COMMUNITY FOUNDATION
OF ST. JOSEPH COUNTY, INC.

CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022 and 2021

COMMUNITY FOUNDATION OF ST. JOSEPH COUNTY, INC.
South Bend, Indiana

CONSOLIDATED FINANCIAL STATEMENTS
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Community Foundation of St. Joseph County, Inc.
South Bend, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Community Foundation of St. Joseph County, Inc., which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Community Foundation of St. Joseph County, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Community Foundation of St. Joseph County, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Community Foundation of St. Joseph County, Inc.'s ability to continue as a going concern for one year from the date the consolidated financial statements are available to be issued.

(Continued)

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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Community Foundation of St. Joseph County, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Foundation of St. Joseph County, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Crowe LLP

Crowe LLP

South Bend, Indiana
September 9, 2022

COMMUNITY FOUNDATION OF ST. JOSEPH COUNTY, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	$ 10,713,130	$ 12,708,012
Investments (Note 2)	243,514,887	275,063,046
Pledges receivable (Note 3)	2,064,743	3,115,015
Pledge receivable- Right-of-Use (ROU) asset (Note 9)	856,331	-
	$ 257,149,091	$ 290,886,073
LIABILITIES AND NET ASSETS		
Liabilities		
Grants payable	$ 4,130,180	$ 4,756,265
Accounts payable	5,066	10,775
Deferred gift liabilities (Note 5)	1,065,356	1,079,393
Funds held as agency endowments (Note 7)	26,461,266	30,719,807
Total liabilities	31,661,868	36,566,240
Net assets		
Without donor restrictions		
Non-endowed funds	21,235,992	26,244,674
Board designated endowment funds (Note 12)	201,330,157	224,960,144
Total net assets without donor restrictions	222,566,149	251,204,818
With donor restrictions (Note 1)	2,921,074	3,115,015
Total net assets	225,487,223	254,319,833
	$ 257,149,091	$ 290,886,073

See accompanying notes to consolidated financial statements.

COMMUNITY FOUNDATION OF ST. JOSEPH COUNTY, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2022 (with comparative 2021 totals)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and support				
Contributions and grants	$ 7,983,091	$ 535,613	$ 8,518,704	$ 39,053,623
PPP loan forgiveness income (Note 4)	-	-	-	145,300
Investment income (loss) (Note 2)	(29,002,235)	-	(29,002,235)	63,924,209
Gain (loss) on life income agreements	129,127	-	129,127	35,606
	(20,890,017)	535,613	(20,354,404)	103,158,738
Adjustment for effect of agency endowments (Note 7)	3,641,159	-	3,641,159	(7,640,431)
Net assets released from restrictions	705,085	(705,085)	-	-
Total revenue and support	(16,543,773)	(169,472)	(16,713,245)	95,518,307
Expenses				
Program expenses				
Program grants				
Youth and education	4,797,023	-	4,797,023	5,341,332
Health and human services	3,453,510	-	3,453,510	3,064,870
Parks and recreation	147,609	-	147,609	122,594
Arts and culture	2,545,123	-	2,545,123	1,133,606
Religious	336,015	-	336,015	116,197
Community development and civic affairs	624,841	-	624,841	884,017
Less: interfund program grants	(983,527)	-	(983,527)	(1,824,043)
Net program grants	10,920,594	-	10,920,594	8,838,573
Adjustment for grants applicable to agency endowments (Note 7)	(617,382)	-	(617,382)	(573,351)
Total program expenses	10,303,212	-	10,303,212	8,265,222
General and administrative (Note 8)				
General administration	991,063	24,469	1,015,532	798,127
Program support services	561,315	-	561,315	553,351
Fundraising and development	239,306	-	239,306	193,340
Total general and administrative expenses	1,791,684	24,469	1,816,153	1,544,818
Total expenses	12,094,896	24,469	12,119,365	9,810,040
Changes in net assets	(28,638,669)	(193,941)	(28,832,610)	85,708,267
Net assets at beginning of year	251,204,818	3,115,015	254,319,833	168,611,566
Net assets at end of year	$ 222,566,149	$ 2,921,074	$ 225,487,223	$ 254,319,833

See accompanying notes to consolidated financial statements.

COMMUNITY FOUNDATION OF ST. JOSEPH COUNTY, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Contributions and grants	$ 36,660,059	$ 2,393,564	$ 39,053,623
PPP loan forgiveness income (Note 4)	145,300	-	145,300
Investment income (Note 2)	63,924,209	-	63,924,209
Gain (loss) on life income agreements	35,606	-	35,606
	100,765,174	2,393,564	103,158,738
Adjustment for effect of agency endowments (Note 7)	(7,640,431)	-	(7,640,431)
Net assets released from restrictions	3,708,081	(3,708,081)	-
Total revenue and support	96,832,824	(1,314,517)	95,518,307
Expenses			
Program expenses			
Program grants			
Youth and education	5,341,332	-	5,341,332
Health and human services	3,064,870	-	3,064,870
Parks and recreation	122,594	-	122,594
Arts and culture	1,133,606	-	1,133,606
Religious	116,197	-	116,197
Community development and civic affairs	884,017	-	884,017
Less: interfund program grants	(1,824,043)	-	(1,824,043)
Net program grants	8,838,573	-	8,838,573
Adjustment for grants applicable to agency endowments (Note 7)	(573,351)	-	(573,351)
Total program expenses	8,265,222	-	8,265,222
General and administrative (Note 8)			
General administration	798,127	-	798,127
Program support services	553,351	-	553,351
Fundraising and development	193,340	-	193,340
Total general and administrative expenses	1,544,818	-	1,544,818
Total expenses	9,810,040	-	9,810,040
Changes in net assets	87,022,784	(1,314,517)	85,708,267
Net assets at beginning of year	164,182,034	4,429,532	168,611,566
Net assets at end of year	$ 251,204,818	$ 3,115,015	$ 254,319,833

See accompanying notes to consolidated financial statements.

COMMUNITY FOUNDATION OF ST. JOSEPH COUNTY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	$ (28,832,610)	$ 85,708,267
Adjustments to reconcile change in net assets to net cash from operating activities:		
Realized and unrealized (gains)/losses on investments	41,829,349	(53,340,468)
Deferred gift contracts	(133,595)	(278,832)
Change in assets and liabilities:		
Pledges receivable	169,472	1,314,517
Amortization of pledge receivable- ROU asset	24,469	-
Grants payable	(626,085)	(8,281,045)
PPP loan forgiveness	-	(145,300)
Accounts payable	(5,709)	(1,405)
Unearned Income	-	(492,233)
Funds held as agency endowments	(4,258,541)	7,067,080
Net cash from operating activities	8,166,750	31,550,581
Cash flows from investing activities		
Investment purchases	(8,200,000)	(28,300,000)
Contributions to private equity and real estate funds	(7,066,500)	(5,233,290)
Interest and dividends reinvested	(13,826,701)	(11,326,189)
Investment sales and investment fees	12,011,063	8,215,140
Capital distributions from private equity and real estate funds	6,800,948	4,955,776
Net cash from investing activities	(10,281,190)	(31,688,563)
Cash flows from financing activities		
Deferred gift payments	119,558	121,613
Net cash from financing activities	119,558	121,613
Net change in cash	(1,994,882)	(16,369)
Cash and cash equivalents at beginning of year	12,708,012	12,724,381
Cash and cash equivalents at end of year	$ 10,713,130	$ 12,708,012

Non-cash transfer:

Pledges receivable transferred to pledge receivable-ROU asset	$ 880,800	$ -

See accompanying notes to consolidated financial statements.

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities: The Community Foundation of St. Joseph County, Inc. (the "Foundation") provides grants to various organizations in the St. Joseph County, Indiana community to help foster and promote public, charitable, arts and culture, and educational activities.

Basis of Consolidation: These financial statements represent the consolidated activity of the Foundation and its affiliates, The Cressy Foundation, Inc. (established September 1996), and the Jon and Sonja Laidig Foundation, Inc. (established December 1997).

Basis of Accounting: The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis of Presentation: The Foundation reports information regarding its financial position and activities in two classes of net assets: without donor restrictions and with donor restrictions. No net assets with donor restrictions to be kept in perpetuity existed at June 30, 2022 and 2021. The terms are defined below:

- Net assets without donor restrictions: This category of net assets includes two distinct types of net assets without donor restrictions. Net assets without donor restrictions classified as Non-Endowed Funds includes contributions and expenses without donor restrictions to support community activities and operations at the discretion of the Foundation's Board of Directors.

  Net assets without donor restrictions classified as Board Designated Endowment Funds includes funds received that are donor designated for perpetuity but for which variance power has been granted to the Foundation. The Foundation plans to follow the donor restrictions of each contributor. However, the Foundation has the legal right to modify any restriction or condition on the distribution of funds for any specific charitable purpose if, in the opinion of a majority of the Foundation's Board of Directors, such restriction or contributions become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the citizens of St. Joseph County, Indiana.

- Net assets with donor restrictions: This category of net assets includes funds received with donor imposed purpose or time restrictions which are of a temporary nature. At June 30, 2022 and 2021, net assets with donor restrictions consist of pledges receivable and the donated right of use asset (Note 9) which are restricted by time.

Cash and Cash Equivalents: The Foundation considers highly liquid investments not held by a trustee to be cash and cash equivalents. Cash and cash equivalents consist of bank deposits in accounts that are federally insured up to $250,000 and short-term investments.

Investments: All investments are valued at their fair value in the consolidated statements of financial position. The estimated fair value of alternative investments at June 30, 2022 and 2021 is based on valuations provided by the external investment managers as of the date of their most recent investment statements, as of March 31, 2022 and 2021, respectively, adjusted for cash receipts, cash disbursements, and income/expenses through the fiscal year end, which approximates fair value. See Notes 2 and 11 for additional information on the nature of the Foundation's investments.

Pledges Receivable: Pledges receivable represent the remaining balance of unconditional promises to give that have not yet been paid. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. See Note 3 for additional information.

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants: Grants are charged to operations and recognized as liabilities when authorized by the Board of Directors, regardless of the year in which they are paid. Interfund program grants represent a grant from one Foundation fund to another.

Contributions: The Foundation records contributions (including promises to give) when the contribution is deemed unconditional.

Gifts of cash and other assets that are received with donor stipulations that limit the use of the donated asset are reported as without donor restrictions if the funds are received and expended within the same year. When the intent of the donor is that gifts of cash and other assets are to remain in perpetuity and since the Foundation is granted variance power, the gift is reported as without donor restriction board designated endowment fund. When donor restrictions expire (when a stipulated time restriction ends or due to variance power granted to the Foundation or program restriction is accomplished), net assets with donor restrictions are released to net assets without donor restrictions and the release is reported in the consolidated statement of activities as net assets released from restrictions.

Donated securities are recorded as contributions equal to the fair value of the security on the date of the gift.

Net Assets Released from Restrictions: Net assets are released from restriction by occurrence of other events specified by agreements. Net assets released from restriction during 2022 and 2021, consisted of cash receipts on pledges receivable.

Functional Allocation of Expenses: The costs of operating the Foundation have been summarized based on program expenses, including program grants to community organizations, general administration, program support services, and fundraising and development. Allocations are based on management's time and services estimates.

Fair Value of Financial Instruments: As of June 30, 2022 and 2021, the carrying amounts of cash and cash equivalents, grants, and accounts payable approximate fair value because of the relatively short maturities of these financial instruments. The fair value of other financial instruments is disclosed more fully in Note 11.

Accounting Estimates: The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax Status: The Community Foundation of St. Joseph County, Inc. and its affiliates are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and are not considered to be private foundations. Accordingly, no provision has been made for federal income taxes.

The Foundation has evaluated its tax positions and determined there are no uncertain tax positions. A tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded.

(Continued)

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Foundation recognizes interest and/or penalties related to income tax matters in income tax expense. The Foundation did not have any amounts accrued for interest and penalties on June 30, 2022 and 2021.

Due to its tax-exempt status, the Foundation is not subject to U.S. federal income tax or state income tax. The Foundation is no longer subject to examination by U.S. federal taxing authorities for years before 2019 and for all state income taxes through 2019. The Foundation does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

Other Events: In December 2019, a novel strain of coronavirus surfaced in Wuhan, China, and has spread around the world, with resulting business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the Foundation could be materially adversely affected. Significant estimates as disclosed in Note 1, including valuation of investments, could still be materially adversely impacted by local, state, and national restrictions designed to contain the coronavirus. As of the period ended, June 30, 2022, the Foundation's operating results were not materially adversely impacted.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2022 to determine the need for any adjustments to and/or disclosures within the consolidated financial statements for the year ended June 30, 2022. Management has performed their analysis through September 9, 2022, the date the financial statements were available to be issued.

NOTE 2 - INVESTMENTS

Investments consist of the following at June 30:

	2022	2021
Mutual funds – multi-asset	$ 186,991,979	$ 230,640,818
Private equity and real estate funds	52,399,048	39,596,795
Equity mutual funds	3,640,812	4,342,385
Land held for sale	483,048	483,048
	$ 243,514,887	$ 275,063,046

Investment income has been recorded net of related investment expenses. Interest and dividend income were $13,826,701 and $11,326,189 for 2022 and 2021, respectively. Realized and unrealized (losses) and gains were $(41,829,349) and $53,340,468 for 2022 and 2021, respectively. Investment management expenses were $625,822 and $742,449 for 2022 and 2021, respectively.

Investments are carried at fair value, as disclosed in Note 11. Investment securities are exposed to various risks, such as interest rate, market, liquidity, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would result in material changes in the fair value of investments and net assets of the Foundation.

NOTE 3 - PLEDGES RECEIVABLE

Unconditional promises to give are included in the consolidated financial statements as pledges receivable and revenue of the appropriate net asset category. Management has not recorded an allowance for uncollectible accounts or a discount for present value effect based on future anticipated collection dates because management believes they are not material to the consolidated financial statements.

Pledges receivable are expected to be realized, presented by fiscal year end June 30, in the following periods:

	2022	2021
Currently due or due in one year or less	$ 1,013	$ 842,875
Between one year and five years	2,063,730	2,272,140
	$ 2,064,743	$ 3,115,015

Pledge receivable-ROU asset is not included in the June 30, 2022 balance above, see Note 9 for separate disclosure.

NOTE 4 – PPP LOAN ADVANCE

The Coronavirus Aid, Relief, and Economic Security (CARES) Act also established the Paycheck Protection Program (PPP) which is a loan program that is intended to provide American not-for-profit and small businesses with cash-flow assistance through federally guaranteed loans. The Payment Protection Program provides that (1) the use of the PPP loan amount shall be limited to certain qualifying expenses, (2) 100 percent of the principal amount is guaranteed by the Small Business Administration (SBA) and (3) an amount up to the full principal amount may qualify for loan forgiveness following the terms of the CARES Act. The loans have a maturity date of two years and an interest rate of 1% with no fees and no payments required for the first six months and no collateral or personal guarantees required. During April 2020, the Foundation received $145,300 under the PPP included in the Paycheck Protection Program loan advance on the Consolidated Statements of Financial Position. During the year ended June 30, 2021, the entire balance of $145,300 was forgiven by the SBA and recorded in PPP loan forgiveness income on the Consolidated Statement of Activities.

NOTE 5 - DEFERRED GIFT LIABILITIES

The Foundation has received amounts from individuals under various annuity agreements (life income agreements) which require the Foundation to pay the donors varying amounts during their lifetime. As of June 30, 2022 and 2021, the present value of these payments was $1,065,356 and $1,079,393, respectively, using a discount rate of 3.6% and 1.2%, for 2022 and 2021, respectively.

NOTE 6 - LINE OF CREDIT

The Foundation had an unsecured $1,000,000 bank line of credit that was entered into on July 10, 2010. The line of credit was closed in October 2021.

(Continued)

NOTE 7 - FUNDS HELD AS AGENCY ENDOWMENTS

Pursuant to U.S. GAAP, the Foundation holds certain funds for other organizations and recognizes the related liability as funds held as agency endowments in the consolidated statements of financial position. All specific revenues and expenses shown on the consolidated statement of activities are presented on a gross basis. The adjustment for effect of agency endowments line under the revenue and support section represents contributions and grants, investment income, realized and unrealized gains (losses) applicable to investments held by the Foundation as agency endowments. The adjustment for grants applicable to agency endowments line under program expenses represents program grants paid from investments held by the Foundation as agency endowments.

NOTE 8 - GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses reported in the consolidated statement of activities consist of the following at June 30:

	2022	2021
Salaries and related expenses	$ 1,274,948	$ 1,179,791
Professional fees	37,516	28,500
Rent and parking	115,150	77,370
Office expense and other related costs	388,539	259,157
	$ 1,816,153	$ 1,544,818

NOTE 9 – LEASE - Pledge Receivable- Right-of-Use (ROU) Asset

In December 2017, the Foundation entered into an amended lease agreement for the former office space located at 205 W. Jefferson Street in South Bend, Indiana. The amendment extended the lease term through December 2022, with monthly payments of $6,250 until the end of said term. The Foundation will exit this lease at the end of the term. Rent expense, including parking, was $76,765 and $77,370 for years ended June 30, 2022 and 2021, respectively. Approximate expense for the remaining lease for the period ending June 30, 2023 will be $37,500.

In January 2021, the Foundation entered into a lease agreement with the St. Joseph County Public Library to lease office space on the third floor of the Community Education Center for 15 years with additional renewal options. The Foundation's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Foundation will exercise that option. In consideration of the Foundation's fund raising efforts, the base rent of the initial term of the lease is $1 annually. The Foundation will pay for utilities, maintenance, janitorial and security services which will be expensed as incurred. The common area maintenance costs are separate from the Pledge receivable- ROU asset. The Foundation took possession of the new space at the Community Education Center located at 305 S. Michigan Street in South Bend, Indiana in mid-January 2022.

Common area maintenance costs, including parking, was $13,916 for the year ended June 30, 2022 with Pledge receivable ROU amortization expense of $24,469.

The Pledge receivable- ROU asset was $856,331 as of June 30, 2022. The Pledge receivable- ROU asset will be amortized over the remaining lease term on a straight-line basis totaling $58,720 per year.

(Continued)

NOTE 9 – LEASE - Pledge Receivable- Right-of-Use (ROU) Asset (Continued)

Lease Cost:

	June 30, 2022	June 30, 2021
Amortization of pledge receivable ROU asset	$ 24,469	$ -
Variable Lease Cost	13,916	-
Rent expense	76,765	77,730
Total Lease Cost	$ 115,150	$ 77,730

Other Information:

	June 30, 2022
Weighted average remaining lease term	14 years

NOTE 10 - RETIREMENT PLAN

The Foundation has a 403(b) retirement plan covering substantially all employees. The annual contribution is equal to 8% of qualifying employees' annual compensation for the years ended June 30, 2022 and 2021. Total contributions to the plan were $76,972 and $70,983 for the years ended June 30, 2022 and 2021, respectively. In addition, the Foundation has a 457(b) retirement plan with total contributions to the plan of $19,500 for the years ended June 30, 2022 and 2021.

NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS

U.S. GAAP defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Foundation's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

This guidance establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability, or significant restrictions on an entity's ability to redeem an investment at a stated net asset value.

(Continued)

NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The Foundation's assets measured at fair value on a recurring basis are summarized below:

	Fair Value Measurements at June 30, 2022			
	Level 1	Level 2	NAV*	Total
Investments:				
Mutual funds – multi-asset	$ 186,991,979	$ -	$ -	$ 186,991,979
Equity mutual funds	3,640,812	-	-	3,640,812
Land held for sale	-	483,048	-	483,048
Private equity and real estate funds	-	-	52,399,048	52,399,048
Totals	$ 190,632,791	$ 483,048	$ 52,399,048	$ 243,514,887

	Fair Value Measurements at June 30, 2021			
	Level 1	Level 2	NAV*	Total
Investments:				
Mutual funds – multi-asset	$ 230,640,818	$ -	$ -	$ 230,640,818
Equity mutual funds	4,342,385	-	-	4,342,385
Land held for sale	-	483,048	-	483,048
Private equity and real estate funds	-	-	39,596,795	39,596,795
Totals	$ 234,983,203	$ 483,048	$ 39,596,795	$ 275,063,046

As of June 30, 2022 and 2021, there were no significant transfers in and out of Level 1 and Level 2 fair value measurements.

* Investments measured at fair value using net asset value per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table for such investments are intended to permit reconciliation of the fair value hierarchy to the investments at fair value line item presented in the statements of financial position.

Inputs and Valuation Techniques:

The fair values of the investments in mutual funds – multi-asset are readily marketable and are determined by obtaining quoted prices on recognized securities exchanges (Level 1 inputs). The fair value of the investments in various equity mutual funds are readily marketable and are determined by obtaining quoted prices on recognized securities exchanges (Level 1 inputs).

The fair value of land was determined by management through consultations with real estate counsel. The estimate of fair value is derived using appraisals or quoted market prices for similar assets or other market data (Level 2 inputs – market approach). Adjustments are routinely made to adjust for differences between the comparable sales and income data available however it is not anticipated that these differences would be significant.

(Continued)

NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

For the private equity and real estate funds, the investment fund managers have developed an internal model for pricing these investments. Information such as historical and current performance of the underlying assets, cash flow projections, liquidity and credit premiums required by a market participant, and financial trend analysis with respect to the individual fund manager, is utilized in determining individual security valuations. Due to current market conditions as well as the limited trading activity of these securities, the market value of the securities is highly sensitive to assumption changes and market volatility.

Description of Alternative Investments and Liquidity:

As of June 30, 2022 and 2021, the Foundation's investments in private equity and real estate funds were comprised of 39 and 38 individual holdings respectively. These holdings consisted of limited liability companies (LLC) and limited partnerships (LP), and can be categorized into five industries or types: U.S. private equity, U.S. venture capital, diversified private equity, international private equity, and private real estate:

- U.S. private equity partnerships are primarily investments in other partnerships for purposes of, but not limited to, consumer related, media and communications, life sciences and software and technology sectors, operating primarily in the United States.

- U.S. venture capital limited partnerships invest in private partnerships, typically with a focus on, but not limited to, information technologies, media and communications, and life sciences companies.

- Diversified private equity investments are primarily focused on private partnerships and venture capital. These investments are generally in support of consolidations, re-capitalizations, spin-offs and management buyouts. Other areas of focus are, but not limited to, seed and early stage technologies, healthcare, biotechnology and telecommunication companies.

- International private equity investments are primarily focused on foreign venture capital and private equity investments. These investments generally support consolidations, re-capitalizations, spin-offs and management buyouts. Other investment opportunities may include, but are not limited to, information technologies, media and communications, and life sciences sectors.

- Private real estate investments are investments in private partnerships, typically with investments in offices, multi-family, industrial and retail properties. Investment strategies can vary from core to value-added to more opportunistic approaches.

The alternative investment balances by type are as follows as of June 30:

	2022	2021
U.S. private equity	$ 629,028	$ 870,911
U.S. venture capital	9,825,509	6,498,380
Diversified private equity	39,796,223	29,708,397
International private equity	328,373	519,543
Private real estate	1,819,915	1,999,564
	$ 52,399,048	$ 39,596,795

NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

These alternative investments do not allow for withdrawals until the LLC or LP is dissolved, unless special approval is awarded by the general partner. In nearly all of the investments, there are special provisions that allow for the life of the entity to be extended beyond the original dissolution date, typically two to four years. The schedule below presents the liquidation schedule for amounts held in alternative investments at June 30, 2022, assuming the funds will be dissolved without extension:

	Estimated Liquidation Schedule of the Market Value Funded To Date			
	Totals	1 – 5 years	6 – 10 years	> 10 years
U.S. private equity	$ 629,028	$ 629,028	$ -	$ -
U.S. venture capital	9,825,509	1,716,588	1,728,893	6,380,028
Diversified private equity	39,796,223	5,503,202	22,418,908	11,874,113
International private equity	328,373	328,373	-	-
Private real estate	1,819,915	1,819,915	-	-
	$ 52,399,048	$ 9,997,106	$ 24,147,801	$ 18,254,141

As of June 30, 2022, the Foundation's unfunded commitments for various alternative investments total approximately $30 million. A portion of the current unfunded commitments to alternative investments will be funded by distributions generated by the Foundation's existing holdings. The Foundation's investment policy targets an allocation of 20% of the investment portfolio to illiquid alternative investments. The actual percentage is expected to vary within a range of +/- 5%.

NOTE 12 - ENDOWMENT COMPOSITION

The Foundation's Board of Directors has determined the requirements of Indiana's version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") to center around the preservation of the fair value of the original investment as of the date of the asset transfer. Investments resulting from donations directed to be invested in perpetuity are classified as net assets with donor restrictions to be kept in perpetuity. As disclosed in Note 1, the Foundation's endowment consists of funds received that are donor designated for perpetuity but for which variance power has been granted to the Foundation. The Foundation plans to follow the donor restrictions of each contributor. However, the Foundation has the right to modify any restriction or condition on the distribution of funds for any specific charitable purpose if, in the opinion of a majority of the Foundation's Board of Directors, such restriction on contributions become unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the citizens of St. Joseph County, Indiana. As a result, the full amount of the Foundation's endowment is classified within net assets without donor restriction as board designated. The endowment primarily consists of investments held in the various investment accounts, but also includes the life income agreements that are held and managed by external parties.

NOTE 12 - ENDOWMENT COMPOSITION (Continued)

Endowment net asset composition by type of fund as of June 30, and changes in endowment assets for the years ended June 30 are as follows:

	2022	2021
Board-designated endowment funds	$ 201,330,157	$ 224,960,144
Endowment net assets, beginning of year	$ 224,960,144	$ 148,762,042
Investment return:		
Investment income, net	12,398,680	9,715,940
Net appreciation (realized and unrealized gains and losses)	(38,819,845)	49,343,145
Total investment return	(26,421,165)	59,059,085
Contributions and grants	7,215,748	30,459,130
Agency endowment adjustment	4,258,541	(7,067,080)
Board-designated net assets released from designation	(8,683,111)	(6,253,033)
Endowment net assets, end of year	$ 201,330,157	$ 224,960,144

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 and to provide a growing stream of income to be made available for spending, ideally keeping pace with inflation, in order to sustain the grant-making capacity and operations of the Foundation. The long-term annualized rate of return objective for the total fund is inflation plus 5 percent. A minimum return equal to the rate of inflation is required to preserve the real purchasing power of the fund and the additional 5 percent is required to provide for spending. The rate of inflation is measured by the U.S. Government Consumer Price Index.

Strategies Employed for Achieving Objectives: The purpose of the Endowment Fund is to facilitate donors' desires to make substantial long-term gifts to the community and to develop a new and significant source of revenue for the Foundation. In so doing, the Endowment Fund will provide a secure, long-term source of funds to: (i) stabilize agency funding during periods of below normal annual campaigns; (ii) fund special grants; (iii) ensure long-term growth; (iv) enhance our ability to meet changing community needs in both the short and long-term; and, (v) support the administrative expenses of the Foundation as deemed appropriate.

Spending Policy and How the Investment Objectives Relate to Spending Policy: The objectives of the Foundation's spending policy are to allocate total earnings from the portfolio between current spending and reinvestment for future earnings, and to provide a predictable and growing stream of income to beneficiaries of Foundation grants. Achievement of these dual objectives will ensure that the fund preserves real purchasing power in perpetuity while providing ongoing operational support to designated charitable activities. The long-term annual spending rate target from the Foundation is 5 percent. The Foundation's spending policy is to spend 5 percent of a three-year moving average of quarterly market values ending December 31st of each year for grant distribution on or before June 30th. Within these parameters, the policy may be adjusted at the discretion of the Foundation’s Board of Directors depending upon market conditions.

(Continued)

NOTE 13 - LIQUIDITY AND AVAILABILITY

The Foundation's financial assets available within one year of the statement of financial position date for grants, scholarships, and general expenditure are as follows:

	2022	2021
Cash and cash equivalents	$ 10,713,130	$ 12,708,012
Pledges receivable	1,013	798,835
Investments	190,632,791	234,983,203
Total financial assets available	$ 201,346,934	$ 248,490,050

As part of the Foundation's liquidity management, the Foundation invests its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Investments above exclude alternative investments that are expected to be dissolved after one or more years and land held for sale.