

**HERITAGE FUND - THE COMMUNITY
FOUNDATION OF BARTHOLOMEW COUNTY**

CONSOLIDATED FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2022 AND 2021

CPAs / ADVISORS



HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Heritage Fund - The Community Foundation of Bartholomew County
Columbus, Indiana

Opinion

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, and changes in their net assets and their 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 Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated 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 consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 judgment made by a reasonable user based on the consolidated 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 consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Report on Supplementary Information

Our 2022 audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 24 to 26 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the

consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Blue & Co., LLC

Seymour, Indiana

May 12, 2023

HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
Investments		
Cash	\$ 4,512,586	\$ 4,967,993
Certificates of deposit	1,388,000	1,388,000
Investments	81,996,800	89,682,971
Charitable trusts	122,393	216,381
Life insurance	100,989	98,891
Interest in perpetual trust	91,585	114,701
Receivables		
Contributions, net	119,804	119,804
Accounts	3,444	1,511
Notes, net	534,155	237,500
Other		
Property and equipment, net	699,682	769,693
Prepaid expenses	<u>298</u>	<u>298</u>
	<u>\$ 89,569,736</u>	<u>\$ 97,597,743</u>

See accompanying notes to consolidated financial statements.

HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2022 AND 2021

LIABILITIES AND NET ASSETS

	<u>2022</u>	<u>2021</u>
Custodial funds		
Reciprocal agency	\$ 2,418,261	\$ 2,567,706
Designated bequests	8,699,092	10,779,567
Payables		
Accounts	24,775	18,920
Charitable trusts	<u>122,393</u>	<u>216,381</u>
Total liabilities	11,264,521	13,582,574
Net assets		
Without donor restrictions		
Operating	1,401,024	1,404,617
Board designated administrative endowment	1,494,083	1,799,596
Board designated reserves	<u>812,645</u>	<u>883,986</u>
	3,707,752	4,088,199
With donor restrictions		
Restricted for specified purposes	18,988,907	20,648,377
Restricted due to time restrictions	312,378	333,396
Endowment funds	<u>55,296,178</u>	<u>58,945,197</u>
	<u>74,597,463</u>	<u>79,926,970</u>
Total net assets	<u>78,305,215</u>	<u>84,015,169</u>
	<u>\$ 89,569,736</u>	<u>\$ 97,597,743</u>

See accompanying notes to consolidated financial statements.

HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

CONSOLIDATED STATEMENTS OF ACTIVITIES YEAR ENDED DECEMBER 31, 2022

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenues				
Contributions	\$ 17,513	\$ 10,751,343	\$ 10,768,856	\$ 2,720,459
Investment return, net	(370,471)	(11,094,362)	(11,464,833)	9,789,538
Change in value of split-interest agreement	-0-	(23,116)	(23,116)	8,892
Administrative fees	1,127,893	-0-	1,127,893	1,205,837
Other revenue	71,698	-0-	71,698	57,598
Net assets released from restrictions	<u>4,963,372</u>	<u>(4,963,372)</u>	<u>-0-</u>	<u>-0-</u>
Total support and revenues	5,810,005	(5,329,507)	480,498	13,782,324
Expenses				
Program services	5,453,751	-0-	5,453,751	6,353,294
Management and general	388,780	-0-	388,780	323,775
Fundraising and development	<u>347,921</u>	<u>-0-</u>	<u>347,921</u>	<u>290,492</u>
Total expenses	<u>6,190,452</u>	<u>-0-</u>	<u>6,190,452</u>	<u>6,967,561</u>
Change in net assets	(380,447)	(5,329,507)	(5,709,954)	6,814,763
Net assets, beginning of year	<u>4,088,199</u>	<u>79,926,970</u>	<u>84,015,169</u>	<u>77,200,406</u>
Net assets, end of year	<u>\$ 3,707,752</u>	<u>\$ 74,597,463</u>	<u>\$ 78,305,215</u>	<u>\$ 84,015,169</u>

See accompanying notes to consolidated financial statements.

HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

CONSOLIDATED STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues			
Contributions	\$ 13,965	\$ 2,706,494	\$ 2,720,459
Investment return, net	301,033	9,488,505	9,789,538
Change in value of split-interest agreement	-0-	8,892	8,892
Administrative fees	1,205,837	-0-	1,205,837
Other revenue	57,598	-0-	57,598
Net assets released from restrictions	5,570,816	(5,570,816)	-0-
Total support and revenues	7,149,249	6,633,075	13,782,324
Expenses			
Program services	6,353,294	-0-	6,353,294
Management and general	323,775	-0-	323,775
Fundraising and development	290,492	-0-	290,492
Total expenses	6,967,561	-0-	6,967,561
Change in net assets	181,688	6,633,075	6,814,763
Net assets, beginning of year	3,906,511	73,293,895	77,200,406
Net assets, end of year	\$ 4,088,199	\$ 79,926,970	\$ 84,015,169

See accompanying notes to consolidated financial statements.

HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

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

	2022				2021			
	Program Services	Management and General	Fundraising and Development	Total	Program Services	Management and General	Fundraising and Development	Total
Grants	\$ 3,700,280	\$ -0-	\$ -0-	\$ 3,700,280	\$ 4,101,902	\$ -0-	\$ -0-	\$ 4,101,902
Special projects	431,852	-0-	-0-	431,852	881,689	-0-	-0-	881,689
Salaries and wages	234,860	168,228	210,448	613,536	223,516	153,920	164,332	541,768
Payroll taxes and employee benefits	37,913	27,157	33,972	99,042	34,165	23,527	25,118	82,810
Annual meeting and report	1,615	1,615	12,924	16,154	2,106	2,106	16,849	21,061
Professional fees	6,928	55,421	6,927	69,276	4,055	32,442	4,055	40,552
Dues and subscriptions	-0-	7,086	787	7,873	-0-	-0-	6,309	6,309
Endowment development	-0-	-0-	19,051	19,051	-0-	-0-	18,154	18,154
Equipment rental, repairs and maintenance	12,262	24,525	12,262	49,049	6,784	13,568	6,784	27,136
Computer support	-0-	31,592	-0-	31,592	-0-	31,750	-0-	31,750
Insurance	-0-	7,916	-0-	7,916	-0-	4,301	-0-	4,301
Utilities	3,717	7,435	3,717	14,869	2,753	5,505	2,753	11,011
Newsletter	2,237	-0-	2,237	4,474	3,498	-0-	3,497	6,995
Postage	326	1,305	4,895	6,526	275	551	4,678	5,504
Property taxes	-0-	8,929	-0-	8,929	-0-	6,871	-0-	6,871
Travel	988	494	3,460	4,942	95	47	332	474
Education	2,377	1,188	8,319	11,884	714	357	2,499	3,570
Office supplies	1,194	3,183	3,581	7,958	2,185	485	2,185	4,855
Depreciation	17,503	35,006	17,502	70,011	19,951	39,903	19,951	79,805
Purchased services	-0-	6,721	-0-	6,721	-0-	6,815	-0-	6,815
Administrative fees	998,718	-0-	-0-	998,718	1,067,977	-0-	-0-	1,067,977
Miscellaneous	981	979	7,839	9,799	1,629	1,627	12,996	16,252
Total expenses	\$ 5,453,751	\$ 388,780	\$ 347,921	\$ 6,190,452	\$ 6,353,294	\$ 323,775	\$ 290,492	\$ 6,967,561

See accompanying notes to consolidated financial statements.

HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

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

	2022	2021
Operating activities		
Change in net assets	\$ (5,709,954)	\$ 6,814,763
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	70,011	79,805
Interest earned on certificates of deposit	(28,378)	(15,311)
Reinvested interest and dividends received on investments	(2,570,323)	(4,243,034)
Realized and unrealized losses (gains) on investments	15,737,031	(7,436,596)
Restricted contributions for endowment	(8,193,065)	(1,000,911)
Change in value of split-interest agreement	23,116	(8,892)
Change in value of life insurance	(2,098)	(2,098)
Discount on notes receivable issued	65,845	-0-
Change in operating assets and liabilities:		
Accounts receivable	(1,933)	280
Custodial funds	(2,229,920)	957,890
Accounts payable	5,855	9,373
Net cash flows from operating activities	(2,833,813)	(4,844,731)
Investing activities		
Advances of notes receivable	(600,000)	-0-
Repayment of notes receivable	237,500	62,500
Purchase of certificates of deposit	(744,000)	(1,388,000)
Maturities of certificates of deposit	772,378	2,743,311
Purchase of investments	(14,654,493)	(9,551,119)
Proceeds on sale of investments	9,173,956	10,943,233
Purchases of property and equipment	-0-	(16,774)
Net cash flows from investing activities	(5,814,659)	2,793,151
Financing activities		
Restricted contributions for endowment	8,193,065	1,000,911
Net change in cash	(455,407)	(1,050,669)
Cash, beginning of year	4,967,993	6,018,662
Cash, end of year	\$ 4,512,586	\$ 4,967,993

See accompanying notes to consolidated financial statements.

HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

The Heritage Fund - The Community Foundation of Bartholomew County (the "Heritage Fund") is a not-for-profit entity. The Heritage Fund conducts business under the assumed name "Heritage Fund - The Community Foundation of Bartholomew County," however, the entity's legal name is "Heritage Fund of Bartholomew County, Inc." The Heritage Fund is located in Columbus, Indiana, and is organized to provide stewardship of gifts donated for charitable purposes, address community issues, promote positive change in partnership with others, and promote philanthropy within the Bartholomew County area.

The Heritage Fund Supporting Foundation, Inc. (the "Foundation") is a not-for-profit entity organized to manage gifts of property. The Foundation leases office space to the Heritage Fund and other tenants.

Consolidation Policy

The accounts of the Foundation are consolidated with the accounts of the Heritage Fund as a result of common control. All inter-entity transactions have been eliminated in consolidation. The consolidated operations of the Heritage Fund and the Foundation are hereinafter collectively referred to as "the Organization."

Management's Estimates

Management uses estimates and assumptions in preparing the consolidated 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 consolidated 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 Organization 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 or designated by the board for specific use.

Operating – used to fund current operations of the Organization

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

HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Board designated reserves – used to fund future operations, capital improvements, and initiatives of the Organization as designated by the Board

Net assets with donor restrictions: Net assets subject to donor stipulations for specific operating 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 Organization maintains net assets with donor restrictions as follows:

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

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

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

Cash

Cash consists primarily of money market investments and excludes amounts held by the Organization’s fund manager and included in investments.

Investments

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

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

Contributions Receivable

Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received. Qualifying contributions receivable are discounted at 5%. Management estimates an allowance for doubtful contributions receivable based on an evaluation of historical losses, current economic conditions, and other factors unique to the Organization’s donors. No allowance for doubtful contributions receivable was determined necessary as of December 31, 2022 and 2021

HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Notes Receivable

Notes receivable are stated at unpaid principal balances, less an allowance for losses, if applicable, net of any discounts for below market interest-bearing notes. The allowance is based on management's assessment of the current status of the individual notes. There was no allowance for losses at December 31, 2022 and 2021. Notes receivable are considered delinquent based on specific circumstances of the borrower and are written off when the balance is considered uncollectible. No notes were considered delinquent at December 31, 2022 and 2021.

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 Organization are being depreciated over its estimated useful lives ranging from five to forty years using the straight-line method.

Support, Revenue and Expense Recognition

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

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

All other support and revenue is recorded when earned.

Administrative Fees

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

HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Income Taxes

The Organization is organized as a not-for-profit corporation under Section 501(c)(3) of the United States Internal Revenue Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization 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 Organization, and has concluded that as of December 31, 2022 and 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying consolidated financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

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

Functional Allocation of Expenses

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

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function and require allocation on a reasonable basis that is consistently applied. These expenses include salaries and wages, payroll taxes, employee benefits, various occupancy expenses and office supplies. 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.

Subsequent Events

The Organization has evaluated events or transactions occurring subsequent to the Consolidated Statement of Financial Position date for recognition and disclosure in the accompanying consolidated financial statements through the date the consolidated financial statements were available to be issued, which is May 12, 2023.

HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

2. CERTIFICATES OF DEPOSIT

The Organization held certificates of deposit totaling \$1,388,000 at December 31, 2022 and 2021, with interest rates ranging from 0.15 to 3.90 percent. Maturity dates of these certificates of deposit vary through July 2024. Certificates of deposits are recorded at cost plus accrued interest.

3. INVESTMENTS

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

	2022	2021
Cash	\$ 3,397,937	\$ 4,224,638
Common stocks		
Consumer	731,960	-0-
Financial	875,508	-0-
Industrial	1,472,449	-0-
Other	2,813,810	-0-
Mutual funds		
Equity funds		
Large cap	35,982,846	39,664,249
Small/mid cap	5,127,440	13,975,211
International	10,360,039	11,170,072
Fixed income funds		
Short	3,534,223	7,422,849
Intermediate	17,700,588	13,225,952
	<u>\$ 81,996,800</u>	<u>\$ 89,682,971</u>

4. RISKS AND UNCERTAINTIES

The Organization holds investments in debt and equity mutual funds (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 consolidated financial statements.

HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

5. FAIR VALUE MEASUREMENTS

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

The three levels of the fair value hierarchy are described as follows:

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

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

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

- *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 price as reported by the funds. Mutual funds held by the Organization are open-ended 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 Organization are deemed to be actively traded.
- *Charitable trusts*: Consists of actively traded mutual funds that are valued at the daily closing price as reported by the funds.

HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

- *Interest in perpetual trust:* Fair value is determined by calculating Heritage Fund's beneficial share of the underlying investments in the trust.
- *Charitable trusts payable:* Fair value is equal to the charitable trust assets held.

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

	2022			
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Common stocks	\$ 5,893,727	\$ 5,893,727	\$ -0-	\$ -0-
Mutual funds	72,705,136	72,705,136	-0-	-0-
Charitable trusts	122,393	122,393	-0-	-0-
Interest in perpetual trust	91,585	-0-	-0-	91,585
Liabilities:				
Charitable trusts payable	122,393	-0-	122,393	-0-

	2021			
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Mutual funds	\$ 85,458,333	\$ 85,458,333	\$ -0-	\$ -0-
Charitable trusts	216,381	216,381	-0-	-0-
Interest in perpetual trust	114,701	-0-	-0-	114,701
Liabilities:				
Charitable trusts payable	216,381	-0-	216,381	-0-

The progression of the interest in perpetual trust during the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
Beginning balance	\$ 114,701	\$ 105,809
Change in split-interest agreement	(23,116)	8,892
	<u>\$ 91,585</u>	<u>\$ 114,701</u>

HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

6. PROPERTY AND EQUIPMENT

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

	<u>2022</u>	<u>2021</u>
Land	\$ 110,000	\$ 110,000
Buildings and improvements	1,259,445	1,259,445
Office and computer equipment	<u>229,931</u>	<u>229,931</u>
	1,599,376	1,599,376
Less accumulated depreciation	<u>899,694</u>	<u>829,683</u>
	<u>\$ 699,682</u>	<u>\$ 769,693</u>

7. CHARITABLE TRUSTS

The Organization is the trustee and has been named the beneficiary of several Charitable Remainder Unitrusts. Upon termination of the trusts on the beneficiaries' deaths, the trust assets will be held by the Organization for the benefit of other named organizations. The Organization has recorded a liability equal to the fair value of the trust assets as variance power was not granted to the Organization in the trust agreements. The charitable trust liability was \$122,393 and \$216,381 at December 31, 2022 and 2021, respectively.

The assets held under charitable trusts consist of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash	\$ 4,883	\$ 10,654
Mutual funds		
Equity funds		
Large cap	50,334	84,821
Small/mid cap	16,364	32,674
International	14,559	35,861
Emerging markets	7,755	13,120
Other	2,940	5,475
Fixed income funds		
Short	-0-	2,398
Intermediate	22,691	26,848
Other	<u>2,867</u>	<u>4,530</u>
	<u>\$ 122,393</u>	<u>\$ 216,381</u>

HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

8. INTEREST IN PERPETUAL TRUST

The Organization is a one-fifth beneficiary of an irrevocable perpetual trust under which distributions of income only are made to the Organization. The Organization is not the trustee of the trust, but has recorded one-fifth of the fair value of the trust assets in the Consolidated Statements of Financial Position which represents the present value of annual amounts to be received in the future. The Organization has recognized its interest in this perpetual trust as part of net assets with donor restrictions. The Organization's interest under this trust was \$91,585 and \$114,701 at December 31, 2022 and 2021, respectively.

9. CUSTODIAL FUNDS

Custodial funds represent funds placed on deposit with the Organization by other organizations based on their individual board resolutions or funds received through designated bequests which provided no variance power over the use of the funds. The Organization accounts for these transfers as a liability in accordance with applicable accounting standards. Income is added to these funds periodically in accordance with the Organization'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 in the Consolidated Statements of Activities. Following is a progression of custodial funds during 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Custodial funds, beginning balance	\$ 13,347,273	\$ 12,389,383
Contributions and grants	379,776	1,000
Investment return, net	(2,020,417)	1,733,455
Administrative fees	(129,175)	(137,520)
Grant payments	<u>(460,104)</u>	<u>(639,045)</u>
Custodial funds, ending balance	<u>\$ 11,117,353</u>	<u>\$ 13,347,273</u>

10. NOTES RECEIVABLE

The Organization issued a note receivable during 2022 for \$600,000 that has no interest rate applied unless minimum payments are not made, then an interest rate of 3% will accrue through maturity. Annual escalating payments are to be made starting November 2023 and a final balloon payment in November 2027. Given the below market interest rate being utilized, the loan was discounted using an imputed interest rate of 3% for the duration of the note. This resulted in a discount of \$65,845 for a net realizable value of \$534,155 at December 31, 2022. No payments were received on this note during 2022.

HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

The Organization held two notes receivable at December 31, 2021 totaling \$237,500. Both of these notes were fully repaid during 2022. Management believed that there were no material differences between prevailing market rates for commercial notes and the stated rates of these notes and accounted for those at the stated rates.

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Restricted for specified purposes		
Various based on fund agreements	\$ 18,988,907	\$ 20,648,377
Restricted due to time restrictions		
Contributions receivable	119,804	119,804
Life insurance	100,989	98,891
Interest in perpetual trust	<u>91,585</u>	<u>114,701</u>
	312,378	333,396
Endowment funds		
Restricted in perpetuity	45,356,683	37,163,618
Restricted subject to the Heritage Fund's spending policy	<u>9,939,495</u>	<u>21,781,579</u>
	<u>55,296,178</u>	<u>58,945,197</u>
Total net assets with donor restrictions	<u>\$ 74,597,463</u>	<u>\$ 79,926,970</u>

12. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions in the amount of \$4,963,372 and \$5,570,816 based on funds appropriated for expenditure for the years ended December 31, 2022 and 2021, respectively. There were no net assets released from donor restrictions due to time expirations in either year.

13. ENDOWMENT

The majority of the Heritage Fund'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

HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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, Heritage Fund 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 Heritage Fund in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Heritage Fund considers the following factors in making a determination to appropriate or accumulate endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of Heritage Fund 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 Heritage Fund
- (7) The investment policies of Heritage Fund

From time to time, due to unfavorable market fluctuations, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level of the donor or UPMIFA requires Heritage Fund to retain as a fund of perpetual duration. Heritage Fund has a policy that does allow spending from underwater endowment funds, unless otherwise precluded by donor intent or relevant laws and regulations.

Heritage Fund 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 Heritage Fund 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. Heritage Fund expects its endowment funds, over time, to provide a sufficient rate of return to support the spending policy. Actual returns in any given year may vary.

To satisfy its long-term rate of return objectives, Heritage Fund 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).

HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

The maximum allowable spending from an endowment fund each year is based on a percentage of the previous three-year rolling quarterly average of the fund's fair value. The percentage is determined annually by the Board of Directors. The approved spending percentage in effect during 2022 and 2021 was 5%. In establishing this policy, Heritage Fund considered the long-term expected return on its endowment.

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

	2022		2021	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Board Designated Funds	\$ 1,494,083	\$ -0-	\$ 1,799,596	\$ -0-
Donor Restricted Funds	<u>-0-</u>	<u>55,296,178</u>	<u>-0-</u>	<u>58,945,197</u>
	<u>\$ 1,494,083</u>	<u>\$ 55,296,178</u>	<u>\$ 1,799,596</u>	<u>\$ 58,945,197</u>

Changes in endowed funds for the years ended December 31, 2022 and 2021 were as follows:

	2022		2021	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Endowment net assets, beginning of year	\$ 1,799,596	\$ 58,945,197	\$ 1,556,832	\$ 52,835,895
Contributions and other revenue	-0-	8,423,845	-0-	1,077,653
Investment return, net	(305,513)	(8,539,898)	242,764	7,546,980
Appropriation of endowment assets for expenditure	<u>-0-</u>	<u>(3,532,966)</u>	<u>-0-</u>	<u>(2,515,331)</u>
Endowment net assets, end of year	<u>\$ 1,494,083</u>	<u>\$ 55,296,178</u>	<u>\$ 1,799,596</u>	<u>\$ 58,945,197</u>

14. LIQUIDITY AND AVAILABILITY

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its awarded grants, general expenditures and other obligations become due. The Organization invests cash in excess of daily requirements in money market accounts, certificates of deposit, and other short-term investments.

HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Financial assets available for general expenditures (operating and board designated reserves) within one year of the Consolidated Statement of Financial Position date are comprised of the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash	\$ 840,027	\$ 661,647
Certificates of deposit	3,210	3,210
Investments	639,899	647,636
Accounts receivable	3,444	431
Notes receivable	<u>-0-</u>	<u>57,999</u>
	<u>\$ 1,486,580</u>	<u>\$ 1,370,923</u>

The Organization'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 Organization has an annual grant approval process. This process includes evaluating a number of factors relative to the spending rate to be applied to the Organization's fund balances in accordance with its spending policy. Once the Organization's Board approves the spending rate, the related dollar amount of the funds becomes available for general expenditures.

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

The administrative endowment is subject to an annual spending rate of 5 percent as described in Note 13. Although the Organization does not intend to spend from this administrative endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available, if necessary.

The Organization also relies on the administrative fees it charges its funds annually ranging from 1% to 2% of the fund balance to fund operational expenditures.

HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

15. CONCENTRATIONS OF CREDIT RISK

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

Investments are maintained with one investment firm. Such balances exceed the Securities Investor Protection Corporation insured limits of up to \$500,000.

16. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2021, the Organization awarded a grant for \$1,190,000 to the Columbus Capital Foundation ("CCF") for the purchase of the local post office building. CCF now holds four properties after this purchase of the post office building. CCF has a memorandum of understanding with the Organization that should they receive any proceeds from the sale or refinancing of any of these properties that it will be gifted back to the Organization. There were no material related party grants made during the year ended December 31, 2022.

SUPPLEMENTARY INFORMATION

HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

CONSOLIDATING STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2022

ASSETS

	Heritage Fund - The Community Foundation of Bartholomew County	Heritage Fund Supporting Foundation, Inc.	Eliminations	Total
Investments				
Cash	\$ 4,262,763	\$ 249,823	\$ -0-	\$ 4,512,586
Certificates of deposit	1,388,000	-0-	-0-	1,388,000
Investments	81,996,800	-0-	-0-	81,996,800
Charitable trusts	122,393	-0-	-0-	122,393
Life insurance	100,989	-0-	-0-	100,989
Interest in perpetual trust	91,585	-0-	-0-	91,585
Receivables				
Contributions, net	119,804	-0-	-0-	119,804
Accounts	431	3,013	-0-	3,444
Notes, net	534,155	-0-	-0-	534,155
Other				
Property and equipment, net	26,971	672,711	-0-	699,682
Prepaid expenses	-0-	298	-0-	298
	<u>\$ 88,643,891</u>	<u>\$ 925,845</u>	<u>\$ -0-</u>	<u>\$ 89,569,736</u>

See Report of Independent Auditors.

HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

CONSOLIDATING STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2022

LIABILITIES AND NET ASSETS

	Heritage Fund - The Community Foundation of Bartholomew County	Heritage Fund Supporting Foundation, Inc.	Eliminations	Total
Custodial funds				
Reciprocal agency	\$ 2,418,261	\$ -0-	\$ -0-	\$ 2,418,261
Designated bequests	8,699,092	-0-	-0-	8,699,092
Payables				
Accounts	17,542	7,233	-0-	24,775
Charitable trusts	122,393	-0-	-0-	122,393
Total liabilities	11,257,288	7,233	-0-	11,264,521
Net assets				
Without donor restrictions				
Operating	482,412	918,612	-0-	1,401,024
Board designated administrative endowment	1,494,083	-0-	-0-	1,494,083
Board designated reserves	812,645	-0-	-0-	812,645
	2,789,140	918,612	-0-	3,707,752
With donor restrictions				
Restricted for specified purposes	18,988,907	-0-	-0-	18,988,907
Restricted due to time restrictions	312,378	-0-	-0-	312,378
Endowment funds	55,296,178	-0-	-0-	55,296,178
	74,597,463	-0-	-0-	74,597,463
Total net assets	77,386,603	918,612	-0-	78,305,215
	\$ 88,643,891	\$ 925,845	\$ -0-	\$ 89,569,736

See Report of Independent Auditors.

HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

CONSOLIDATING STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions				With Donor Restrictions
	Heritage Fund - The Community Foundation of Bartholomew County	Heritage Fund Supporting Foundation, Inc.	Eliminations	Total	Heritage Fund - The Community Foundation of Bartholomew County
Support and revenues					
Contributions	\$ 17,513	\$ -0-	\$ -0-	\$ 17,513	\$ 10,751,343
Investment return, net	(370,471)	-0-	-0-	(370,471)	(11,094,362)
Change in value of split-interest agreement	-0-	-0-	-0-	-0-	(23,116)
Administrative fees	1,140,393	-0-	(12,500)	1,127,893	-0-
Other revenue	-0-	100,987	(29,289)	71,698	-0-
Net assets released from restrictions	<u>4,963,372</u>	<u>-0-</u>	<u>-0-</u>	<u>4,963,372</u>	<u>(4,963,372)</u>
Total support and revenues	5,750,807	100,987	(41,789)	5,810,005	(5,329,507)
Expenses					
Program expense	5,437,108	36,465	(19,822)	5,453,751	-0-
Management and general	336,972	66,453	(14,645)	388,780	-0-
Fundraising and development	<u>330,934</u>	<u>24,309</u>	<u>(7,322)</u>	<u>347,921</u>	<u>-0-</u>
Total expenses	6,105,014	127,227	(41,789)	6,190,452	-0-
Change in net assets	(354,207)	(26,240)	-0-	(380,447)	(5,329,507)
Net assets, beginning of year	<u>3,143,347</u>	<u>944,852</u>	<u>-0-</u>	<u>4,088,199</u>	<u>79,926,970</u>
Net assets, end of year	<u><u>\$ 2,789,140</u></u>	<u><u>\$ 918,612</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ 3,707,752</u></u>	<u><u>\$ 74,597,463</u></u>

See Report of Independent Auditors.