

SCOTT COUNTY COMMUNITY FOUNDATION, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

CPAs / ADVISORS



SCOTT COUNTY COMMUNITY FOUNDATION, INC.

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
Scott County Community Foundation, Inc.
Scottsburg, Indiana

Opinion

We have audited the accompanying financial statements of Scott County Community Foundation, Inc. (the "Foundation") which comprise the statements of financial position as of September 30, 2023 and 2022 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 September 30, 2023 and 2022, 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 judgement 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 judgement, 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

December 12, 2023

SCOTT COUNTY COMMUNITY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2023 AND 2022

ASSETS

	2023	2022
Cash and cash equivalents	\$ 220,687	\$ 215,170
Certificate of deposit	53,567	52,931
Investments	10,923,481	9,749,208
Contribution receivable	-0-	200,000
Property and equipment, net	<u>95,828</u>	<u>98,678</u>
	<u>\$ 11,293,563</u>	<u>\$ 10,315,987</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$ 3,135	\$ 3,281
Custodial funds	<u>592,198</u>	<u>543,140</u>
Total liabilities	595,333	546,421

Net assets

Without donor restrictions:

Operating	189,865	189,312
Operating reserve	176,873	164,275
Board designated endowments:		
Administrative	471,181	445,287
Granting	<u>104,883</u>	<u>93,649</u>
	942,802	892,523

With donor restrictions:

Restricted for specified purposes	24,944	34,386
Restricted in perpetuity - endowment	7,867,710	7,700,600
Restricted subject to the Foundation's spending policy	<u>1,862,774</u>	<u>1,142,057</u>
	<u>9,755,428</u>	<u>8,877,043</u>
Total net assets	<u>10,698,230</u>	<u>9,769,566</u>
	<u>\$ 11,293,563</u>	<u>\$ 10,315,987</u>

See accompanying notes to financial statements.

SCOTT COUNTY COMMUNITY FOUNDATION, INC.

STATEMENTS OF ACTIVITIES
 YEAR ENDED SEPTEMBER 30, 2023
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support, revenues, and other				
Contributions	\$ 9,888	\$ 200,259	\$ 210,147	\$ 317,975
Investment return, net	86,343	1,210,487	1,296,830	(1,760,917)
Administrative fees	188,453	-0-	188,453	177,864
Miscellaneous income	23,897	-0-	23,897	41,666
Net assets released from restrictions	532,361	(532,361)	-0-	-0-
Total support and revenues	840,942	878,385	1,719,327	(1,223,412)
Expenses				
Program services	662,812	-0-	662,812	593,669
General and administrative	98,596	-0-	98,596	93,046
Fundraising	29,255	-0-	29,255	28,320
Total expenses	790,663	-0-	790,663	715,035
Change in net assets	50,279	878,385	928,664	(1,938,447)
Net assets, beginning of year	892,523	8,877,043	9,769,566	11,708,013
Net assets, end of year	<u>\$ 942,802</u>	<u>\$ 9,755,428</u>	<u>\$ 10,698,230</u>	<u>\$ 9,769,566</u>

See accompanying notes to financial statements.

SCOTT COUNTY COMMUNITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenues, and other			
Contributions	\$ 18,776	\$ 299,199	\$ 317,975
Investment return, net	(117,711)	(1,643,206)	(1,760,917)
Administrative fees	177,864	-0-	177,864
Miscellaneous income	41,666	-0-	41,666
Net assets released from restrictions	<u>463,684</u>	<u>(463,684)</u>	<u>-0-</u>
Total support and revenues	584,279	(1,807,691)	(1,223,412)
Expenses			
Program services	593,669	-0-	593,669
General and administrative	93,046	-0-	93,046
Fundraising	<u>28,320</u>	<u>-0-</u>	<u>28,320</u>
Total expenses	<u>715,035</u>	<u>-0-</u>	<u>715,035</u>
Change in net assets	(130,756)	(1,807,691)	(1,938,447)
Net assets, beginning of year	<u>1,023,279</u>	<u>10,684,734</u>	<u>11,708,013</u>
Net assets, end of year	<u><u>\$ 892,523</u></u>	<u><u>\$ 8,877,043</u></u>	<u><u>\$ 9,769,566</u></u>

See accompanying notes to financial statements.

SCOTT COUNTY COMMUNITY FOUNDATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023				2022			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Scholarships and other grants	\$ 382,729	\$ -0-	\$ -0-	\$ 382,729	\$ 325,467	\$ -0-	\$ -0-	\$ 325,467
Administrative fees	180,720	-0-	-0-	180,720	170,628	-0-	-0-	170,628
Salaries	73,943	63,861	11,404	149,208	74,436	60,248	10,757	145,441
Payroll taxes	5,673	4,900	875	11,448	5,672	4,591	820	11,083
Employee benefits	1,414	1,222	218	2,854	1,409	1,140	204	2,753
Annual report	210	210	180	600	199	199	171	569
Advertising	848	424	847	2,119	854	427	854	2,135
Conferences and meetings	783	671	784	2,238	1,022	876	1,023	2,921
Depreciation expense	1,914	2,233	2,233	6,380	1,737	2,027	2,027	5,791
Dues	579	579	497	1,655	545	545	468	1,558
Endowment development	-0-	-0-	1,313	1,313	-0-	-0-	1,516	1,516
Professional development	86	74	87	247	-0-	-0-	-0-	-0-
Equipment rental and maintenance	5,918	4,439	4,438	14,795	4,864	3,648	3,648	12,160
Insurance	2,562	1,922	1,922	6,406	2,472	1,854	1,853	6,179
Utilities	846	846	422	2,114	798	798	399	1,995
Office expense	2,483	2,633	2,129	7,245	1,681	2,327	1,441	5,449
Postage and shipping	979	196	783	1,958	917	183	734	1,834
Professional services	-0-	13,610	-0-	13,610	-0-	13,538	-0-	13,538
Special events	-0-	-0-	-0-	-0-	-0-	-0-	1,437	1,437
Telephone	526	263	525	1,314	517	258	517	1,292
Travel	599	513	598	1,710	451	387	451	1,289
	<u>\$ 662,812</u>	<u>\$ 98,596</u>	<u>\$ 29,255</u>	<u>\$ 790,663</u>	<u>\$ 593,669</u>	<u>\$ 93,046</u>	<u>\$ 28,320</u>	<u>\$ 715,035</u>

See accompanying notes to financial statements.

SCOTT COUNTY COMMUNITY FOUNDATION, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Operating activities		
Change in net assets	\$ 928,664	\$ (1,938,447)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	6,380	5,791
Reinvested interest and dividends received on investments	(336,364)	(459,076)
Realized and unrealized losses (gains) on investments	(1,086,258)	2,270,940
Contributions restricted to endowment funds	(149,430)	(282,075)
Changes in assets and liabilities:		
Contribution receivable	200,000	(200,000)
Accounts payable and accrued expenses	(146)	351
Custodial funds	<u>49,058</u>	<u>(103,244)</u>
Net cash flows from operating activities	(388,096)	(705,760)
Investing activities		
Purchase of equipment	(3,530)	(3,266)
Purchase of certificate of deposit	(53,567)	(52,931)
Maturities of certificate of deposit	52,931	52,614
Purchase of investments	(729,901)	(998,123)
Proceeds from sales of investments	<u>978,250</u>	<u>1,422,017</u>
Net cash flows from investing activities	244,183	420,311
Financing activities		
Contributions restricted to endowment funds	<u>149,430</u>	<u>282,075</u>
Net change in cash and cash equivalents	5,517	(3,374)
Cash and cash equivalents, beginning of year	<u>215,170</u>	<u>218,544</u>
Cash and cash equivalents, end of year	<u><u>\$ 220,687</u></u>	<u><u>\$ 215,170</u></u>

See accompanying notes to financial statements.

SCOTT COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Scott County Community Foundation, Inc. (the "Foundation") is a not-for-profit organization. The Foundation was established primarily to grow and preserve charitable gifts to strengthen Scott County by looking forward and giving back.

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

Operating reserve – used to fund emergency and strategic activities as determined by the Board

Board designated – used to fund future operations of the Foundation or for future grantmaking as designated by the Board

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

Restricted for specified 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

SCOTT COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

Restricted in perpetuity – endowment – all contributions to the Foundation with the intention of the donor that the assets be held in perpetuity and managed in accordance with the Foundation’s spending policy

Restricted subject to the Foundation’s spending policy – investment earnings on assets restricted in perpetuity – endowment and managed in accordance with the Foundation’s spending policy

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of 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 periods 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 thirty-nine years using the straight-line method.

Support, Revenues and Expense Recognition

Contributions, which include unconditional promises to give (contributions receivable), are recognized as revenues in the period the contribution is received or the promise is made. The contribution receivable is expected to be collected within one year.

Support and revenues are reported as increases in either net assets with or without donor restrictions in accordance with the classification of the fund as it relates to the Organization’s spending policy. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or

SCOTT COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

decreases in either net assets with or without donor restrictions in accordance with the classification of the fund.

All other revenue is recorded when earned.

Administrative Fees

Administrative fees are expensed from the funds to support the operations of the Foundation and are considered program expenses. Administrative fees from all funds are reflected as revenue on the Statements of Activities. The administrative fees from custodial funds (agency endowments) are not included as expenses on the Statements of Activities because they are included in the change in custodial funds.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the Statements of Activities and 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 attributed to more than one program or supporting function. Those expenses include salaries, payroll taxes, employee benefits, and various office and occupancy expenses. These expenses are allocated on the basis of estimates of time, effort and usage. While the methods of allocation are considered appropriate, other methods could produce different results.

Income Taxes

The Scott County Community Foundation, Inc. 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 September 30, 2023 and 2022, 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.

SCOTT COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

Reclassification

Certain prior year amounts have been reclassified to conform to the current method of presentation. Within net assets with donor restrictions, the Foundation has reclassified its financial statements to correctly reflect the portion restricted in perpetuity and the portion restricted subject to the Foundation's spending policy as of September 30, 2022. The reclassification resulted in a decrease in restricted in perpetuity by \$808,961 and an increase in restricted subject to the Foundation's spending policy of \$808,961, but the total of net assets with donor restrictions remained unchanged.

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 is December 12, 2023.

2. CERTIFICATE OF DEPOSIT

The Foundation's certificate of deposit consists of the following at September 30, 2023 and 2022:

2023			2022		
Amount	Maturity	Interest Rate	Amount	Maturity	Interest Rate
<u>\$ 53,567</u>	2/5/2024	3.94%	<u>\$ 52,931</u>	8/29/2024	0.40%

SCOTT COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

3. INVESTMENTS

Investments are reported at fair value and consist of the following at September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash and money market funds	\$ 103,017	\$ 71,088
Mutual funds		
U.S. equities		
Large	2,581,409	2,176,480
International equities		
Large	1,314,616	1,010,267
Growth real estate	685,945	615,770
Aggressive small/mid	1,162,986	1,085,318
Aggressive international	335,144	523,395
Energy/natural resources	937,661	756,046
Fixed income		
Short term	471,568	458,246
Intermediate	871,445	853,537
Treasury inflation protected	410,553	406,521
International bonds	518,761	498,470
Exchange traded funds		
Large	643,636	675,498
Small/mid	<u>886,740</u>	<u>618,572</u>
	<u>\$ 10,923,481</u>	<u>\$ 9,749,208</u>

4. RISKS AND UNCERTAINTIES

The Foundation holds investments (Note 3). Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably 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.

SCOTT COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2023 and 2022.

- *Mutual funds and exchange traded funds:* Valued at the daily closing price as reported by the funds. Mutual funds and exchange traded funds ("funds") held by the Foundation are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The funds held by the Foundation are deemed to be actively traded.

SCOTT COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

The following tables set forth financial assets measured at fair value in the Statements of Financial Position and the respective levels to which the fair value measurements are classified within the fair value hierarchy on a recurring basis at September 30, 2023 and 2022:

	2023		2022	
	Fair Value	Level 1	Fair Value	Level 1
Assets:				
Mutual funds	\$ 9,290,088	\$ 9,290,088	\$ 8,384,050	\$ 8,384,050
Exchange traded funds	<u>1,530,376</u>	<u>1,530,376</u>	<u>1,294,070</u>	<u>1,294,070</u>
Total assets at fair value	<u>\$ 10,820,464</u>	<u>\$ 10,820,464</u>	<u>\$ 9,678,120</u>	<u>\$ 9,678,120</u>

6. PROPERTY AND EQUIPMENT

A summary of property and equipment at September 30, 2023 and 2022 is as follows:

	2023	2022
Property and equipment	\$ 251,772	\$ 250,581
Less accumulated depreciation	<u>(155,944)</u>	<u>(151,903)</u>
	<u>\$ 95,828</u>	<u>\$ 98,678</u>

7. CUSTODIAL FUNDS

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

SCOTT COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

Following is a progression of custodial funds during 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 543,140	\$ 646,384
Contributions	850	21,083
Investment return, net	75,234	(103,198)
Administrative fees	(7,733)	(7,236)
Grant payments	<u>(19,293)</u>	<u>(13,893)</u>
Ending balance	<u>\$ 592,198</u>	<u>\$ 543,140</u>

8. NET ASSETS RELEASED FROM RESTRICTIONS

Endowment funds appropriated for expenditure and released from donor restrictions for the years ended September 30, 2023 and 2022 were \$532,361 and \$463,684, respectively. Endowment funds appropriated for expenditure primarily consist of grants, as well as fees and other program expenses.

9. ENDOWMENT

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

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulation to the contrary. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted 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

SCOTT COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

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

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

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for granting purposes while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must use for a donor-specified purpose as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce long-term growth of capital without undue exposure to risk. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately 8 percent annually. Actual returns in any given year may vary from this amount.

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

The Foundation has a policy of appropriating for distribution each year 4 percent of its endowment funds' average fair value over the prior 20 quarters, 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.

Endowed funds by net asset type at September 30, 2023 and 2022 were as follows:

	2023		2022	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Board Designated Funds	\$ 576,064	\$ -0-	\$ 538,936	\$ -0-
Donor Restricted Funds	<u>-0-</u>	<u>9,730,484</u>	<u>-0-</u>	<u>8,842,657</u>
	<u>\$ 576,064</u>	<u>\$ 9,730,484</u>	<u>\$ 538,936</u>	<u>\$ 8,842,657</u>

SCOTT COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

Changes in endowed funds for the years ended September 30, 2023 and 2022 were as follows:

	2023		2022	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
	Endowment net assets, beginning of year	\$ 538,936	\$ 8,842,657	\$ 704,092
Contributions and other revenues	-0-	149,430	-0-	282,075
Investment return, net	84,569	1,209,870	(118,228)	(1,643,206)
Interfund activity, net	-0-	(14,052)	-0-	3,946
Appropriation of endowment assets for expenditure	(47,441)	(457,421)	(46,928)	(413,417)
Endowment net assets, end of year	\$ 576,064	\$ 9,730,484	\$ 538,936	\$ 8,842,657

10. LIQUIDITY AND AVAILABILITY

As part of the Foundation's liquidity management, it structures its financial assets to be available as its awarded grants, general expenditures, and other obligations become due. The Foundation invests cash in excess of daily requirements in money market accounts and other short-term investments. Financial assets available for general expenditures within one year of the Statements of Financial Position date comprise the following as of September 30, 2023 and 2022:

	2023	2022
Operating cash and cash equivalents	\$ 193,180	\$ 180,359
Certificate of deposit	53,567	-0-
Operating investments	27,298	26,925
	\$ 274,045	\$ 207,284

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

The administrative endowment is subject to an annual spending rate of 4 percent as described in Note 9. 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.

SCOTT COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

The Foundation relies on the administrative fees it charges its funds annually which are 1.25 to 2 percent of the fund balance to fund operational expenditures. The Organization also has an operating reserve with the intention that it not be depleted and only used for reserve funding of operations when needed.

11. 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.

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