**UNITED WAY OF DEKALB COUNTY, INC.**
**AUBURN, INDIANA**

**FINANCIAL STATEMENTS**
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

United Way
of DeKalb County

**Contents**

Hamil, Lehman
& England, PC
CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditor's Report

To the Board of Directors
of United Way of Dekalb County, Inc.

### Opinion

We have audited the accompanying financial statements of United Way of Dekalb County, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 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 United Way of Dekalb County, Inc. as of June 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 United Way of Dekalb County, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 United Way of Dekalb County, Inc.'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 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 United Way of Dekalb County, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about United Way of Dekalb County, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Harril, Lehman & England, PC

Fort Wayne, Indiana
October 30, 2023

**United Way of DeKalb County, Inc.**
**Statements of Financial Position**
**June 30, 2023 and 2022**

| | 2023 | 2022 |
|---|---|---|
| **ASSETS** | | |
| **Current assets:** | | |
| Cash | $ 503,389 | $ 508,374 |
| Certificate of deposit | 50,000 | 125,356 |
| Pledges receivable, net of allowance of $78,288 (2023) and $93,863 (2022) | 248,169 | 279,325 |
| Grants receivable | 38,933 | - |
| Prepaid expense | 5,433 | 5,974 |
| Total current assets | 845,924 | 919,029 |
| **Noncurrent assets:** | | |
| Beneficial interest in assets held by The Community Foundation of DeKalb County | 434,564 | 398,562 |
| Property and equipment, net | 53,910 | 62,550 |
| Right-of-use assets, operating leases | 36,353 | - |
| | 524,827 | 461,112 |
| **Total assets** | $ 1,370,751 | $ 1,380,141 |
| **LIABILITIES AND NET ASSETS** | | |
| **Current liabilities:** | | |
| Accounts payable | $ 25,209 | $ 18,963 |
| Designations payable | 13,745 | 16,249 |
| Accrued expenses | 4,849 | 13,537 |
| Current maturities of operating lease liabilities | 17,422 | - |
| Total current liabilities | 61,225 | 48,749 |
| **Operating lease liabilities, net of current maturities** | 17,473 | - |
| Total liabilities | 78,698 | 48,749 |
| **Net assets:** | | |
| Without donor restrictions | 692,914 | 771,717 |
| With donor restrictions | 599,139 | 559,675 |
| Total net assets | 1,292,053 | 1,331,392 |
| **Total liabilities and net assets** | $ 1,370,751 | $ 1,380,141 |

*See accompanying notes*

**United Way of DeKalb County, Inc.**
**Statement of Activities**
**For the year ended June 30, 2023**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Revenues, gains and other support:** | | | |
| Campaign contributions | $ 295,279 | $ 313,797 | $ 609,076 |
| Donor designations | (16,514) | - | (16,514) |
| Provision for uncollectible pledges | (65,628) | - | (65,628) |
| Campaign contributions, net | 213,137 | 313,797 | 526,934 |
| Grants and other contributions | 36,677 | 38,933 | 75,610 |
| Contributed nonfinancial assets | 31,521 | - | 31,521 |
| Fundraising events | 46,443 | - | 46,443 |
| Service fees | 2,477 | - | 2,477 |
| Change in value of beneficial interest in assets held by the Community Foundation of DeKalb County | 36,002 | - | 36,002 |
| Rental income | 4,800 | - | 4,800 |
| Interest income | 8,823 | - | 8,823 |
| Net assets released from restrictions | 313,266 | (313,266) | - |
| Total revenues, gains and other support | 693,146 | 39,464 | 732,610 |
| **Functional expenses:** | | | |
| Program expenses | 569,977 | - | 569,977 |
| Management and general | 129,668 | - | 129,668 |
| Fundraising | 72,304 | - | 72,304 |
| Total functional expenses | 771,949 | - | 771,949 |
| **Change in net assets** | (78,803) | 39,464 | (39,339) |
| **Net assets – beginning of year** | 771,717 | 559,675 | 1,331,392 |
| **Net assets – end of year** | $ 692,914 | $ 599,139 | $ 1,292,053 |

*See accompanying notes*

**United Way of DeKalb County, Inc.**
**Statement of Activities**
**For the year ended June 30, 2022**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Revenues, gains and other support:** | | | |
| Campaign contributions | $ 289,304 | $ 310,324 | $ 599,628 |
| Donor designations | (19,433) | - | (19,433) |
| Provision for uncollectible pledges | (66,063) | - | (66,063) |
| Campaign contributions, net | 203,808 | 310,324 | 514,132 |
| Grants and other contributions | 56,935 | 29,704 | 86,639 |
| Contributed nonfinancial assets | 8,637 | - | 8,637 |
| Fundraising events | 41,498 | - | 41,498 |
| Service fees | 5,228 | - | 5,228 |
| Change in value of beneficial interest in assets held by the Community Foundation of DeKalb County | (64,818) | - | (64,818) |
| Rental income | 4,800 | - | 4,800 |
| Interest income | 1,540 | - | 1,540 |
| Net assets released from restrictions | 391,974 | (391,974) | - |
| Total revenues, gains and other support | 649,602 | (51,946) | 597,656 |
| **Functional expenses:** | | | |
| Program expenses | 583,246 | - | 583,246 |
| Management and general | 155,226 | - | 155,226 |
| Fundraising | 85,962 | - | 85,962 |
| Total functional expenses | 824,434 | - | 824,434 |
| **Change in net assets** | (174,832) | (51,946) | (226,778) |
| **Net assets – beginning of year** | 946,549 | 611,621 | 1,558,170 |
| **Net assets – end of year** | $ 771,717 | $ 559,675 | $ 1,331,392 |

*See accompanying notes*

**United Way of DeKalb County, Inc.**
**Statement of Functional Expenses**
**For the year ended June 30, 2023**

| | Program Expense | Management and General | Fund-raising | Total |
|---|---|---|---|---|
| Community investment | $ 428,261 | $ - | $ - | $ 428,261 |
| Salaries and wages | 82,955 | 38,137 | 22,892 | 143,984 |
| Employee benefits | 2,571 | 1,182 | 709 | 4,462 |
| Payroll taxes | 6,738 | 3,098 | 1,859 | 11,695 |
| Worker's compensation | 224 | 103 | 62 | 389 |
| Total salaries, wages and related expenses | 92,488 | 42,520 | 25,522 | 160,530 |
| Bank charges | - | 47 | - | 47 |
| Depreciation | 3,888 | 3,888 | 864 | 8,640 |
| Dues and subscriptions | 238 | 239 | 53 | 530 |
| Insurance | 2,177 | 2,177 | 484 | 4,838 |
| Marketing and advertising | 3,189 | 531 | 1,594 | 5,314 |
| Meetings and conferences | 12,839 | 1,834 | 4,797 | 19,470 |
| Miscellaneous | 1,440 | 662 | 397 | 2,499 |
| Postage | 249 | 62 | 312 | 623 |
| Professional fees | - | 43,248 | - | 43,248 |
| Rent | 4,162 | 14,565 | 2,681 | 21,408 |
| Supplies | 16,082 | 7,394 | 34,230 | 57,706 |
| Telephone and internet | 3,928 | 1,806 | 1,084 | 6,818 |
| Training | 913 | 420 | 252 | 1,585 |
| Travel | 123 | 56 | 34 | 213 |
| United Way memberships | - | 10,219 | - | 10,219 |
| | 49,228 | 87,148 | 46,782 | 183,158 |
| | $ 569,977 | $ 129,668 | $ 72,304 | $ 771,949 |

*See accompanying notes*

**United Way of DeKalb County, Inc.**
**Statement of Functional Expenses**
**For the year ended June 30, 2022**

| | Program Expense | Management and General | Fund-raising | Total |
|---|---|---|---|---|
| Community investment | $ 492,538 | $ - | $ - | $ 492,538 |
| Salaries and wages | 61,514 | 63,816 | 28,798 | 154,128 |
| Employee benefits | 1,828 | 1,896 | 856 | 4,580 |
| Payroll taxes | 4,769 | 4,947 | 2,232 | 11,948 |
| Worker's compensation | 226 | 234 | 106 | 566 |
| Total salaries, wages and related expenses | 68,337 | 70,893 | 31,992 | 171,222 |
| Bank charges | - | 259 | - | 259 |
| Depreciation | 3,888 | 3,888 | 864 | 8,640 |
| Dues and subscriptions | 335 | 335 | 75 | 745 |
| Insurance | 2,035 | 2,035 | 452 | 4,522 |
| Marketing and advertising | 3,685 | 614 | 1,843 | 6,142 |
| Meetings and conferences | 422 | 60 | 8,906 | 9,388 |
| Miscellaneous | 504 | 523 | 236 | 1,263 |
| Postage | 159 | 40 | 199 | 398 |
| Professional fees | - | 41,272 | - | 41,272 |
| Rent | 3,958 | 13,852 | 16,100 | 33,910 |
| Supplies | 1,402 | 1,454 | 22,493 | 25,349 |
| Telephone and internet | 3,112 | 3,229 | 1,457 | 7,798 |
| Training | 685 | 710 | 321 | 1,716 |
| Travel | 2,186 | 2,268 | 1,024 | 5,478 |
| United Way memberships | - | 13,794 | - | 13,794 |
| | 22,371 | 84,333 | 53,970 | 160,674 |
| | $ 583,246 | $ 155,226 | $ 85,962 | $ 824,434 |

*See accompanying notes*

**United Way of DeKalb County, Inc.**
**Statements of Cash Flows**
**For the years ended June 30, 2023 and 2022**

| | 2023 | 2022 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Change in net assets | $ (39,339) | $ (226,778) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation | 8,640 | 8,640 |
| Provision for uncollectible pledges | 65,628 | 66,063 |
| Change in value of beneficial interest in assets held by the Community Foundation of DeKalb County | (36,002) | 64,818 |
| Changes in assets and liabilities: | | |
| Pledges receivable | (34,472) | (10,557) |
| Grants receivable | (38,933) | - |
| Prepaid expense | (917) | 2,750 |
| Accounts payable | 6,246 | (3,200) |
| Designations payable | (2,504) | 6,022 |
| Accrued expenses | (8,688) | (4,457) |
| Net cash used in operating activities | (80,341) | (96,699) |
| **Cash flows from investing activities:** | | |
| Purchase of certificates of deposit | (50,000) | - |
| Proceeds from maturities of certificates of deposit | 125,356 | 347,756 |
| Net cash provided by investing activities | 75,356 | 347,756 |
| **Net increase (decrease) in cash** | (4,985) | 251,057 |
| **Cash, beginning of year** | 508,374 | 257,317 |
| **Cash, end of year** | $ 503,389 | $ 508,374 |

*See accompanying notes*

## 1. Summary of Significant Accounting Policies

### Organization and Nature of Activities

United Way of DeKalb County, Inc. (the "Organization") is a funding organization whose vision is to enable people to work together creating a thriving and vibrant community within Dekalb County, Indiana.

### Basis of Accounting

The Organization prepares its financial statements using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for not-for-profit entities.

### Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. On an ongoing basis, management evaluates the estimates and assumptions based upon historical experience and various other facts and circumstances. Management believes these estimates and assumptions are reasonable; however, actual results could differ from those estimates.

### Net Assets

The financial statements report net assets and changes in net assets based on the existence or absence of donor or grantor imposed restrictions. A description of the net asset classes are as follows:

*Net Assets Without Donor Restrictions* – Resources that are without donor-imposed restrictions and available to support operations subject to the nature of the Organization, the environment in which it operates, and the specified purpose in its application for tax-exempt status. The Organization may designate, from net assets without donor restrictions, net assets for specific purposes by action of the Board of Directors.

*Net Assets With Donor Restrictions* – Resources whose use by the Organization is restricted by the donor for a particular purpose or particular future period. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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 release of restriction is reported in the financial statements by reclassifying the net assets.

### Cash

Cash includes deposit and savings accounts. The Organization places its cash with high credit quality institutions. At times such balances may be in excess of the Federal Deposit Insurance Corporation limit of $250,000. As of June 30, 2023 and 2022, the Organization's account balances exceeded the federally insured limits by $40,266 and $2,240, respectively. The Organization has not experienced any losses on these accounts and management believes the Organization is not exposed to any significant risk on cash accounts.

## 1. Summary of Significant Accounting Policies, continued

### Pledges and Grants Receivable

Pledges and grants receivable are unconditional promises to give that are recognized as contributions when the promise is received. Pledges and grants receivable that are expected to be collected in less than one year are reported at net realizable value. Pledges and grants that are expected to be collected in more than one year are recorded at fair value at the date of the promise and are computed using a present value discount for anticipated cash flows. Amortization of the present value discount is recognized as additional contribution revenue. As of June 30, 2023 and 2022, pledges receivable were collectible within one year.

The Organization provides allowances for uncollectible pledges equal to the estimated collection losses that may be incurred in the collection of pledges and grants. The estimated losses are based on historical collection experience and review of the current state of existing pledges and grants.

### Investments and Investment Income

The Organization's investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 5 for discussion of fair value measurements.

Purchases and sales are recorded on a trade-date basis. Interest income is recorded when received. Dividends are recorded on the ex-dividend date.

Realized and unrealized investment gains or losses are determined by comparison of specific asset cost to net proceeds received at the time of sale and changes in the difference between market values and cost, respectively.

The Organization's investment portfolio is managed by professional investment managers in compliance with the investment policy established by The Community Foundation of DeKalb County. Investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect account balances.

### Property and Equipment

Acquisitions of property and equipment in excess of $500 are capitalized. Property and equipment is stated at cost for purchased assets. Contributed property and equipment is recorded at fair market value at the date of the donation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets as follows:

| | |
|---|---|
| Furniture and equipment | 5-10 years |
| Leasehold improvements | 10 years |

Repairs and maintenance are expensed when incurred. Betterments and renewals are capitalized. The cost of assets sold or retired, and the amounts of accumulated depreciation, are eliminated in the year of disposal and the resulting gains or losses are included in the change in net assets.

Property and equipment is reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized during the years ended June 30, 2023 and 2022.

## 1. Summary of Significant Accounting Policies, continued

### Revenue Recognition

The Organization reports gifts of cash and other assets as restricted support if received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions. The Organization classifies donor-restricted contributions as net assets without restrictions if the restrictions are met in the same reporting period in which the contributions are received.

The Organization reports gifts of property and equipment as net assets without restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Conditional grants and promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which it depends have been substantially met. Contributions received with donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

Contributed nonfinancial assets include donated professional services, donated equipment, and other in-kind contributions which are recorded at the respective fair values of the goods or services received. The Organization's policy related to gifts-in-kind is to utilize the assets given to carry out the mission of the Organization. If an asset is provided that does not allow the Organization to utilize it in its normal course of business, the asset will be sold at its fair market value.

The Organization received donated materials and supplies with an estimated fair market value of $31,521 and $5,087 for the years ended June 30, 2023 and 2022, respectively. Fair market value was determined by assessing identical or similar products using pricing data under a "like-kind" methodology considering the goods' condition and utility for use at the time of the contribution. These items are recorded as contributions without restrictions and are used in fundraising and program related activities.

The Organization was provided professional accounting services at a reduced cost with an estimated fair value of $3,550 for the year ended June 30, 2022. The fair value of services was based on current market rates for professional services the Organization would have paid. These services are recorded as contributions without donor restrictions and professional fees. There were no donated services for the year ended June 30, 2023.

In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

## 1. Summary of Significant Accounting Policies, continued

### Donor Designations

The Organization accepts campaign contributions specific to other nonprofit organizations. These contributions are removed from the Organization's revenue and expenses and recorded as a liability on the statement of financial position. The Organization recognizes a 15% service charge as an administrative fee. All donor designations are recorded using a "first in, first out" policy where specific donor designations to member agencies are included in the allocations determined by the Board of Directors in compliance with the United Way of America's grant allocation requirements.

### Income Tax

The Organization is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization is not classified as a private foundation. No provision for federal income taxes has been made in the accompanying financial statements. There was no unrelated business income for the years ended June 30, 2023 and 2022.

The Organization recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the positions related to the potential sources of income subject to unrelated business income tax (UBIT). There were no unrecognized tax benefits identified or recorded as liabilities for the years ended June 30, 2023 and 2022.

### Functional Allocation of Expenses

The costs of program and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain categories of expenses are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, dues and subscriptions, insurance, which are allocated on a square footage basis, as well as employee benefits, payroll taxes, workers' compensation, miscellaneous, supplies, telephone and internet, training, and travel which are allocated on the basis of estimates of time and effort.

### Reclassifications

Certain reclassifications have been made for the year ended June 30, 2022 to conform to the classifications used for the year ended June 30, 2023. These reclassifications did not affect results of operations as previously reported.

## 2. Liquidity and Availability

Financial assets without donor-imposed restriction and available for general expenditures, within one year of the balance sheet date, comprised the following as of June 30:

| | 2023 | 2022 |
|---|---|---|
| Cash | $ 469,525 | $ 406,568 |
| Certificate of deposit | 50,000 | 125,356 |
| Pledges receivable, net | 248,169 | 279,325 |
| Grants receivable | 2,625 | - |
| | $ 770,319 | $ 811,249 |

The Organization receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within budgetary compliance in a prudent range of financial stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 60 days operating expenses. To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually. During the years ended June 30, 2023 and 2022, the level of liquidity and reserves was managed within the policy requirements.

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.

## 3. Property and Equipment

Property and equipment, summarized by major classification, consisted of the following as of June 30:

| | 2023 | 2022 |
|---|---|---|
| Furniture and equipment | $ 82,094 | $ 82,094 |
| Leasehold improvements | 2,787 | 2,787 |
| | 84,881 | 84,881 |
| Less: Accumulated depreciation | 30,971 | 22,331 |
| | $ 53,910 | $ 62,550 |

Depreciation expense was $8,640 for the years ended June 30, 2023 and 2022.

## 4. Beneficial Interest

The investments held by the Community Foundation of DeKalb County ("Foundation") are the result of an agreement whereby the Organization has transferred assets, without variance power, to the Foundation and has specified itself as the beneficiary of those assets. The Organization designated these funds for the purpose of enriching and perpetuating the Organization in its endeavors by providing a permanent source of revenue for the Organization. It is the Organization's desire to draw the allowed value of assets (as determined by the Foundation) on an annual basis. The Foundation is responsible for managing these funds in investments at its discretion.

The Organization's endowment consists of a fund established for providing revenue from earnings. Its endowment includes donor restricted endowment funds. As required by accounting principles generally accepted in the United States of America (GAAP), net assets that are perpetual in nature, including designated funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization 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 this interpretation, the Organization retains in perpetuity (a) the original value of gifts, (b) the original value of subsequent gifts, and (c) accumulations made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted fund that is not perpetual in nature is classified as designated net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted fund
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

*Return objectives and risk parameters*: The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predicable stream of funding to programs while seeking to maintain the purchasing power of the endowment assets. Endowment assets include no donor-restricted funds, only board designated funds. The Organization expects its endowment fund, over time, to provide an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount.

*Strategies employed for achieving objectives*: To satisfy its long-term rate-of-return objectives, the Organization 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).

## 4. Beneficial Interest, continued

*Spending policy*: The Organization has not appropriated any endowment funds for distribution. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to maintain the current value. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

The following summarizes changes in the assets held by the Foundation for the year ended June 30:

| | 2023 | 2022 |
|---|---|---|
| Balance, beginning of year | $ 398,562 | $ 463,380 |
| Contributions | 1,919 | 828 |
| Interest and dividends | 13,235 | 16,766 |
| Net realized and unrealized gain (loss) | 26,943 | (75,635) |
| Investment and administrative fees | (6,095) | (6,777) |
| Balance, end of year | $ 434,564 | $ 398,562 |

The assets held by the Foundation are presented below as of June 30:

| | 2023 | 2022 |
|---|---|---|
| Net assets without donor restrictions: | | |
| Board designated endowment funds | $ 222,019 | $ 186,017 |
| Net assets with donor restrictions: | | |
| Donor-restriced endowment funds | 212,545 | 212,545 |
| | $ 434,564 | $ 398,562 |

Additionally, the Foundation holds investment assets with a value of $99,661 and $90,193 at June 30, 2023 and 2022, respectively, for the benefit of the Organization for which the Foundation has retained variance power. These assets are not recorded as assets of the Organization.

## 5. Fair Value Measurements

The Organization reports fair value measures of its assets using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset measurements within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

Level 1 — Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.

Level 2 — Inputs other than quoted prices included in level 1 that are observed for the asset or liability, either directly or indirectly. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Observable inputs other than quoted prices for the assets or liabilities; and
- Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3 — Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

The fair value measurement level of assets and liabilities within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

*Beneficial interest in assets:* Valued based upon the Organization's proportionate share of the Community Foundation of Dekalb County ("Foundation") pooled investment portfolio. The Organization's Board of Directors reviews the valuation and returns in comparison to industry benchmarks and other information provided by the Foundation.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization 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 a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value as of June 30:

| | Hierarchy | 2023 | 2022 |
|---|---|---|---|
| Beneficial interest in assets held by The Community Foundation of DeKalb County | Level 3 | $ 434,564 | $ 398,562 |

A reconciliation of assets measure at fair value on a recurring basis using significant unobservable inputs (Level 3) can be found in Note 4.

## 6. Leases

The Organization leases its office space under a long-term noncancelable operating lease agreement. The lease requires monthly payments of $1,458 and expires in June 2025. Additionally, the lease agreement requires the payment for insurance and repairs.

The Organization has elected to apply the short-term lease exception to all leases with a term of one year or less and are not recorded as right-of-use assets and related lease liabilities. Lease payments for short-term leases are recognized on a straight-line basis over the lease term.

The following summarizes the line items in the statement of financial position which include amounts for operating leases as of June 30, 2023:

| | | |
|---|---|---|
| Operating leases: | | |
| Right-of-use assets, operating leases | $ | 36,353 |
| Current maturities of operating lease liabilities | $ | 17,422 |
| Operating lease liabilities, net of current maturities | | 17,473 |
| | $ | 34,895 |

The following summarizes the line items in the statement of activities which include the components of lease expense for the year ended June 30, 2023:

| | | |
|---|---|---|
| Operating lease cost: | | |
| Rent expense | $ | 17,500 |
| Short-term lease cost: | | |
| Rent expense | | 3,908 |

The following summarizes cash flow information related to leases for the year ended June 30, 2023:

| | | |
|---|---|---|
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows from operating leases | $ | 21,408 |
| Lease assets obtained in exchange for lease liabilities: | | |
| Operating leases | | 52,266 |

The weighted-average discount rate is based on the discount rate implicit in the lease. If the implicit rate is not readily determinable from the lease, an applicable incremental borrowing rate is used. The following summarizes the weighted average remaining lease term and discount rate as of June 30, 2023:

| | |
|---|---|
| Weighted-average remaining lease term | 2.0 years |
| Weighted-average discount rates | 0.29% |

## 6. Leases, continued

The maturities of lease liabilities as of June 30, 2023 were as follows:

| | | |
|---|---|---|
| 2024 | $ | 17,500 |
| 2025 | | 17,500 |
| Total lease payments | | 35,000 |
| Less: | | |
| Amounts representing interest | | 105 |
| Current maturities | | 17,422 |
| | $ | 17,473 |

## 7. Board Designated Net Assets

The Board has approved the establishment of Board designated funds from a portion of net assets without restrictions. The purpose of the funds is for sustainability, future growth and expansion of programs. Board designated net assets are available for the following purposes as of June 30:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Endowment fund | $ | 222,019 | $ | 186,017 |
| Emergency relief initiative | | - | | 65,000 |
| | $ | 222,019 | $ | 251,017 |

## 8. Net Assets With Donor Restrictions

Net assets were released from restrictions by incurring expenses satisfying the donor-imposed restriction. The amount released was $313,266 and $391,974 for the years ended June 30, 2023 and 2022, respectively. Net assets with donor restrictions are available for the following purposes or periods as of June 30:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Subject to expenditure for specific purpose: | | | | |
| Community service project | $ | 33,864 | $ | 36,805 |
| Impact grants | | 36,308 | | - |
| Subject to the passage of time: | | | | |
| Campaign | | 313,797 | | 310,325 |
| Operations | | 2,625 | | - |
| Restricted in perpetuity | | 212,545 | | 212,545 |
| | $ | 599,139 | $ | 559,675 |

## 9. Concentrations

For the years ended June 30, 2023 and 2022, a significant portion, approximately 79 and 81 percent, respectively, of the Organization's campaign contributions comes from employee pledges and company matching contribution of one sponsoring company. As of June 30, 2023 and 2022, there was $256,999 and $259,221, respectively, receivable from this sponsoring company and its employees.

The majority of the Organization's contributions and grants are received from corporations, foundations, and individuals located in the DeKalb County and from agencies of the state of Indiana. As such, the Organization's ability to generate resources via contributions and grants is dependent upon the economic health of that area and the state of Indiana.

## 10. New Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the statement of financial position. The Organization elected to adopt these ASUs effective July 1, 2022 and utilized all of the available practical expedients. The adoption had a material impact on the Organization's statement of financial position but did not have a material impact on the statement of activities. The most significant impact was the recognition of right-of-use assets and lease liabilities for operating leases. Adoption of the standard required the Organization to restate amounts as of July 1, 2022, resulting in an increase in operating lease right-of-use assets of $52,266, an increase in lease liability of $52,266.

## 11. Subsequent Event

Subsequent events for possible adjustment to the financial statements or disclosures have been evaluated through October 30, 2023, which is the date the financial statements were available to be issued.