

**PUTNAM COUNTY COMMUNITY
FOUNDATION, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

CPAs / ADVISORS



PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of the
Putnam County Community Foundation, Inc.
Greencastle, Indiana

Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Blue & Co., LLC

Seymour, Indiana

April 25, 2023

PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

ASSETS

	2022	2021
Cash and cash equivalents	\$ 998,675	\$ 860,767
Investments	35,822,031	41,963,003
Other receivables	-0-	75
Prepaid expenses	24,020	15,554
Property and equipment, net	401,132	411,356
Other assets	173,254	173,254
Beneficial interest in charitable remainder trusts	99,669	120,033
	<u>\$ 37,518,781</u>	<u>\$ 43,544,042</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 5,931	\$ 7,550
Grants payable	266,050	250,000
Accrued wages	32,720	30,911
Gift annuities payable	45,351	30,464
Custodial funds	5,208,628	5,416,200
Term debt	84,237	94,025
Total liabilities	<u>5,642,917</u>	<u>5,829,150</u>

Net assets

Without donor restrictions		
Operating	1,020,248	992,937
Board designated endowment	103,120	127,064
	<u>1,123,368</u>	<u>1,120,001</u>
With donor restrictions		
Restricted for specified purposes	404,265	327,929
Restricted due to time restrictions	99,669	120,033
Endowment funds	30,248,562	36,146,929
	<u>30,752,496</u>	<u>36,594,891</u>
Total net assets	<u>31,875,864</u>	<u>37,714,892</u>
	<u>\$ 37,518,781</u>	<u>\$ 43,544,042</u>

See accompanying notes to financial statements.

PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

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

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenues				
Contributions and grants	\$ 27,402	\$ 817,936	\$ 845,338	\$ 903,488
Investment return, net	(15,648)	(4,882,324)	(4,897,972)	5,931,804
Change in value of split interest agreements	-0-	(39,926)	(39,926)	(174)
Other revenues	6,626	1,377	8,003	1,659
Net assets released from restrictions	<u>1,157,787</u>	<u>(1,157,787)</u>	<u>-0-</u>	<u>-0-</u>
Total support and revenues	<u>1,176,167</u>	<u>(5,260,724)</u>	<u>(4,084,557)</u>	<u>6,836,777</u>
Expenses				
Grantmaking	1,341,809	-0-	1,341,809	1,622,164
Supporting services				
Administrative expenses	311,191	-0-	311,191	262,638
Fundraising expenses	<u>161,510</u>	<u>-0-</u>	<u>161,510</u>	<u>110,197</u>
Total expenses	<u>1,814,510</u>	<u>-0-</u>	<u>1,814,510</u>	<u>1,994,999</u>
Transfer of administrative fees	<u>641,710</u>	<u>(581,671)</u>	<u>60,039</u>	<u>56,270</u>
Change in net assets	3,367	(5,842,395)	(5,839,028)	4,898,048
Net assets, beginning of year	<u>1,120,001</u>	<u>36,594,891</u>	<u>37,714,892</u>	<u>32,816,844</u>
Net assets, end of year	<u>\$ 1,123,368</u>	<u>\$ 30,752,496</u>	<u>\$ 31,875,864</u>	<u>\$ 37,714,892</u>

See accompanying notes to financial statements.

PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues			
Contributions and grants	\$ 18,284	\$ 885,204	\$ 903,488
Investment return, net	24,053	5,907,751	5,931,804
Change in value of split interest agreements	-0-	(174)	(174)
Other revenues	634	1,025	1,659
Net assets released from restrictions	<u>1,465,083</u>	<u>(1,465,083)</u>	<u>-0-</u>
Total support and revenues	1,508,054	5,328,723	6,836,777
Expenses			
Grantmaking	1,622,164	-0-	1,622,164
Supporting services			
Administrative expenses	262,638	-0-	262,638
Fundraising expenses	<u>110,197</u>	<u>-0-</u>	<u>110,197</u>
Total expenses	1,994,999	-0-	1,994,999
Transfer of administrative fees	<u>695,780</u>	<u>(639,510)</u>	<u>56,270</u>
Change in net assets	208,835	4,689,213	4,898,048
Net assets, beginning of year	<u>911,166</u>	<u>31,905,678</u>	<u>32,816,844</u>
Net assets, end of year	<u>\$ 1,120,001</u>	<u>\$ 36,594,891</u>	<u>\$ 37,714,892</u>

See accompanying notes to financial statements.

PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

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

	2022				2021			
	Grantmaking	Supporting Services		Total	Grantmaking	Supporting Services		Total
		Administrative	Fundraising			Administrative	Fundraising	
Grants and scholarships	\$ 1,040,210	\$ -0-	\$ -0-	\$ 1,040,210	\$ 1,345,616	\$ -0-	\$ -0-	\$ 1,345,616
Other program expenses	75,825	-0-	-0-	75,825	83,587	-0-	-0-	83,587
Salaries and wages	181,466	115,641	79,787	376,894	156,784	102,522	66,764	326,070
Payroll taxes and benefits	23,649	18,321	12,677	54,647	21,653	15,777	10,576	48,006
Office supplies	-0-	3,613	-0-	3,613	-0-	3,366	-0-	3,366
Technology fees and support	115	31,338	28,780	60,233	2,349	23,508	17,075	42,932
Printing and copying	173	8,599	852	9,624	79	7,841	4,470	12,390
Postage and shipping	869	920	4,792	6,581	617	660	1,224	2,501
Dues and subscriptions	-0-	8,853	921	9,774	-0-	2,923	661	3,584
Credit card fees	-0-	2,456	-0-	2,456	-0-	1,465	-0-	1,465
Consulting fees	-0-	2,286	2,325	4,611	-0-	3,210	2,556	5,766
Insurance	-0-	6,503	-0-	6,503	-0-	7,051	-0-	7,051
Interest	-0-	4,502	-0-	4,502	-0-	4,942	-0-	4,942
Depreciation	-0-	33,596	-0-	33,596	-0-	30,089	-0-	30,089
Professional fees	-0-	31,759	-0-	31,759	-0-	33,375	-0-	33,375
Janitorial	-0-	7,479	-0-	7,479	-0-	8,198	-0-	8,198
Utilities	-0-	7,185	-0-	7,185	-0-	5,955	-0-	5,955
Professional development	-0-	20,990	950	21,940	-0-	5,664	1,369	7,033
Event expense	17,855	1,063	13,497	32,415	5,577	524	1,203	7,304
Travel and entertainment	-0-	239	5,655	5,894	-0-	290	210	500
Miscellaneous	1,647	5,848	11,274	18,769	5,902	5,278	4,089	15,269
	<u>\$ 1,341,809</u>	<u>\$ 311,191</u>	<u>\$ 161,510</u>	<u>\$ 1,814,510</u>	<u>\$ 1,622,164</u>	<u>\$ 262,638</u>	<u>\$ 110,197</u>	<u>\$ 1,994,999</u>

See accompanying notes to financial statements.

PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

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

	2022	2021
Operating activities		
Change in net assets	\$ (5,839,028)	\$ 4,898,048
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	33,596	30,089
Reinvested interest and dividends received on investments	(1,113,899)	(1,393,816)
Realized and unrealized losses (gains) on investments	6,112,498	(5,534,121)
Change in value of split-interest agreements	39,926	174
Contributions restricted to endowment funds	(384,892)	(605,502)
Changes in assets and liabilities:		
Other receivables	75	(35)
Prepaid expenses	(8,466)	(10,782)
Accounts payable	(1,619)	610
Grants payable	16,050	250,000
Accrued wages	1,809	8,716
Custodial funds	(207,572)	738,527
Net cash flows from operating activities	(1,351,522)	(1,618,092)
Investing activities		
Purchases of property and equipment	(23,372)	(19,232)
Purchase of investments	(5,046,097)	(2,669,297)
Proceeds from sales of investments	6,188,470	3,730,699
Net cash flows from investing activities	1,119,001	1,042,170
Financing activities		
Gift annuity payments	(4,675)	(1,625)
Payments on term debt	(9,788)	(9,347)
Contributions restricted to endowment funds	384,892	605,502
Net cash flows from financing activities	370,429	594,530
Net change in cash	137,908	18,608
Cash and cash equivalents, beginning of year	860,767	842,159
Cash and cash equivalents, end of year	\$ 998,675	\$ 860,767
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	\$ 4,502	\$ 4,942

See accompanying notes to financial statements.

PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Putnam County Community Foundation, Inc. (the "Foundation") was incorporated as a not-for-profit entity in 1985. The mission of the Foundation is to partner with those who give to enrich life and strengthen community for this and future generations.

Management's Estimates

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

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis, and have been prepared with a focus on the entity as a whole. Net assets, support, revenues, gains, and losses are classified based on the existence or absence of donor restrictions. Accordingly, the net assets of the Foundation are classified and reported as follows:

Net assets without donor restrictions: Net assets that are currently available for operating purposes under the direction of the board of directors (Board) or designated by the Board for specific use. The Foundation maintains net assets without donor restrictions as follows:

Operating – used to fund current operations of the Foundation

Board designated endowment – established with the expectation that the principal be maintained in perpetuity to generate grants, subject to the spending policy, used to support the general operations of the Foundation and community needs as designated by the Board of Directors

Net assets with donor restrictions: Net assets subject to donor stipulations for specific purposes or time restrictions. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term to support operations or specific purposes. The Foundation maintains net assets with donor restrictions as follows:

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

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

PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash in checking and savings accounts and money market investments and exclude amounts held by the Foundation’s fund managers and included in investments.

Investments and Investment Return

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

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

Property and Equipment

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

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

Support, Revenues and Expense Recognition

Contributions, which include unconditional promises to give (pledges receivable), are recognized as revenues in the period the contribution is received or the promise is made. Contributions received with donor imposed restrictions are reported as restricted support and increases net assets with donor restrictions.

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

All other support and revenue is recorded when earned.

PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Administrative Fees

Administrative fees are expensed from the funds to support the operations of the Foundation. Administrative fees from all funds are reflected as transfer of administrative fees on the Statements of Activities. The administrative fees from custodial funds are not included in the reduction of net assets with donor restrictions because they are included in the change in custodial funds.

Functional Allocation of Expenses

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

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Foundation. Those expenses include salaries and wages, payroll taxes and benefits, computer expenses, and communication expense. These expenses are allocated on the basis of estimates of time and effort. While the methods of allocation are considered appropriate, other methods could produce different results.

Income Taxes

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

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Foundation, and has concluded that as of December 31, 2022 and 2021 there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

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

PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Subsequent Events

The Foundation has evaluated events or transactions occurring subsequent to the Statement of Financial Position date for recognition and disclosure in the accompanying financial statements through the date the financial statements were available to be issued, which was April 25, 2023.

2. INVESTMENTS

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

	<u>2022</u>	<u>2021</u>
Cash	\$ 116,355	\$ 90,511
Money market funds	178,718	327,935
Certificates of deposit	52,276	56,703
Corporate bonds	1,383,145	1,651,694
Government bonds	1,480,776	1,263,097
Equity exchange traded funds		
Large	2,032,779	3,152,564
Small/mid	2,595,219	2,931,781
Fixed income exchange traded funds		
Ultrashort	48,733	50,171
Equity mutual funds		
Large	10,250,415	12,852,725
Small/mid	7,997,908	10,108,452
Natural resources	1,579,317	1,671,480
Real estate	2,125,305	2,656,528
Energy	1,665,799	1,578,090
Fixed income mutual funds		
Inflation-protected	1,347,189	1,126,621
Intermediate-term bond	904,359	197,703
High yield bond	20,650	123,754
World bond	1,925,165	1,700,500
Hedge funds	110,762	342,625
Private equity	7,161	80,069
	<u>\$ 35,822,031</u>	<u>\$ 41,963,003</u>

PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

3. RISKS AND UNCERTAINTIES

The Foundation holds a variety of investments (Note 2). Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

4. FAIR VALUE MEASUREMENTS

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

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

The asset 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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2022 and 2021.

- *Money market funds:* Generally transact subscription and redemption activity at a \$1 stable net asset value (NAV) however, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of the securities held in the fund.

PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

- *Certificates of deposit, corporate bonds and government bonds:* Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.
- *Exchange traded funds and mutual funds:* Valued at the daily closing price as reported by the fund. Mutual and exchange traded funds (“funds”) are held by the Foundation and are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The funds held by the Foundation are deemed to be actively traded.
- *Beneficial interest in charitable remainder trusts:* Fair value is determined by subtracting the calculated present value of the future payments to beneficiaries using published life expectancy tables, discount rates of 5.2% and payout rates ranging from 6% to 8% from the fair value of the trust assets.
- *Alternative investments:* Valued at the NAV of the units of the funds, as provided by the investment managers. The NAV is based on the fair value of the underlying investments held by the funds less their liabilities.
- *Gift annuities payable:* Fair value is determined by calculating the present value of future payments to beneficiaries using published life expectancy tables with a discount rate of 5.2%.

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

	2022			
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Investments				
Money market funds	\$ 178,718	\$ -0-	\$ 178,718	\$ -0-
Certificates of deposit	52,276	-0-	52,276	-0-
Corporate bonds	1,383,145	-0-	1,383,145	-0-
Government bonds	1,480,776	-0-	1,480,776	
Exchange traded funds	4,676,731	4,676,731	-0-	-0-
Mutual funds	27,816,107	27,816,107	-0-	-0-
Beneficial interest in charitable remainder trusts	99,669	-0-	-0-	99,669
Total assets in fair value hierarchy	35,687,422	32,492,838	3,094,915	99,669
Alternative investments*	117,923			
Total assets at fair value	\$ 35,805,345			
Liabilities:				
Gift annuities payable	45,351	-0-	45,351	-0-

PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

	2021			
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Investments				
Money market funds	\$ 327,935	\$ -0-	\$ 327,935	\$ -0-
Certificates of deposit	56,703	-0-	56,703	-0-
Corporate bonds	1,651,694	-0-	1,651,694	-0-
Government bonds	1,263,097	-0-	1,263,097	-0-
Exchange traded funds	6,134,516	6,134,516	-0-	-0-
Mutual funds	32,015,853	32,015,853	-0-	-0-
Beneficial interest in charitable remainder trusts	<u>120,033</u>	<u>-0-</u>	<u>-0-</u>	<u>120,033</u>
Total assets in fair value hierarchy	41,569,831	38,150,369	3,299,429	120,033
Alternative investments*	<u>422,694</u>			
Total assets at fair value	<u>\$ 41,992,525</u>			
Liabilities:				
Gift annuities payable	30,464	-0-	30,464	-0-

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

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

	2022	2021
Beginning balance	\$ 120,033	\$ 118,343
Change in present value	<u>(20,364)</u>	<u>1,690</u>
Ending balance	<u>\$ 99,669</u>	<u>\$ 120,033</u>

A summary of hedge funds as of December 31, 2022 and 2021, including balances and restrictions on redemptions, is as follows:

	2022	2021	Redemption Notice	Redemption Frequency
Savile Row Life Settlements Fund V 2017-1, LLC	\$ 110,762	\$ 342,625	195 days notice	2 year lockup

PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Private equities do not allow withdrawals from the partnership until the partnership is dissolved, unless special approval is granted by the general partner. The investment will not liquidate until specified by the agreement. Distributions are received through the liquidation of the underlying assets of the fund. The timing of the liquidation of these underlying assets is unknown.

Private equity investments and related unfunded commitments consist of the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>	<u>Unfunded Commitment</u>
Regent Street Special Situations Fund			
S 2016-2, LLC	\$ 7,161	\$ 80,069	\$ 39,323

Due to the nature of the investments held by hedge funds and private equity, changes in market conditions and the economic environment may significantly impact the net asset value and, consequently, the fair value of the Foundation's interests in these investments. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is therefore reasonably possible that if the Foundation were to sell these investments in the secondary market, a buyer may require a discount to the reported net asset value, and the discount could be significant.

5. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Building and improvements	\$ 594,020	\$ 594,020
Furniture and fixtures	31,752	53,851
Computer equipment	49,521	98,806
	<u>675,293</u>	<u>746,677</u>
Less accumulated depreciation	<u>274,161</u>	<u>335,321</u>
	<u>\$ 401,132</u>	<u>\$ 411,356</u>

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

6. BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUSTS

The Foundation has been named the full or partial beneficiary of several charitable remainder trusts in which the Foundation is not the trustee. Upon termination of the trusts on the donors' deaths, the applicable remainder of the trust will revert to the Foundation. The trust agreements stipulate that a certain portion of the trusts' assets are to be paid out each year to third party beneficiaries named by the donors. The Foundation's interest under these trusts was \$99,669 and \$120,033 at December 31, 2022 and 2021, respectively. In calculating the present value of the amount to be received upon termination of the trusts, the discount rate used was 5.2 percent and the payout rates ranged from 6 percent to 8 percent. The date of the termination of the trusts was determined based on the applicable mortality tables. The change in the present value of the amounts expected to be received under these charitable trusts was \$(20,364) and \$1,690 for the years ended December 31, 2022 and 2021, respectively.

7. GIFT ANNUITIES PAYABLE

The Foundation has five charitable gift annuities, under which the Foundation received \$95,000 and is required to make annual payments to the donors in amounts ranging from \$650 to \$1,500 for the remainder of the donors' lifetimes. Upon the death of the specified persons, the remaining amount of the gifts is to be used by the Foundation as specified in the respective agreements. The Foundation has recognized a liability of \$45,351 and \$30,464 at December 31, 2022 and 2021, respectively, for the present value of the amount expected to be paid to the third-party beneficiaries. The liability was calculated based on the life expectancy of the beneficiary of each annuity, derived from the applicable one life or joint-life and last survivor annuity expected return multiples, and using a discount rate of 5.2 percent. The change in the present value of the amounts expected to be paid under these gift annuities was \$(19,562) and \$(1,864) for the years ended December 31, 2022 and 2021, respectively.

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8. CUSTODIAL FUNDS

Custodial funds represent contributions placed on deposit with the Foundation by other organizations based on their individual board resolutions. The Foundation accounts for these transfers as a liability in accordance with applicable accounting standards. Income is added to these funds periodically in accordance with the Foundation's investment allocation policies. Contributions by, investment return credits for, and distributions to those organizations are reflected as adjustments to the liability account and are not reflected in the Statements of Activities. Following is a progression of custodial funds during 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Custodial funds, beginning balance	\$ 5,416,200	\$ 4,677,673
Contributions and grants	179,346	1,893
Investment return, net	(229,242)	859,547
Administrative fees	(60,039)	(56,270)
Grant payments	<u>(97,637)</u>	<u>(66,643)</u>
Custodial funds, ending balance	<u>\$ 5,208,628</u>	<u>\$ 5,416,200</u>

9. TERM DEBT

Term debt consists of a real estate mortgage payable to a bank that matures in December 2029. Monthly payments are \$1,191, which includes principal and interest at 4.93% annually. The mortgage is secured by the real estate with a net book value of \$283,801 at December 31, 2022.

Maturities of term debt subsequent to December 31, 2022 are as follows:

<u>Year</u>	
2023	\$ 10,412
2024	10,937
2025	11,489
2026	12,068
2027	12,677
Thereafter	<u>26,654</u>
	<u>\$ 84,237</u>

PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Restricted for specified purpose		
Various based on fund agreements	\$ 404,265	\$ 327,929
Time restrictions related to		
Charitable trusts	99,669	120,033
Endowment funds		
Restricted in perpetuity	23,886,009	22,656,680
Subject to the Foundation's spending policy	7,071,171	13,490,249
Underwater	<u>(708,618)</u>	<u>-0-</u>
	<u>\$ 30,752,496</u>	<u>\$ 36,594,891</u>

11. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions in the amount of \$1,157,787 and \$1,465,083 based on funds appropriated for expenditure primarily consisting of grants and other program expenses for the years ended December 31, 2022 and 2021, respectively.

12. ENDOWMENT

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

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift 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 the gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted

PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

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endowment funds are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate endowment funds.

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

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for granting purposes while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must use for a donor-specified purpose as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce long-term growth of capital without undue exposure to risk. The Foundation expects its endowment funds, over time, to provide a return that will preserve the purchasing power of the Foundation's assets while supporting the Foundation's grantmaking, expenses, investment fees and inflation. Actual returns in any given year may vary.

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

The Foundation has a policy of appropriating for distribution each year 4.5 percent of its endowment funds' average fair value over the prior 12 quarters through September 30 of the fiscal year preceding the fiscal year in which the distribution is planned, or a lesser percentage as voted upon annually by the Board of Directors. In establishing this policy, the Foundation considered the long-term expected return on its endowment.

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Endowment funds by net asset type at December 31, 2022 and 2021 were as follows:

	2022		2021	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Board Designated Funds	\$ 103,120	\$ -0-	\$ 127,064	\$ -0-
Donor Restricted Funds	-0-	30,248,562	-0-	36,146,929
	<u>\$ 103,120</u>	<u>\$ 30,248,562</u>	<u>\$ 127,064</u>	<u>\$ 36,146,929</u>

Changes in endowment net assets for the years ending December 31, 2022 and 2021 were as follows:

	2022		2021	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Endowment net assets, beginning of year	\$ 127,064	\$ 36,146,929	\$ 111,867	\$ 31,393,844
Contributions and other revenues	-0-	384,892	-0-	605,502
Investment return, net	(16,833)	(4,876,174)	22,958	5,900,804
Transfer of administrative fees	-0-	(569,699)	-0-	(626,335)
Appropriation of endowment assets for expenditure	<u>(7,111)</u>	<u>(837,386)</u>	<u>(7,761)</u>	<u>(1,126,886)</u>
Endowment net assets, end of year	<u>\$ 103,120</u>	<u>\$ 30,248,562</u>	<u>\$ 127,064</u>	<u>\$ 36,146,929</u>

13. UNDERWATER ENDOWMENTS

From time to time, due to unfavorable market fluctuations, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. The Foundation has a policy that allows spending from underwater endowment funds, unless otherwise precluded by donor intent or relevant laws and regulations. At December 31, 2022, funds with original gift values of \$4,218,278, fair values of \$3,509,660, and deficiencies of \$708,618 were reported in net assets with donor restrictions. At December 31, 2021, no funds were reported as underwater in net assets with donor restrictions.

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NOTES TO FINANCIAL STATEMENTS
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14. LIQUIDITY

As part of the Foundation’s liquidity management, it structures its financial assets to be available as its awarded grants, general expenditures and other obligations become due. The Foundation invests cash in excess of daily requirements in cash and other short-term investments. Financial assets without donor restrictions available for general expenditures within one year of the Statement of Financial Position date comprise the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Operating cash	\$ 667,934	\$ 639,872
Operating investments	50,050	58,567
Other receivables	<u>-0-</u>	<u>75</u>
	<u>\$ 717,984</u>	<u>\$ 698,514</u>

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

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

The Foundation’s administrative endowment is subject to an annual spending rate of 6 percent. Although the Foundation does not intend to spend from this administrative endowment (other than amounts appropriated for general expenditure as part of the Board’s annual budget approval and appropriation), these amounts could be made available, if necessary.

The Foundation also relies on the administrative fees it charges its funds annually to fund operational expenditures. Fees range from 0.5% to 2.25% of fund balance for endowment funds and 2% to 15% of the gift value for pass-through, fiscal sponsorship and non-permanent funds.

PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

15. CONCENTRATIONS OF CREDIT RISK

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

The Foundation's investments are managed by several investment firms. Certain balances exceed the Securities Investor Protection Corporation insured limits of up to \$500,000.