651,963	\$ 236,190
Investments available for general expenditures	499,733	514,586
	<u>\$ 1,151,696</u>	<u>\$ 750,776</u>

In addition to these funds available for general expenditures, the Foundation's Board of Directors has chosen to charge an administrative fee to all funds pursuant to the fund agreement. Certain administrative fees are based on a percentage of the fund balance and are assessed quarterly or annually. Other administrative fees are based on a percentage of annual contributions to the fund. Estimated administrative fees available for general expenditures during the year ended June 30, 2023 are \$445,000.

The Foundation's Grant Advisory Committee meets periodically to review and recommend grant requests for approval by the Board of Directors. The Foundation has adopted investment and spending policies for endowment assets that attempt to provide sufficient liquidity for grantmaking and other purposes.

5. Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value which 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

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;

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

5. Fair Value Measurements (continued)

- 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 or liability'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 used need to maximize the use of 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 June 30, 2022 and 2021.

Money market funds: Valued at quoted market prices in an exchange and active market, which represent the net asset values (NAV) of shares held by the Foundation at year-end.

Certificates of deposit: Recorded at cost plus accrued interest (carrying value), which approximates fair value.

United States Treasury and government agency obligations, corporate bond and other debt securities and preferred stock: Valued based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar obligations or bonds, the obligation or bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

Mutual funds: Valued at the daily closing price. Mutual funds held by the Foundation are open-end funds that are registered with the Securities and Exchange Commission. The mutual funds held by the Foundation are deemed to be actively traded.

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

5. Fair Value Measurements (continued)

Common stock: Valued at the closing price reported on the active market on which the individual securities are traded.

Limited partnership: Valued based on periodic financial information received from the investment advisor and/or managing member and the Foundation's percentage ownership in the alternative investment entity. The limited partnership is a public investment vehicle, valued using the NAV provided by the managing member of the limited partnership, that focus on accumulating earnings while maintaining the appropriate level of diversified risk. The NAV is based on the value of the underlying assets owned by the partnership, minus its liabilities and then divided by the number of shares outstanding.

Cash value of life insurance policies: Valued at the redemption value as determined by the insurance carrier at year-end.

Beneficial interest in trusts: Valued at its proportional interest in the underlying trust assets which are valued at the fair value. The remainder interest in real estate is valued based on the fair value of the real estate times a remainder interest factor, based on mortality tables.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

5. Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2022 and 2021:

	Assets at Fair Value at June 30, 2022			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 666,025	\$ -	\$ -	\$ 666,025
Certificates of deposit	-	60,704	-	60,704
U.S. Government securities	-	3,503,720	-	3,503,720
Corporate bonds and other debt securities	-	2,060,061	-	2,060,061
Preferred stock	-	26,168	-	26,168
Mutual funds:				
Income	3,932,498	-	-	3,932,498
Aggressive income	635,672	-	-	635,672
Growth and income	5,167,305	-	-	5,167,305
Growth	387,787	-	-	387,787
International funds	2,485,200	-	-	2,485,200
Total mutual funds	12,608,462	-	-	12,608,462
Common stock:				
Healthcare	1,421,942	-	-	1,421,942
Financial services	1,428,820	-	-	1,428,820
Energy	667,678	-	-	667,678
Utilities	326,062	-	-	326,062
Consumer goods	529,936	-	-	529,936
Industrial and material	1,204,597	-	-	1,204,597
Technology	2,060,202	-	-	2,060,202
Communication services	547,402	-	-	547,402
Consumer discretionary	890,580	-	-	890,580
Real estate	615,834	-	-	615,834
Diversified and other	137,779	-	-	137,779
Total common stock	9,830,832	-	-	9,830,832
	23,105,319	5,650,653	-	28,755,972

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

5. Fair Value Measurements (continued)

Assets at Fair Value at June 30, 2022 (continued)				
	Level 1	Level 2	Level 3	Total
Cash value of life insurance policies	\$ -	\$ 505,408	\$ -	\$ 505,408
Beneficial interest in trusts	-	-	590,974	590,974
Total other assets at fair value	-	505,408	590,974	1,096,382
Assets in the fair value hierarchy	<u>\$ 23,105,319</u>	<u>\$ 6,156,061</u>	<u>\$ 590,974</u>	
Limited partnership valued at NAV				<u>535,691</u>
Total assets at fair value				<u>\$ 30,388,045</u>

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

5. Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2022 and 2021:

	Assets at Fair Value at June 30, 2021			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 641,689	\$ -	\$ -	\$ 641,689
Certificates of deposit	-	145,322	-	145,322
U.S. Government securities	-	3,219,599	-	3,219,599
Corporate bonds and other debt securities	-	2,397,890	-	2,397,890
Preferred stock	-	30,348	-	30,348
Mutual funds:				
Income	4,087,780	-	-	4,087,780
Aggressive income	574,614	-	-	574,614
Growth and income	6,624,048	-	-	6,624,048
Growth	1,534,206	-	-	1,534,206
International funds	2,014,848	-	-	2,014,848
Total mutual funds	14,835,496	-	-	14,835,496
Common stock:				
Domestic stock:				
Healthcare	1,287,983	-	-	1,287,983
Financial services	1,455,428	-	-	1,455,428
Energy	343,631	-	-	343,631
Utilities	260,257	-	-	260,257
Consumer goods	559,699	-	-	559,699
Industrial and material	1,747,992	-	-	1,747,992
Technology	2,792,897	-	-	2,792,897
Communication services	817,334	-	-	817,334
Consumer discretionary	1,029,399	-	-	1,029,399
Real estate	527,810	-	-	527,810
Diversified and other	76,795	-	-	76,795
Total domestic stock	10,899,225	-	-	10,899,225

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

5. Fair Value Measurements (continued)

Assets at Fair Value at June 30, 2021 (continued)				
	Level 1	Level 2	Level 3	Total
Foreign stock:				
Healthcare	\$ 44,417	\$ -	\$ -	\$ 44,417
Financial services	90,337	-	-	90,337
Energy	23,094	-	-	23,094
Utilities	40,013	-	-	40,013
Consumer goods	30,667	-	-	30,667
Industrial and material	151,135	-	-	151,135
Technology	46,780	-	-	46,780
Communication services	38,670	-	-	38,670
Consumer discretionary	65,526	-	-	65,526
Real estate	6,445	-	-	6,445
Total foreign stock	537,084	-	-	537,084
Total common stock	11,436,309	-	-	11,436,309
	26,913,494	5,793,159	-	32,706,653
Cash value of life insurance policies	-	483,595	-	483,595
Beneficial interest in trusts	-	-	871,251	871,251
Total other assets at fair value	-	483,595	871,251	1,354,846
Assets in the fair value hierarchy	\$ 26,913,494	\$ 6,276,754	\$ 871,251	34,061,499
Limited partnership valued at NAV				531,951
Total assets at fair value				<u>\$ 34,593,450</u>

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

5. Fair Value Measurements (continued)

The changes in assets classified as Level 3 are as follows:

	Remainder Value of Life Estate	Charitable Remainder Trust	Total
Year ended June 30, 2022			
Balance at beginning of year	\$ 568,690	\$ 302,561	\$ 871,251
Actual return on assets—net unrealized loss relating to assets still held at year-end	(225,106)	(55,171)	(280,277)
Balance at end of year	<u>\$ 343,584</u>	<u>\$ 247,390</u>	<u>\$ 590,974</u>

	Remainder Value of Life Estate	Charitable Remainder Trust	Total
Year ended June 30, 2021			
Balance at beginning of year	\$ 641,444	\$ 251,385	\$ 892,829
Actual return on assets—net unrealized gain (loss) relating to assets still held at year-end	(72,754)	51,176	(21,578)
Balance at end of year	<u>\$ 568,690</u>	<u>\$ 302,561</u>	<u>\$ 871,251</u>

6. Beneficial Interest in Trusts

The Foundation was bequeathed a remainder interest in real estate located in Steuben County, Indiana, and has been named the beneficiary of a charitable remainder trust that is held by a third-party trustee.

The real estate interest, received in 1999, was valued at fair value at the date the gift was received multiplied by the remainder interest factor, based on mortality tables. The fair value is revalued annually and was \$343,584 and \$568,690 at June 30, 2022 and 2021, respectively.

The charitable remainder trust, held by a third-party trustee, is valued at the fair value of the underlying assets and is adjusted annually for changes in the fair value. The fair value of the charitable remainder trust as of June 30, 2022 and 2021 was \$247,390 and \$302,561, respectively.

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

7. Grants and Scholarships Payable

The following summarizes the changes in grants and scholarships payable:

	Year ended June 30	
	2022	2021
		<i>(Restated)</i>
Grants and scholarships payable at beginning of year	\$ 61,750	\$ 282,200
Unconditional grants and scholarships expensed	1,270,184	951,162
Less payments made	1,295,934	1,171,612
Grants and scholarships payable at end of year	<u>\$ 36,000</u>	<u>\$ 61,750</u>

Grants and scholarships payable at June 30, 2022 are scheduled to be disbursed as follows:

2023	\$ 27,000
2024	9,000
	<u>\$ 36,000</u>

8. Charitable Gift Annuity Payable

The Foundation has entered into two charitable gift annuities in which the donors contribute assets to the Foundation in exchange for the right to receive a fixed dollar annual return during his/her lifetime or, for joint annuitants, the lifetime of the donor's spouse, whichever is longer. The fair value of the assets contributed over the present value of the liability for future payments has been recognized as a contribution at the date of the gift. Annually, the Foundation revalues the liability based on applicable mortality tables and discount rate. The discount rate at June 30, 2022 and 2021 was 3.6 percent and 1.2 percent, respectively. The charitable gift annuity payable was \$23,207 and \$29,678 at June 30, 2022 and 2021, respectively, and is included in accounts payable and other current liabilities in the consolidated statements of financial position.

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

9. Lease

The Foundation leases certain office equipment pursuant to a capital lease arrangement that expires in 2023. Assets recorded pursuant to capital lease agreement included in property and equipment consisted of the following:

	June 30	
	2022	2021
Office furniture and equipment	\$ 5,123	\$ 5,123
Less allowance for depreciation	3,586	2,561
	<u>\$ 1,537</u>	<u>\$ 2,562</u>

The Foundation recorded amortization expense of \$1,025 and \$1,024 for the years ended June 30, 2022 and 2021, respectively. Such amortization is included in depreciation expense for financial reporting purposes.

Future minimum lease payments as of June 30, 2022 pursuant to the capital lease are as follows:

2023	\$ 766
Amount representing interest	<u>(16)</u>
Capital lease obligation	750
Less current portion	<u>750</u>
	<u>\$ -</u>

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

10. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

	June 30	
	2022	2021
Subject to expenditure for specific purpose:		(Restated)
Specific organization fund	\$ 2,659,913	\$ 4,176,680
General funds	1,324,778	2,477,102
Operating funds	812,621	1,314,459
Scholarships	808,620	2,023,198
	<u>5,605,932</u>	<u>9,991,439</u>
Restricted in perpetuity:		
Specific organization funds	8,094,161	7,310,141
General funds	6,583,757	5,866,193
Operating funds	1,729,929	1,974,381
Scholarships	4,066,987	4,545,814
	<u>20,474,834</u>	<u>19,696,528</u>
	<u>\$ 26,080,766</u>	<u>\$ 29,687,968</u>

Income from the general endowment funds is to be used for programs benefiting Steuben County residents.

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donor or by the occurrence of the passage of time were \$1,709,928 during the year ended June 30, 2022 and \$1,328,573 the year ended June 30, 2021.

11. Endowment Funds

ASC 958, *Not-for-Profit Entities*, requires certain net asset classifications for institutional endowment funds under Uniform Prudent Management of Institutional Funds Act (UPMIFA). Effective July 1, 2007, the Indiana General Assembly adopted UPMIFA.

The Foundation's endowment consists of approximately 194 individual 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. 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.

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

11. Endowment Funds (continued)

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift 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 initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure 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 donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the Foundation and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation (depreciation) of investments.
- Other resources of the Foundation.
- The investment policies of the Foundation.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity 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 compare favorably with the performance of publicly traded market indices, including the S&P 500 or other recognized indices. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 7 percent annually. Actual returns in any given year may vary from this amount.

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

11. Endowment Funds (continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year a percentage of its endowment funds' average fair value over the preceding sixteen calendar quarters of the fiscal year in which the distribution is planned, limited to accumulated earnings. The current appropriation percentage is 4 percent. In establishing the policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund as of June 30, 2022, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-advised and designated endowment funds	\$ -	\$ 15,823,103	\$ 15,823,103
Board-advised endowment funds	2,347,371	9,461,803	11,809,174
Total funds	<u>\$ 2,347,371</u>	<u>\$ 25,284,906</u>	<u>\$ 27,632,277</u>

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

11. Endowment Funds (continued)

Changes in endowment net assets for the year ended June 30, 2022, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	\$ 2,144,120	\$ 28,878,087	\$ 31,022,207
Investment income:			
Net investment return	(310,379)	(3,146,775)	(3,457,154)
Other changes:			
Contributions and grants	580,772	987,805	1,568,577
Change in cash value of life insurance	958	18,256	19,214
Change in value of beneficial interests in trusts	-	(275,556)	(275,556)
Donor directed intrafund transfers	-	(40,166)	(40,166)
Appropriation for expenditure	(68,100)	(1,136,745)	(1,204,845)
Endowment net assets at end of year	<u>\$ 2,347,371</u>	<u>\$ 25,284,906</u>	<u>\$ 27,632,277</u>

Endowment net asset composition by type of fund as of June 30, 2021, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
	<i>(Restated)</i>	<i>(Restated)</i>	<i>(Restated)</i>
Donor-advised and designated endowment funds	\$ -	\$ 17,644,307	\$ 17,644,307
Board-advised endowment funds	2,144,120	11,233,780	13,377,900
Total funds	<u>\$ 2,144,120</u>	<u>\$ 28,878,087</u>	<u>\$ 31,022,207</u>

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

11. Endowment Funds (continued)

Changes in endowment net assets for the year ended June 30, 2021, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
	<i>(Restated)</i>	<i>(Restated)</i>	<i>(Restated)</i>
Endowment net assets at beginning of year	\$ -	\$ 23,979,054	\$ 23,979,054
Investment income:			
Net investment return	150,338	5,289,943	5,440,281
Other changes:			
Contributions and grants	2,010,000	558,763	2,568,763
Change in cash value of life insurance	331	18,191	18,522
Change in value of beneficial interests in trusts	-	(20,865)	(20,865)
Donor directed intrafund transfers	-	(51,795)	(51,795)
Appropriation for expenditure	(16,549)	(895,204)	(911,753)
Endowment net assets at end of year	<u>\$ 2,144,120</u>	<u>\$ 28,878,087</u>	<u>\$ 31,022,207</u>

12. Management Fees

The Foundation assesses an administrative charge of 0.75 percent to 3 percent of the average asset balance on endowment funds and 2 percent to 5 percent on pass-through funds. This amount is used primarily to support the operations of the Foundation. The amount assessed is computed monthly based on the funds' market value at the end of the preceding month. For the years ended June 30, 2022 and 2021, these fees were \$479,251 and \$410,866, respectively.

13. Subsequent Events

Management has evaluated subsequent events through October 18, 2022, the date on which the financial statements were available to be issued.