LAFAYETTE DIOCESAN FOUNDATION, INC.

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

DECEMBER 31, 2022 AND 2021

Lafayette
Diocesan Foundation, Inc.
An Indiana Corporation with a Board of Directors

GREENWALT CPAs

We Deliver Peace of Mind

LAFAYETTE DIOCESAN FOUNDATION, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Lafayette Diocesan Foundation, Inc.:

Opinion

We have audited the accompanying financial statements of Lafayette Diocesan Foundation, Inc. (the Foundation), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities 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 Auditors' 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.

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

Greenwalt CPAs, Inc.

May 24, 2023

ASSETS

	2022	2021
Cash	$ 263,351	$ 545,280
Investments	20,307,279	23,994,547
Total assets	$ 20,570,630	$ 24,539,827

LIABILITIES AND NET ASSETS

	2022	2021
LIABILITIES		
Grants payable	$ 2,170,449	$ 2,001,525
Gift annuities payable		
Annual payment obligations	113,199	125,884
Residual payable	129,891	191,290
Charitable remainder trusts payable		
Annual payment obligations	473,529	620,177
Residual payable	60,698	72,910
Other	71,574	23,020
Total liabilities	3,019,340	3,034,806
NET ASSETS		
Without donor restrictions		
Undesignated	1,987,572	2,632,527
Designated	96,148	96,148
Total net assets without donor restrictions	2,083,720	2,728,675
With donor restrictions	15,467,570	18,776,346
Total net assets	17,551,290	21,505,021
Total liabilities and net assets	$ 20,570,630	$ 24,539,827

LAFAYETTE DIOCESAN FOUNDATION, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2022

WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	2022 TOTAL	2021 TOTAL
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	$ 25,398	$ 1,256,362	1,281,760	$ 907,066
In-kind contributions	68,513	-	68,513	65,075
Investment return, net	(521,561)	(3,908,128)	(4,429,689)	2,940,805
Change in value of gift annuities payable	-	37,065	37,065	65,451
Change in value of charitable remainder trusts	-	85,957	85,957	(220,662)
Net assets released from restrictions	880,032	(880,032)	-	-
Total revenues, gains and other support	452,382	(3,408,776)	(2,956,394)	3,757,735
EXPENSES				
Grants	1,009,142	-	1,009,142	1,008,803
General and administrative	88,195	-	88,195	84,267
Total functional expenses	1,097,337	-	1,097,337	1,093,070
CHANGE IN NET ASSETS	(644,955)	(3,408,776)	(4,053,731)	2,664,665
TRANSFER IN OF NET ASSETS	-	100,000	100,000	102,967
NET ASSETS, BEGINNING OF YEAR	2,728,675	18,776,346	21,505,021	18,737,389
NET ASSETS, END OF YEAR	$ 2,083,720	$ 15,467,570	$ 17,551,290	$ 21,505,021

LAFAYETTE DIOCESAN FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUES, GAINS AND OTHER SUPPORT			
Contributions	$ 2,999	$ 904,067	$ 907,066
In-kind contributions	65,075	-	65,075
Investment return, net	353,525	2,587,280	2,940,805
Change in value of gift annuities payable	-	65,451	65,451
Change in value of charitable remainder trusts	-	(220,662)	(220,662)
Net assets released from restrictions	905,692	(905,692)	-
Total revenues, gains and other support	1,327,291	2,430,444	3,757,735
EXPENSES			
Grants	1,008,803	-	1,008,803
General and administrative	84,267	-	84,267
Total expenses	1,093,070	-	1,093,070
CHANGE IN NET ASSETS	234,221	2,430,444	2,664,665
TRANSFER IN OF NET ASSETS	-	102,967	102,967
NET ASSETS, BEGINNING OF YEAR	2,494,454	16,242,935	18,737,389
NET ASSETS, END OF YEAR	$ 2,728,675	$ 18,776,346	$ 21,505,021

INCREASE IN CASH

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributors	$ 1,280,827	$ 852,971
Cash paid to vendors and grantees	(811,346)	(883,923)
Investment income received, net of investment fees	121,441	(8,366)
Net cash provided by (used in) operating activities	590,922	(39,318)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,738,331)	(970,515)
Proceeds from sales of investments	875,402	1,277,758
Net cash provided by (used in) investing activities	(862,929)	307,243
CASH FLOWS FROM FINANCING ACTIVITIES		
Transfer in of net assets for restricted purposes	100,000	102,967
Payments on annuity obligations	(109,922)	(73,473)
Net cash provided by (used in) financing activities	(9,922)	29,494
CHANGE IN CASH	(281,929)	297,419
CASH, BEGINNING OF YEAR	545,280	247,861
CASH, END OF YEAR	$ 263,351	$ 545,280
NONCASH OPERATING ACTIVITIES		
In-kind contributions	$ 68,513	$ 65,075
NONCASH INVESTING ACTIVITIES		
Donated stock	$ 933	$ 54,095

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

	2022	2021
CHANGE IN NET ASSETS	$ (4,053,731)	$ 2,664,665
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Change in value of gift annuities payable	(37,065)	(65,451)
Change in value of charitable remainder trusts payable	(85,957)	220,662
Net realized and unrealized (gain) loss on investments	4,551,130	(2,949,171)
Donated stock	(933)	(54,095)
Increase (decrease) in operating liabilities		
Grants payable	168,924	147,831
Other	48,554	(3,759)
Total adjustments	4,644,653	(2,703,983)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 590,922	$ (39,318)

1. Nature of Activities

The Lafayette Diocesan Foundation, Inc. (the Foundation) was incorporated as a not-for-profit organization under the laws of the State of Indiana. The Foundation was organized exclusively for religious, charitable, educational and scientific purposes. The Foundation's main sources of revenue are from contributions and investment market returns.

The mission of the Foundation is to encourage and facilitate the growth and development of the Catholic Church in the Diocese of Lafayette-in-Indiana by:

- Promoting and assisting in securing new endowment funds.
- Providing information to prospects contemplating charitable gifts.
- Serving as advisors for the management of endowment funds to maximize returns with prudent investment practices.
- Encouraging responsible stewardship through regular communications with the Pastoral Office for Stewardship and Development, and
- Marketing.

2. Summary of Significant Accounting Policies

Basis of Accounting and Use of Estimates

The financial statements of the Foundation have been prepared on the accrual basis of accounting. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and expenses during the reporting period. Actual results could vary from the estimates that were used.

Cash and Cash Equivalents

The Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2022 and 2021. The Foundation maintains cash balances at commercial banks. Accounts at the banks are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At December 31, 2022, the Foundation maintained a cash balance within FDIC limits. At December 31, 2021, the Foundation maintained cash balances in excess of the FDIC limits by approximately $309,000.

Investments and Investment Return

Investments are carried at fair value for financial reporting purposes. Contributed investments are recorded at the fair value of each investment on the date it is received. Changes in fair value of investments are reflected in the statement of activities in the period in which such changes occur. Realized gains or losses upon the sale of investments are based on the cost of specifically identified securities. Interest and dividend income is recorded when earned.

Investment return is recorded as an increase or decrease in net assets without donor restrictions unless its use is restricted by donors to a specified purpose or future period.

2. Summary of Significant Accounting Policies, Continued

Grants Payable

The Foundation holds funds for various Diocesan entities for the purpose of investment and return. The spending rate for these endowment funds is no more than 6% of average total investable assets on a rolling 3-year basis. The allocable earnings are reported as grants payable and are due within one year.

Charitable Gift Annuities

The Foundation has established a gift annuity program whereby donors may contribute assets to the Foundation in exchange for the right to receive a predetermined annual return during their lifetime or they may assign that right to a designated beneficiary. A portion of the original transfer amount is considered to be a charitable contribution for income tax purposes. The difference between the amount provided for the gift annuity and the present value of the liability for future payments, determined on an actuarial basis, is recognized as a contribution with donor restrictions at the date of the gift. There were no charitable gift annuity donations in 2022 or 2021.

The calculation of the present value of the future benefits to be distributed to the beneficiaries is performed using discount rates ranging from 1.4% to 6.0% and the applicable mortality table. Payments are made quarterly, semi-annually or annually. The annuity liability is revalued annually based upon actuarially computed present values. The resulting actuarial gain (loss) is recorded as an increase or decrease in revenues, gains or other support with donor restrictions in the statement of activities.

Also, as part of the Foundation's gift annuity program, the donor is given the right to name an outside third party (an organization other than the Foundation) as the final beneficiary. When the Foundation is not named as the final beneficiary, the difference between the amount provided for the gift annuity and the present value of the liability for future payments, determined on an actuarial basis, is recorded as a residual payable.

At December 31, 2022 and 2021, $113,199 and $125,884, respectively, is recorded in the statement of financial position at fair value as the annual payment obligations of gift annuities payable. The final amount of the gift annuities that are expected to be paid out to organizations other than the Foundation upon the death of the annuitant at December 31, 2022 and 2021, is $129,891 and $191,290, respectively, and is recorded in the statement of financial position at fair value as the residual payable of gift annuities payable.

The fair value of the investments held for the future payment of the annuity liabilities was $291,134 and $383,743 at December 31, 2022 and 2021, respectively, and is included in investments in the statement of financial position.

Charitable Remainder Trusts

The Foundation, serving as the trustee, administers two charitable remainder trusts. Both were created during 2014. The trusts provide for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (designated by the beneficiary's lifetime). At the end of the trusts' terms, the remaining assets are available for the Foundation's use.

The portion of the charitable remainder trust attributable to the present value of future benefits to be received by the Foundation is reported in the statement of activities as contributions with donor restrictions in the period the trust is established.

2. Summary of Significant Accounting Policies, Continued

Charitable Remainder Trusts, Continued

In one of the trusts, the donor also named outside third parties (organizations other than the Foundation) as additional final beneficiaries for 50% of the residual trust amount. The difference between the assets provided for the trust and the present value of the liability for future payments, determined on an actuarial basis, multiplied by the third-party beneficiaries' 50% interest, is recorded as a residual payable.

Assets held in trust total $893,450 and $1,134,774 at December 31, 2022 and 2021, respectively, and are included in investments in the statement of financial position. On an annual basis, the Foundation revalues the liability for distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments to beneficiaries at December 31, 2022 and 2021 amounts to $473,529 and $620,177, respectively, and is recorded in the statements of financial position as the annual payment obligations of charitable remainder trusts payable. The final amount of the charitable remainder trusts that is expected to be paid out to organizations other than the Foundation upon the death of the beneficiaries at December 31, 2022 and 2021 is $60,698 and $72,910, respectively, and is recorded on the statements of financial position as the residual payable of charitable remainder trusts. The fair value of the estimated future payments is calculated using a discount rate of 2.2% and the applicable mortality tables.

Net Assets

The Foundation maintains the following classifications of net assets:

Without Donor Restrictions

These are resources available to support operations. The only limits on the use of this category of net assets are the broad limits resulting from the nature of the Foundation, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. The Foundation maintains two funds in the net assets without donor restrictions class, as follows:

Undesignated - Funds used for general operations.

Designated - Funds that have been designated for use as directed by the Bishop or Board of Directors. See Note 5.

With Donor Restrictions

These are resources that are restricted by the donor for use for a particular purpose or in a particular future period. The Foundation's unspent contributions are classified in this class if the donor limited their use, as is the unspent appreciation of its donor restricted endowment fund. See Note 5.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as contributions with donor restrictions until the specified asset is placed in service by the Foundation, unless the donor provides more specific directions about the period of its use.

2. Summary of Significant Accounting Policies, Continued

Contributions

Contributions are recognized as support in the period promised.

Support that is not restricted by the donor is reported as an increase in net assets without donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions.

Donated Services

Contributions of services are recognized as revenue at their estimated fair value when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated.

The Foundation's accounting and general management functions are performed by the Central Administration of the Roman Catholic Diocese of Lafayette-in-Indiana, Inc. (Administration) and the value of the in-kind services was $68,513 and $65,075 in 2022 and 2021, respectively. Donated services are valued at the salary and wage rates of the employees performing these functions. These services are considered general and administrative in nature.

Expense Allocation

Expenses have been classified based on the actual direct expenditures as well as cost allocation based on estimates of time and usage by the Foundation's programs. Expenses are allocated between grants and general and administrative. The grant programmatic expenses were 92.0% and 92.3% of the total expenses for 2022 and 2021, respectively. The Foundation had the following expense allocations for the years ended December 31:

	2022		
	Grants	General and Administrative	Total
Grants and annuity payments	$ 1,009,142	$ -	$ 1,009,142
Professional fees	-	19,682	19,682
Other	-	68,513	68,513
Total funds	$ 1,009,142	$ 88,195	$ 1,097,337

	2021		
	Grants	General and Administrative	Total
Grants and annuity payments	$ 1,008,803	$ -	$ 1,008,803
Professional fees	-	19,192	19,192
Other	-	65,075	65,075
Total funds	$ 1,008,803	$ 84,267	$ 1,093,070

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

INCOME TAXES

The Foundation is organized as a not-for-profit corporation and is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and similar state law and has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

As a religious organization, the Foundation is not required to file annual Federal or state information returns.

SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 24, 2023, which is the date the financial statements were available to be issued.

NEW ACCOUNTING PRONOUNCEMENTS

In 2022, the Foundation adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. See Note 1 description above.

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Foundation adopted the standard effective January 1, 2022; however, the standard had no impact on the Foundation's financial statements as of December 31, 2022.

3. AVAILABLE RESOURCES AND LIQUIDITY

The Foundation strives to maintain sufficient operating cash to cover annual grant, gift annuity, and remainder trust obligations. Due to the irregular nature of cash flow as a result of fundraising and the investment market, cash reserves can vary significantly throughout the year.

The following table reflects the Foundation's financial assets as of December 31, 2022 and 2021, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor restrictions or internal board designations. Amounts not available include a board-designated endowment fund that is intended to fund annual grant activities to various Diocesan entities. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through the action of the Board of Directors.

3. Available Resources and Liquidity, Continued

Net assets without donor restrictions or designations represent an operating reserve of approximately 21.2 months and 28.9 months as of December 31, 2022 and 2021, respectively.

	2022	2021
Financial assets at year-end		
Cash	$ 263,351	$ 545,280
Investments	20,307,279	23,994,547
Total financial assets	20,570,630	24,539,827
Less amounts not available to be used within one year		
Gift annuity obligations and residuals payable	(243,090)	(317,174)
Charitable remainder trust obligations and residuals payable	(534,227)	(693,087)
Board-designated endowment funds	(96,148)	(96,148)
Net assets with donor restrictions	(15,467,570)	(18,776,346)
Financial assets not available to be used with one year	(16,341,035)	(19,882,755)
Financial assets available to meet cash needs for general expenditures within one year	$ 4,229,595	$ 4,657,072

4. Investments

	2022	2021
Cash	$ 480,774	$ 230,355
Common stocks (U.S. and International)		
Large cap growth	1,060,093	1,409,386
Other U.S. equities	47,208	57,539
Total common stocks	1,107,301	1,466,925
Mutual funds		
PIMCO – Total Return ESG fund	4,588,209	5,456,115
Common trust funds		
MSCI ACWI screened index fund	3,653,167	4,362,299
Russell 3000 screened index fund	10,477,828	12,478,853
Total common trust funds	14,130,995	16,841,152
	$ 20,307,279	$ 23,994,547

The Foundation's investments are professionally managed by third parties.

4. Investments, Continued

Investment Returns

The following schedule summarizes investment return (losses) for all investments of the Foundation for the years ended December 31:

	2022	2021
Interest and dividend income	$ 219,296	$ 112,623
Realized and unrealized gains (losses)	(4,551,130)	2,949,171
Investment management fees	(97,855)	(120,989)
Investment return, net	$ (4,429,689)	$ 2,940,805

5. Net Assets

Designated for Endowment

Included in net assets without donor restrictions are six funds which have been designated at the request of the Bishop. Each fund was established with an initial balance of $10,000. The investment return from each fund is designated for a specific purpose.

The portion of the funds that will be utilized annually for the purposes for which the fund was established is up to 5% of the beginning of the year balance, determined by the market value on a rolling 36 month average. The total of the six funds is $96,148 at December 31, 2022 and 2021.

With Donor Restrictions

Net assets with donor restrictions are available to support the following purposes at December 31:

	2022	2021
Charitable remainder trusts and gift annuities	$ 407,267	$ 508,255
Endowment funds	14,860,749	17,914,604
Purpose restrictions	199,554	353,487
	$ 15,467,570	$ 18,776,346

Released From Restrictions

Net assets were released from donor restrictions as follows during the years ended December 31:

	2022	2021
Grants and awards from endowment funds	$ 783,816	$ 834,803
Administrative fees allocated to endowment funds	17,353	16,476
Purpose restrictions met	78,863	54,413
	$ 880,032	$ 905,692

5. Net Assets, Continued

Transfer in of Net Assets

During 2022, the Administration transferred net asset funds of $100,000 to the Foundation to establish fund for education. During 2021, the Administration transferred net asset funds of $102,967 to establish a fund to support youth programs in the Diocese. Variance power related to the funds was granted to the Foundation. The funds will maintain the restrictions initially imposed by the donors.

6. Endowment Funds

The Foundation's endowment consists of board designated and donor restricted funds established to support a variety of charitable purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Application of UPMIFA

Management 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 stipulations to the contrary. As a result of the interpretation, the Foundation classifies as net assets held in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulation to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulations are added to the fund. At the present time, the Foundation does not have any endowments held in perpetuity.

The Foundation does have a number of funds with donor restrictions that are restricted for particular purposes and that have been designated by the Board of Directors to function as endowments. These are classified as donor restricted endowment funds.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

(1) The duration and preservation of the donor restricted endowment funds

(2) The purposes of the Foundation and the donor restricted endowment funds

(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

6. ENDOWMENT FUNDS, CONTINUED

RETURN OBJECTIVES AND RISK PARAMETERS

The Foundation has adopted investment and spending policies for assets held for endowment that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the fair value of the endowment assets. Assets held for endowment funds include those assets of donor restricted funds designated to function as endowment (term endowment funds), as well as funds without donor restrictions designated to function as endowment (board designated endowment funds). Under this policy, as approved by the Board of Directors, the endowed investments are invested in a manner that is intended to produce a total return which protects the purchasing power of the endowed investments and which allows a spending rate of up to 6.0% of the market value on a rolling 36 month average. The Foundation evaluates its investments by comparing actual investment performance to various applicable benchmarks. The Foundation expects its endowment investments to meet or exceed these benchmarks over time. Actual returns in any given year may vary from these benchmarks.

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

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

SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

The Foundation has a policy for its donor restricted endowment funds of appropriating for distribution each year up to 5.0% of the market value on a rolling 36-month average and up to 1% for administrative expenses. In establishing this policy, the Foundation considered the long-term expected return on its assets held for endowment funds. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment funds to grow.

This is consistent with the Foundation's objective to maintain the fair value of the endowment fund assets as well as to provide additional real growth through new gifts and investment return.

The change in endowment net assets and composition are as follows for the years ended December 31:

	2022		
	Designated	Donor Restricted	Total
Endowment net assets, beginning of year	$ 96,148	$ 17,914,604	$ 18,010,752
Contributions	-	1,256,362	1,256,362
Transfer in of net assets	-	100,000	100,000
Investment loss, net	-	(3,587,777)	(3,587,777)
Distributions and other changes	-	(822,440)	(822,440)
Endowment net assets, end of year	$ 96,148	$ 14,860,749	$ 14,956,897

6. ENDOWMENT FUNDS, CONTINUED

	2021		
	Designated	Donor Restricted	Total
Endowment net assets, beginning of year	$ 96,148	$ 15,389,018	$ 15,485,166
Contributions	-	904,066	904,066
Transfer in of net assets	-	102,967	102,967
Investment return, net	-	2,322,799	2,322,799
Distributions and other changes	-	(804,246)	(804,246)
Endowment net assets, end of year	$ 96,148	$ 17,914,604	$ 18,010,752

7. FAIR VALUE MEASUREMENTS

Accounting Standards for Fair Value Measurement define fair value as the price that would be received for an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. Those standards also establish a three-level fair value hierarchy for disclosure that prioritizes valuations based on whether the significant inputs used to estimate fair value are observable, giving highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and lowest priority to valuations primarily based on unobservable inputs (level 3 measurements). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

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.

- *Common stocks*: Valued at the closing price reported on the active market on which the individual securities are traded.
- *Mutual funds*: Valued at the daily closing prices as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds registered with the Securities and Exchange Commission.

  These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.
- *Common Trust Funds*: Valued at the NAV reported by the fund.
- *Gift annuities payable:* Valued at the present value of the future benefits expected to be distributed to beneficiaries using applicable mortality tables and discount rates commensurate with the expected terms of the agreements.
- *Charitable remainder trusts payable*: Valued at the present value of the future benefits expected to be distributed to beneficiaries using applicable mortality tables and discount rates commensurate with the expected terms of the agreements.

7. FAIR VALUE MEASUREMENTS, CONTINUED

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

Pursuant to Accounting Standards Update 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value Per Share*, investments in common trust funds, if any, are valued at their respective net asset value and are not classified within the fair value hierarchy.

The following table sets forth, within the hierarchy, the Foundation's assets and liabilities measured at fair value on a recurring basis as of December 31, 2022:

	Level 1	Level 2	Level 3	Total
Investments				
Common stocks				
Large cap value	$ 1,060,093	$ -	$ -	$ 1,060,093
Other US equities	47,208	-	-	47,208
Mutual funds				
PIMCO – ESG fund	4,588,209	-	-	4,588,209
Common trust funds				
MSCI ACWI screened index fund				3,653,167
Russell 3000 screened index fund				10,477,828
Total investments	$ 5,695,510	$ -	$ -	$ 19,826,505
Liabilities				
Gift annuities payable				
Annual payment obligations	$ -	$ -	$ 113,199	$ 113,199
Residual payable	-	-	129,891	129,891
Total gift annuities payable	-	-	243,090	243,090
Charitable remainder trusts payable				
Annual payment obligations	-	-	473,529	473,529
Residual payable	-	-	60,698	60,698
Total charitable remainder trusts payable	-	-	534,227	534,227
Total liabilities	$ -	$ -	$ 777,317	$ 777,317

7. Fair Value Measurements, Continued

The following table sets forth, within the hierarchy, the Foundation's assets and liabilities measured at fair value on a recurring basis as of December 31, 2021:

	Level 1	Level 2	Level 3	Total
Investments				
Common stocks				
Large cap value	$ 1,409,386	$ -	$ -	$ 1,409,386
Other US equities	57,539	-	-	57,539
Mutual funds				
PIMCO – ESG fund	5,456,115	-	-	5,456,115
Common trust funds				
MSCI ACWI screened index fund				4,362,299
Russell 3000 screened index fund				12,478,853
Total investments	$ 6,923,040	$ -	$ -	$ 23,764,192
Liabilities				
Gift annuities payable				
Annual payment obligations	$ -	$ -	$ 125,884	$ 125,884
Residual payable	-	-	191,290	191,290
Total gift annuities payable	-	-	317,174	317,174
Charitable remainder trusts payable				
Annual payment obligations	-	-	620,177	620,177
Residual payable	-	-	72,910	72,910
Total charitable remainder trusts payable	-	-	693,087	693,087
Total liabilities	$ -	$ -	$ 1,010,261	$ 1,010,261

The Foundation's policy is to recognize transfers between levels as of the end of the reporting period. There were no transfers among levels during 2022 and 2021. In addition, all cash and cash equivalents held as a part of the investment portfolio are for long term investing purposes and are recorded at cost.

7. Fair Value Measurements, Continued

The change in financial assets and liabilities with significant unobservable (Level 3) inputs is as follows for the years ended December 31:

	2022	
	Gift Annuities Payable	CRT's Payable
Beginning balance	$ 317,174	$ 693,087
Contributions	-	-
Payments made to annuitants	(37,019)	(72,903)
Payments made to residual beneficiaries	-	-
Actuarial gains on annuity obligations	-	-
Change in value of split-interest agreements	(37,065)	(85,957)
Ending balance	$ 243,090	$ 534,227

	2021	
	Gift Annuities Payable	CRT's Payable
Beginning balance	$ 262,318	$ 535,304
Contributions	-	-
Payments made to annuitants	(10,595)	(62,879)
Payments made to residual beneficiaries	-	-
Actuarial gains on annuity obligations	65,451	-
Change in value of split-interest agreements	-	220,662
Ending balance	$ 317,174	$ 693,087

8. Risks and Uncertainties

The Foundation's investments (Note 4) 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. As the Foundation's investments are 98.7% of their total assets this results in a risk of a decline in investment value by way of unforeseen market activity.