

**COMMUNITY FOUNDATION
OF ST. JOSEPH COUNTY, INC.**

CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

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

CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

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

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, 2024 and 2023, 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, 2024 and 2023, 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

South Bend, Indiana
September 4, 2024

COMMUNITY FOUNDATION OF ST. JOSEPH COUNTY, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and cash equivalents	\$ 14,374,483	\$ 12,561,307
Investments (Note 2)	271,992,563	250,950,257
Pledges receivable (Note 3)	1,380,868	1,449,320
Pledge receivable- Right-of-Use (ROU) asset (Note 7)	738,891	797,611
Note receivable	<u>369,923</u>	<u>-</u>
	<u>\$ 288,856,728</u>	<u>\$ 265,758,495</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Grants payable	\$ 3,094,871	\$ 3,751,032
Accounts payable	14,082	1,946
Deferred gift liabilities (Note 4)	1,002,228	970,604
Funds held as agency endowments (Note 5)	<u>28,960,010</u>	<u>27,344,291</u>
Total liabilities	33,071,191	32,067,873
Net assets		
Without donor restrictions		
Non-endowed funds	21,033,865	21,431,330
Board designated endowment funds (Note 10)	<u>232,631,913</u>	<u>210,012,361</u>
Total net assets without donor restrictions	253,665,778	231,443,691
With donor restrictions (Note 1)	<u>2,119,759</u>	<u>2,246,931</u>
Total net assets	<u>255,785,537</u>	<u>233,690,622</u>
	<u>\$ 288,856,728</u>	<u>\$ 265,758,495</u>

See notes to consolidated financial statements.

COMMUNITY FOUNDATION OF ST. JOSEPH COUNTY, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2024 (with comparative 2023 totals)

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and support				
Contributions and grants	\$ 9,174,018	\$ 704,868	\$ 9,878,886	\$ 3,166,199
Investment income (Note 2)	27,306,927	-	27,306,927	18,253,993
Gain (loss) on life income agreements	(47,676)	-	(47,676)	(48,621)
Short term investment income	<u>335,242</u>	<u>-</u>	<u>335,242</u>	<u>8,473</u>
	36,768,511	704,868	37,473,379	21,380,044
Adjustment for effect of agency endowments (Note 5)	(2,329,160)	-	(2,329,160)	(1,527,301)
Net assets released from restrictions	<u>773,320</u>	<u>(773,320)</u>	<u>-</u>	<u>-</u>
Total revenue and support	34,212,671	(68,452)	35,144,219	19,852,743
Expenses				
Program expenses				
Program grants				
Youth and education	4,092,128	-	4,092,128	3,590,825
Health and human services	4,745,351	-	4,745,351	4,650,141
Parks and recreation	122,744	-	122,744	333,143
Arts and culture	1,787,888	-	1,787,888	1,415,305
Religious	226,384	-	226,384	180,519
Community development and civic affairs	1,192,572	-	1,192,572	926,433
Less: interfund program grants	<u>(199,679)</u>	<u>-</u>	<u>(199,679)</u>	<u>(629,025)</u>
Net program grants	11,967,388	-	11,967,388	10,467,341
Adjustment for grants applicable to agency endowments (Note 5)	<u>(713,441)</u>	<u>-</u>	<u>(713,441)</u>	<u>(644,276)</u>
Total program expenses	11,253,947	-	11,253,947	9,823,065
General and administrative (Note 6)				
General administration	815,076	58,720	873,796	945,534
Program support services	692,767	-	692,767	631,769
Fundraising and development	<u>228,794</u>	<u>-</u>	<u>228,794</u>	<u>248,976</u>
Total general and administrative expenses	<u>1,736,637</u>	<u>58,720</u>	<u>1,795,357</u>	<u>1,826,279</u>
Total expenses	<u>12,990,584</u>	<u>58,720</u>	<u>13,049,304</u>	<u>11,649,344</u>
Changes in net assets	22,222,087	(127,172)	22,094,915	8,203,399
Net assets at beginning of year	<u>231,443,691</u>	<u>2,246,931</u>	<u>233,690,622</u>	<u>225,487,223</u>
Net assets at end of year	<u>\$ 253,665,778</u>	<u>\$ 2,119,759</u>	<u>\$ 255,785,537</u>	<u>\$ 233,690,622</u>

See notes to consolidated financial statements.

COMMUNITY FOUNDATION OF ST. JOSEPH COUNTY, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support			
Contributions and grants	\$ 2,928,939	\$ 237,260	\$ 3,166,199
Investment income (Note 2)	18,253,993	-	18,253,993
Gain (loss) on life income agreements	(48,621)	-	(48,621)
Short term investment Income	<u>8,473</u>	<u>-</u>	<u>8,473</u>
	21,142,784	237,260	21,380,044
Adjustment for effect of agency endowments (Note 5)	(1,527,301)	-	(1,527,301)
Net assets released from restrictions	<u>852,683</u>	<u>(852,683)</u>	<u>-</u>
Total revenue and support	20,468,166	(615,423)	19,852,743
Expenses			
Program expenses			
Program grants			
Youth and education	3,590,825	-	3,590,825
Health and human services	4,650,141	-	4,650,141
Parks and recreation	333,143	-	333,143
Arts and culture	1,415,305	-	1,415,305
Religious	180,519	-	180,519
Community development and civic affairs	926,433	-	926,433
Less: interfund program grants	<u>(629,025)</u>	<u>-</u>	<u>(629,025)</u>
Net program grants	10,467,341	-	10,467,341
Adjustment for grants applicable to agency endowments (Note 5)	<u>(644,276)</u>	<u>-</u>	<u>(644,276)</u>
Total program expenses	9,823,065	-	9,823,065
General and administrative (Note 6)			
General administration	886,814	58,720	945,534
Program support services	631,769	-	631,769
Fundraising and development	<u>248,976</u>	<u>-</u>	<u>248,976</u>
Total general and administrative expenses	<u>1,767,559</u>	<u>58,720</u>	<u>1,826,279</u>
Total expenses	<u>11,590,624</u>	<u>58,720</u>	<u>11,649,344</u>
Changes in net assets	8,877,542	(674,143)	8,203,399
Net assets at beginning of year	<u>222,566,149</u>	<u>2,921,074</u>	<u>225,487,223</u>
Net assets at end of year	<u>\$ 231,443,691</u>	<u>\$ 2,246,931</u>	<u>\$ 233,690,622</u>

See notes to consolidated financial statements.

COMMUNITY FOUNDATION OF ST. JOSEPH COUNTY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Change in net assets	\$ 22,094,915	\$ 8,203,399
Adjustments to reconcile change in net assets to net cash from operating activities:		
Realized and unrealized (gains)/losses on investments	(18,040,222)	(6,249,005)
Deferred gift contracts	(108,748)	(238,493)
Change in assets and liabilities:		
Pledges receivable	68,452	615,423
Note receivable	(369,923)	-
Amortization of pledge receivable- ROU asset	58,720	58,720
Grants payable	(656,161)	(379,148)
Accounts payable	12,136	(3,120)
Funds held as agency endowments	<u>1,615,719</u>	<u>883,025</u>
Net cash from operating activities	4,674,888	2,890,801
Cash flows from investing activities		
Investment purchases	(702,812)	(29,412)
Contributions to private equity and real estate funds	(6,403,250)	(5,099,875)
Interest and dividends reinvested	(10,401,728)	(13,022,540)
Investment sales and investment fees	10,650,850	13,944,052
Capital distributions from private equity and real estate funds	<u>3,854,856</u>	<u>3,021,410</u>
Net cash used in investing activities	(3,002,084)	(1,186,365)
Cash flows from financing activities		
Deferred gift payments	<u>140,372</u>	<u>143,741</u>
Net cash from financing activities	<u>140,372</u>	<u>143,741</u>
Net change in cash	1,813,176	1,848,177
Cash and cash equivalents at beginning of year	<u>12,561,307</u>	<u>10,713,130</u>
Cash and cash equivalents at end of year	<u>\$ 14,374,483</u>	<u>\$ 12,561,307</u>

See notes to consolidated financial statements.

COMMUNITY FOUNDATION OF ST. JOSEPH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

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, 2024 and 2023. 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 designations of each contributor. However, the Foundation has the legal right to modify any designation 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 designations 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, 2024 and 2023, net assets with donor restrictions consist of pledges receivable and the donated right of use asset (Note 3 and 7) 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, 2024 and 2023 is based on valuations provided by the external investment managers as of the date of their most recent investment statements, as of March 31, 2024 and 2023, respectively, adjusted for cash receipts, cash disbursements, and income/expenses through the fiscal year end, which approximates fair value. See Notes 2 and 9 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.

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COMMUNITY FOUNDATION OF ST. JOSEPH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

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 2024 and 2023, 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, 2024 and 2023, 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 9.

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)

COMMUNITY FOUNDATION OF ST. JOSEPH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

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, 2024 and 2023.

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 2020 and for all state income taxes through 2020. The Foundation does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2024 to determine the need for any adjustments to and/or disclosures within the consolidated financial statements for the year ended June 30, 2024. Management has performed their analysis through September 4, 2024, the date the financial statements were available to be issued.

NOTE 2 - INVESTMENTS

Investments consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
Mutual funds – multi-asset	\$ 212,079,213	\$ 196,191,902
Private equity and real estate funds	55,573,679	50,455,207
Equity mutual funds	4,339,671	3,820,100
Land held for sale	<u>-</u>	<u>483,048</u>
	<u>\$ 271,992,563</u>	<u>\$ 250,950,257</u>

Investment income has been recorded net of related investment expenses. Interest and dividend income were \$10,401,728 and \$13,022,540 for 2024 and 2023, respectively. Realized and unrealized gains \$18,040,222 and \$6,249,005 for 2024 and 2023, respectively. Investment management expenses were \$1,135,023 and \$1,017,552 for 2024 and 2023, respectively.

Investments are carried at fair value, as disclosed in Note 9. 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.

(Continued)

COMMUNITY FOUNDATION OF ST. JOSEPH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 3 – PLEDGES AND NOTE 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:

	<u>2024</u>	<u>2023</u>
Currently due or due in one year or less	\$ 23,468	\$ 7,180
Between one year and five years	<u>1,357,400</u>	<u>1,442,140</u>
	<u>\$ 1,380,868</u>	<u>\$ 1,449,320</u>

Pledge receivable-ROU asset is not included in the June 30, 2024 and 2023 balance above, see Note 7 for separate disclosure. The note receivable totaling \$369,923 as of June 30, 2024 are the funds to be received from the sale of donated land that was previously held in investments at fair value.

NOTE 4 - 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, 2024 and 2023, the present value of these payments was \$1,002,228 and \$970,604, respectively.

NOTE 5 - 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 6 - GENERAL AND ADMINISTRATIVE EXPENSES

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

	<u>2024</u>	<u>2023</u>
Salaries and related expenses	\$ 1,369,649	\$ 1,381,064
Professional fees	29,924	33,617
Rent and parking	95,154	131,333
Office expense and other related costs	<u>300,630</u>	<u>280,265</u>
	<u>\$ 1,795,357</u>	<u>\$ 1,826,279</u>

(Continued)

COMMUNITY FOUNDATION OF ST. JOSEPH COUNTY, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 June 30, 2024 and 2023

NOTE 7 – 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 exited this lease at the end of the term. Rent expense, including parking, was \$0 and \$37,501 for years ended June 30, 2024 and 2023, respectively.

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 was \$29,653 and \$29,352 for the year ended June 30, 2024 and 2023, respectively, with Pledge receivable ROU amortization expense of \$58,720 for the years ended June 30, 2024 and 2023.

The Pledge receivable- ROU asset was \$738,891 and \$797,611 as of June 30, 2024 and 2023, respectively. The Pledge receivable- ROU asset will be amortized over the remaining lease term on a straight-line basis totaling \$58,720 per year through 2032.

Lease Cost:

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Amortization of pledge receivable ROU asset	\$ 58,720	\$ 58,720
Variable Lease Cost	29,653	29,352
Rent expense	<u>1</u>	<u>37,501</u>
Total lease cost	<u>\$ 88,374</u>	<u>\$ 125,573</u>

Other Information:

	<u>June 30, 2024</u>
Weighted average remaining lease term	12 years

NOTE 8 - 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, 2024 and 2023. Total contributions to the plan were \$83,325 and \$84,165 for the years ended June 30, 2024 and 2023, respectively. In addition, the Foundation has a 457(b) retirement plan with total contributions to the plan of \$22,500 and \$20,500 for the years ended June 30, 2024 and 2023, respectively.

(Continued)

COMMUNITY FOUNDATION OF ST. JOSEPH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 9 - 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.

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:

	<u>Fair Value Measurements at June 30, 2024</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>NAV*</u>	<u>Total</u>
Investments:				
Mutual funds – multi-asset	\$ 212,079,213	\$ -	\$ -	\$ 212,079,213
Equity mutual funds	4,339,671	-	-	4,339,671
Private equity and real estate funds	<u>-</u>	<u>-</u>	<u>55,573,679</u>	<u>55,573,679</u>
Totals	<u>\$ 216,418,884</u>	<u>\$ -</u>	<u>\$ 55,573,679</u>	<u>\$ 271,992,563</u>

	<u>Fair Value Measurements at June 30, 2023</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>NAV*</u>	<u>Total</u>
Investments:				
Mutual funds – multi-asset	\$ 196,191,902	\$ -	\$ -	\$ 196,191,902
Equity mutual funds	3,820,100	-	-	3,820,100
Land held for sale	-	483,048	-	483,048
Private equity and real estate funds	<u>-</u>	<u>-</u>	<u>50,455,207</u>	<u>50,455,207</u>
Totals	<u>\$ 200,012,002</u>	<u>\$ 483,048</u>	<u>\$ 50,455,207</u>	<u>\$ 250,950,257</u>

(Continued)

NOTE 9 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

As of June 30, 2024 and 2023, 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.

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, 2024 and 2023, the Foundation's investments in private equity and real estate funds were comprised of approximately 40 individual holdings for each year. 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.

(Continued)

COMMUNITY FOUNDATION OF ST. JOSEPH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 9 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

- 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:

	<u>2024</u>	<u>2023</u>
U.S. private equity	\$ 251,904	\$ 383,670
U.S. venture capital	11,951,740	9,828,706
Diversified private equity	41,941,925	38,615,528
International private equity	128,789	170,505
Private real estate	<u>1,299,321</u>	<u>1,456,798</u>
	<u>\$ 55,573,679</u>	<u>\$ 50,455,207</u>

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, 2024, assuming the funds will be dissolved without extension:

	Estimated Liquidation Schedule of the Market Value Funded To Date				
	<u>Totals</u>	<u>Within 1 year</u>	<u>1 – 5 years</u>	<u>6 – 10 years</u>	<u>> 10 years</u>
U.S. private equity	\$ 251,904	\$ 251,904	\$ -	\$ -	\$ -
U.S. venture capital	11,951,740	939,449	-	8,168,475	2,843,816
Diversified private equity	41,941,925	999,407	5,114,209	32,735,657	3,092,652
International private equity	128,789	128,789	-	-	-
Private real estate	<u>1,299,321</u>	<u>340,730</u>	<u>958,591</u>	<u>-</u>	<u>-</u>
	<u>\$ 55,573,679</u>	<u>\$ 2,660,279</u>	<u>\$ 6,072,800</u>	<u>\$ 40,904,132</u>	<u>\$ 5,936,468</u>

As of June 30, 2024, the Foundation's unfunded commitments for various alternative investments total approximately \$23 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%.

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COMMUNITY FOUNDATION OF ST. JOSEPH COUNTY, INC.
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NOTE 10 - 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.

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:

	<u>2024</u>	<u>2023</u>
Board-designated endowment funds	<u>\$ 232,631,913</u>	<u>\$ 210,012,361</u>
Endowment net assets, beginning of year	\$ 210,012,361	\$ 201,330,157
Investment return:		
Investment income, net	8,653,907	11,145,699
Net appreciation (realized and unrealized gains and losses)	<u>16,961,845</u>	<u>5,901,169</u>
Total investment return	25,615,752	17,046,868
Contributions and grants	7,955,691	2,203,558
Agency endowment adjustment	(1,615,719)	(883,025)
Board-designated net assets released from designation	<u>(9,336,172)</u>	<u>(9,685,197)</u>
Endowment net assets, end of year	<u>\$ 232,631,913</u>	<u>\$ 210,012,361</u>

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.

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COMMUNITY FOUNDATION OF ST. JOSEPH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 10 - ENDOWMENT COMPOSITION (Continued)

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.

NOTE 11- 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:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 14,374,483	\$ 12,561,307
Pledges receivable	23,468	7,180
Investments	<u>216,418,884</u>	<u>200,012,002</u>
Total financial assets available	<u>\$ 230,816,835</u>	<u>\$ 212,580,489</u>

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 as liquidation often extends beyond the original dissolution date and land held for sale.