

LEGACY FOUNDATION, INC.
AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

December 31, 2022 and 2021

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Independent Auditors' Report

Board of Directors
Legacy Foundation, Inc. and Affiliate

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Legacy Foundation, Inc. and Affiliate, 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 accompanying consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Legacy Foundation, Inc. and Affiliate as of December 31, 2022 and 2021, and the changes in its consolidated net assets and its consolidated 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Legacy Foundation, Inc. and Affiliate, 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 Legacy Foundation, Inc. and Affiliate's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the Consolidated 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 GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS, 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 Legacy Foundation, Inc. and Affiliate'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 Legacy Foundation, Inc. and Affiliate'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.

Estep Burkey Simmons, LLC

Muncie, Indiana

April 4, 2023

Legacy Foundation, Inc. and Affiliate

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31,

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 5,150,276	\$ 5,421,643
Other assets	47,855	112,606
Pledges receivable, net	5,766,939	7,583,402
Right of use asset	129,916	197,699
Investments	64,502,878	77,012,751
Property and equipment, net	<u>107,790</u>	<u>94,961</u>
	<u>\$ 75,705,654</u>	<u>\$ 90,423,062</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 65,083	\$ 115,743
Accrued expenses	13,368	13,399
Grants payable	331,304	368,392
Right of use liability	129,916	197,699
Annuities payable	342,302	442,637
Custodial funds	<u>9,093,586</u>	<u>11,052,179</u>
Total liabilities	9,975,559	12,190,049
NET ASSETS		
Without donor restrictions	1,989,301	1,986,985
With donor restrictions	<u>63,740,794</u>	<u>76,246,028</u>
Total net assets	<u>65,730,095</u>	<u>78,233,013</u>
	<u>\$ 75,705,654</u>	<u>\$ 90,423,062</u>

The accompanying notes are an integral part of these statements.

Legacy Foundation, Inc. and Affiliate

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended December 31,

	2022		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating revenue and support			
Contributions	\$ 102,833	\$ 1,752,007	\$ 1,854,840
Gifts-in-kind	23,800		23,800
Investment return (loss), net	(56,012)	(10,341,094)	(10,397,106)
Administrative fees	737,322		737,322
Special events and other income	80,243		80,243
SSNDC rental income	9,029		9,029
Amortization of discount on pledge receivable		183,537	183,537
Change in value of split-interest agreements		44,859	44,859
	<u>897,215</u>	<u>(8,360,691)</u>	<u>(7,463,476)</u>
Total operating revenue and support			
Net assets released from restrictions:			
Satisfaction of purpose restrictions	2,283,155	(2,283,155)	
Pursuant to spending spolicy	1,861,388	(1,861,388)	
Operating expenses			
Program services	3,724,310		3,724,310
Supporting services:			
Management and general expenses	1,141,627		1,141,627
Fundraising expenses	173,505		173,505
	<u>5,039,442</u>		<u>5,039,442</u>
Total operating expenses			
CHANGE IN NET ASSETS	2,316	(12,505,234)	(12,502,918)
Net assets at beginning of year	<u>1,986,985</u>	<u>76,246,028</u>	<u>78,233,013</u>
Net assets at end of year	<u>\$ 1,989,301</u>	<u>\$ 63,740,794</u>	<u>\$ 65,730,095</u>

The accompanying notes are an integral part of these statements.

2021		
<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
\$ 42,972	\$ 2,349,777	\$ 2,392,749
55,040		55,040
50,884	8,249,025	8,299,909
830,564		830,564
4,795		4,795
7,255		7,255
	229,205	229,205
	846	846
<hr/>	<hr/>	<hr/>
991,510	10,828,853	11,820,363
2,476,023	(2,476,023)	
1,949,400	(1,949,400)	
3,534,467		3,534,467
1,187,347		1,187,347
156,954		156,954
<hr/>	<hr/>	<hr/>
4,878,768		4,878,768
538,165	6,403,430	6,941,595
1,448,820	69,842,598	71,291,418
<hr/>	<hr/>	<hr/>
\$ 1,986,985	\$ 76,246,028	\$ 78,233,013
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Legacy Foundation, Inc. and Affiliate

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31,

2022

	Program Services					
	Grant-making	Community Economic Development	Total	Management & General	Fundraising	Total
Salaries and wages	\$ 193,477	\$ 56,112	\$ 249,589	\$ 283,562	\$ 85,604	\$ 618,755
Payroll taxes	13,942	6,589	20,531	23,837	7,196	51,564
Employee benefits	16,371	4,050	20,421	27,989	8,449	56,859
Conferences and meetings	4,713	684	5,397	7,525	2,272	15,194
Grants	3,099,169		3,099,169			3,099,169
Program expenses	215,658	8,819	224,477			224,477
Postage	1,039		1,039	1,777	536	3,352
Administrative fees				657,749		657,749
Advertising					25,548	25,548
Insurance	1,997	68	2,065	3,415	1,031	6,511
Office supplies	1,615	25	1,640	2,744	828	5,212
Professional fees	27,458	775	28,233	17,839		46,072
Occupancy	24,842		24,842	42,471	12,821	80,134
Telephone	2,312	600	2,912	3,952	1,193	8,057
Development					7,267	7,267
Technology	18,111	1,091	19,202	29,820	9,002	58,024
Equip. rent & maintenance	3,743		3,743	6,392	1,929	12,064
Special events	10,313		10,313	17,632	5,323	33,268
Miscellaneous	4,159	6	4,165	7,109	2,147	13,421
Depreciation	4,571	2,001	6,572	7,814	2,359	16,745
	<u>\$ 3,643,490</u>	<u>\$ 80,820</u>	<u>\$ 3,724,310</u>	<u>\$ 1,141,627</u>	<u>\$ 173,505</u>	<u>\$ 5,039,442</u>

The accompanying notes are an integral part of these statements.

2021

Program Services					
Grant-making	Community Economic Development		Management & General	Fundraising	Total
		Total			
\$ 184,360	\$ 60,517	\$ 244,877	\$ 276,471	\$ 83,463	\$ 604,811
12,752	6,805	19,557	21,802	6,582	47,941
15,934	4,217	20,151	27,242	8,224	55,617
2,377	975	3,352	3,817	1,152	8,321
2,987,013	20,100	3,007,113			3,007,113
131,052	4,012	135,064			135,064
929		929	1,589	480	2,998
			739,414		739,414
				22,039	22,039
1,785		1,785	3,052	921	5,758
1,281	412	1,693	2,174	656	4,523
28,591	750	29,341	20,361		49,702
24,512	275	24,787	41,908	12,651	79,346
1,874	600	2,474	3,203	967	6,644
				5,837	5,837
14,421	1,755	16,176	24,655	7,443	48,274
14,679	5	14,684	3,944	1,191	19,819
1,594		1,594	2,725	823	5,142
4,502	620	5,122	7,696	2,323	15,141
4,267	1,501	5,768	7,294	2,202	15,264
<u>\$ 3,431,923</u>	<u>\$ 102,544</u>	<u>\$ 3,534,467</u>	<u>\$ 1,187,347</u>	<u>\$ 156,954</u>	<u>\$ 4,878,768</u>

Legacy Foundation, Inc. and Affiliate

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31,

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (12,502,918)	\$ 6,941,595
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	16,745	15,264
Realized and unrealized (gains) losses on investments	11,575,798	(7,357,738)
Contributions to funds held in perpetuity	(839,156)	(1,177,073)
Non-cash contributions	(23,800)	(55,040)
(Increase) decrease in assets:		
Other assets	64,751	(11,272)
Pledges receivable	1,816,463	1,750,795
Increase (decrease) in liabilities:		
Accounts payable	(50,660)	53,726
Accrued expenses	(31)	2,323
Grants payable	(37,088)	(623,085)
Annuities payable	(100,335)	(56,321)
Custodial funds	(1,958,593)	1,204,522
Net cash provided by (used in) operating activities	(2,038,824)	687,696
Cash flows from investing activities:		
Purchase of property and equipment	(5,774)	(20,746)
Proceeds from the sales of investments	38,692,495	111,196,972
Purchase of investments	(37,758,420)	(111,045,692)
Net cash provided by investing activities	928,301	130,534
Cash flows from financing activities:		
Cash received for funds held in perpetuity	839,156	1,177,073
Net cash provided by financing activities	839,156	1,177,073
Net change in cash and cash equivalents	(271,367)	1,995,303
Cash and cash equivalents at beginning of year	5,421,643	3,426,340
Cash and cash equivalents at end of year	<u>\$ 5,150,276</u>	<u>\$ 5,421,643</u>
<u>Supplemental Disclosure</u>		
Non-cash contributions	\$ 23,800	\$ 55,040

The accompanying notes are an integral part of these statements.

Legacy Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities

Legacy Foundation, Inc. and its affiliate, South Shore Neighborhood Development Corporation (Foundation), are not-for-profit corporations organized under the laws of the State of Indiana. Legacy Foundation, Inc. was established primarily to serve Lake County by managing and distributing charitable contributions, supporting qualified not-for-profit organizations, and providing philanthropic leadership to improve the quality of life in the county. The Community Economic Development program has a mission to collaboratively and innovatively build resilient, adaptive, and inclusive neighborhoods; bridge divides; and increase economic prosperity for all residents in all communities of Lake County.

South Shore Neighborhood Development Corporation was incorporated in Indiana on October 22, 2018 to support Legacy Foundation, Inc. by collaboratively and innovatively building resilient, adaptive, and inclusive neighborhoods; bridge divides; and increase economic prosperity for all residents in all communities of Lake County. Legacy Foundation, Inc. is the sole member of South Shore Neighborhood Development Corporation. The expenses for South Shore Neighborhood Development Corporation are shown on the Consolidated Statements of Functional Expenses in the Community Economic Development column. The revenue consists of rental income from a single family residence owned by South Shore Neighborhood Development Corporation.

2. Basis of Presentation

Net assets, support, investment return, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. While most gift instruments give the Foundation's Board of Directors the right to vary the terms of the gift, this only allows for a limited right of modification and does not relieve the restrictions imposed by the donor. Accordingly, the net assets of the Foundation are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and comprised of the Foundation's operating fund and unrestricted income from endowment funds.

Net assets with donor restrictions - Net assets not yet appropriated for expenditure by the Foundation's Board of Directors in accordance with their spending policy or that have donor-imposed restrictions relating to a stipulated purpose or a specified time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished or amounts have been allocated for expenditure by the Board of Directors, net assets are reclassified to net assets without donor restrictions and reported in the Consolidated Statements of Activities as net assets released from restrictions.

3. Contributions

Contributions are recognized when the donor makes a promise to give to the Foundation that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the financial year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

4. Cash and Cash Equivalents

The Foundation maintains its cash in accounts at local financial institutions, which are insured by agencies of the U.S. Government. For purposes of the Consolidated Statements of Cash Flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Legacy Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Investments

The Foundation records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the Consolidated Statements of Financial Position. Net investment return/(loss) is reported in the Consolidated Statements of Activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment expenses.

6. Property and Equipment

Property and equipment is stated at cost. Donated equipment is recorded as support at the estimated fair value at the date of gift. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Depreciation is computed according to the estimated useful lives of the respective assets using the straight-line method with useful lives ranging from three to seven years.

7. Income Taxes

The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision has been made for income taxes.

8. Administrative Fees

Administrative fees are expensed from the funds to support the operations of the Foundation. 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.

9. Uncertain Tax Positions

The Foundation recognizes a tax benefit only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. The Foundation has examined this issue and has determined there are no material contingent tax liabilities.

The Foundation's federal and state exempt organization tax returns for 2019, 2020, and 2021 are subject to examination by the Internal Revenue Service and the Indiana Department of Revenue. Returns are generally subject to examination for three years after they are filed.

10. Functional Allocation of Expenses

The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Foundation. Those expenses include depreciation, insurance, printing and publications, rent, telephone, repairs and maintenance, office supplies, postage, salaries and wages, payroll taxes, benefits, conferences and meetings, and miscellaneous expenses. These expenses are allocated on the basis of estimates of time and effort.

11. Compensated Absences

The employees of the Foundation earn vacation days based upon length of service. Vacation days must be used by the end of the calendar year, however, a two month extension can be requested. Any earned vacation days are paid to an employee upon termination based upon the employee's hourly rate. The Foundation's policy is to recognize the cost of compensated absences when actually paid to employees.

Legacy Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - Continued

12. In-Kind Contributions

During the years ended December 31, 2022 and 2021, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. During the years ended December 31, 2022 and 2021, the Foundation received contributed property with a value of \$23,800 and \$55,040, respectively. The property was donated for the Foundation's affiliate to renovate and utilize as rental properties.

13. Concentration of Credit Risk

The Foundation maintains its cash in bank deposit accounts at high credit quality financial institutions. At December 31, 2022 and 2021, the Foundation exceeded the insured limit by \$3,040,931 and \$2,253,075, respectively.

14. Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - PLEDGE RECEIVABLE

Pledges receivable have been adjusted to reflect the net present value of the future cash flows and an allowance for uncollectible pledges. Pledges receivable, net of the present value discount and the allowance, were \$5,766,939 and \$7,583,402 at December 31, 2022 and 2021, respectively.

2023	\$ 2,000,000
2024	2,000,000
2025	2,000,000
2026	-0-
2027 and later	<u>-0-</u>
	6,000,000
Present value discount	173,061
Allowance for uncollectible pledges	<u>60,000</u>
	<u>\$ 5,766,939</u>

NOTE C - RISKS AND UNCERTAINTIES

The Foundation holds a variety of investments (Note D). 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.

Legacy Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE D - INVESTMENTS

The following is an analysis of the cost and fair value at December 31, 2022 and 2021 by type of investment.

	<u>2022</u>	<u>2021</u>
Alternative investments		\$ 2,078,066
Common stock	\$ 3,628,985	
Mutual funds - equities:		
Diversified emerging markets	2,887,996	3,479,070
Small value	96,325	106,573
Mid-cap value	199,073	221,286
Large value	2,861,308	4,348,868
Global real estate	813,726	1,039,639
Real estate	122,385	1,834,631
Small growth	109,977	139,058
Infrastructure	1,204,538	1,315,911
Large growth	556,011	6,733,645
Mid-cap growth	86,241	124,145
Foreign small/mid value	1,045,727	123,698
Convertibles	94,031	109,217
Small blend	2,335,829	2,654,828
Mid-cap blend	24,189	28,308
Large blend	17,593,846	15,965,898
Foreign large blend	9,824,415	12,399,670
Options-based		6,630
Natural resources	2,670,145	2,721,098
Foreign large growth	401,704	924,040
Total mutual funds - equities	<u>42,927,466</u>	<u>54,276,213</u>
Mutual funds - fixed income:		
Intermediate-term bond	6,420,775	9,076,115
Corporate bonds	15,703	47,705
World bond	113,500	131,998
Short-term bond	2,735,731	2,955,615
High yield bond	5,390,265	5,219,185
Inflation-protected bond	582,737	1,316,163
Multisector bond	4,034	4,996
Emerging markets bond	1,192,950	1,899,706
Intermediate government	6,094	6,989
Ultrashort bonds	1,265,749	
Municipal bonds	218,889	
Total mutual funds - fixed income	<u>17,946,427</u>	<u>20,658,472</u>
Total investments, at fair value	<u>\$ 64,502,878</u>	<u>\$ 77,012,751</u>
Total investments, at historical cost	<u>\$ 72,176,148</u>	<u>\$ 73,594,087</u>

Legacy Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE E - FAIR VALUE MEASUREMENTS

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. A hierarchy of inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Foundation. Unobservable inputs are inputs that reflect the Foundation's assumptions about the assumptions that market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

	2022			Total
	Level 1	Level 2	Level 3	
Assets:				
Pledge receivable, net		\$ 5,766,939		\$ 5,766,939
Investments				
Common stock	\$ 3,628,985			\$ 3,628,985
Mutual funds - equities	\$ 42,927,466			\$ 42,927,466
Mutual funds - fixed income	\$ 17,946,427			\$ 17,946,427
Total investments at fair value				\$ 64,502,878
Liabilities:				
Annuities payable		\$ 342,302		\$ 342,302
	2021			Total
	Level 1	Level 2	Level 3	
Assets:				
Pledge receivable, net		\$ 7,583,402		\$ 7,583,402
Investments				
Alternative investments*				\$ 2,078,066
Mutual funds - equities	\$ 54,276,213			\$ 54,276,213
Mutual funds - fixed income	\$ 20,658,472			\$ 20,658,472
Total investments at fair value				\$ 77,012,751
Liabilities:				
Annuities payable		\$ 442,637		\$ 442,637

Legacy Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE E - FAIR VALUE MEASUREMENTS - Continued

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

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 for the years ended December 31, 2022 and 2021.

- Pledge receivable, net: Fair value is determined by calculating the present value of the scheduled payments using a discount rate of 3.0 percent.
- Investments: Valued at the daily closing price as reported by the mutual fund or exchange traded fund. Mutual funds and exchange traded funds ("funds") are held by the Foundation and are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The funds held by the Foundation are deemed to be actively traded.
- Annuities payable: Fair value is determined by calculating the present value of future payments to beneficiaries using published life expectancy tables, and discount rates ranging from 1.6 percent to 5.2 percent.

Alternative investments, including balances, restrictions on redemptions, and investment objectives consist of the following as of December 31, 2021. The Foundation did not hold any alternative investments as of December 31, 2022.

	<u>Net Asset Value</u>	<u>Redemption Notice</u>	<u>Redemption Frequency</u>
SEI Structured Credit Fund	\$ 2,078,066	65 days notice	Quarterly

NOTE F - OPERATING LEASES

The Foundation entered into a lease for office space which expires in November 2024 with monthly payments of \$6,254. Rent expense was \$75,045 and \$75,045 for the years ended December 31, 2022 and 2021, respectively.

The Foundation leases a vehicle under an operating lease that expired in January 2022 with monthly payments of \$1,031. Lease expense was \$2,084 and \$12,371 for the years ended December 31, 2022 and 2021, respectively.

The following table discloses the undiscounted cash flows due related to operating leases, as of December 31, 2022, along with a reconciliation to the discounted amount recorded on the Consolidated Statements of Financial Position.

2023	\$ 75,045
2024	68,791
2025	-0-
2026	-0-
2027	-0-
	<u>143,836</u>
Present value discount	<u>13,920</u>
	<u>\$ 129,916</u>

Legacy Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE G - ENDOWMENT FUNDS

At December 31, 2022 and 2021, the Foundation's endowment consists of donor-restricted endowment funds established to support designated charitable purposes and organizations. 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.

The Board of Directors of the Foundation has interpreted the Indiana Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2022 and 2021, there were no such donor stipulations. As a result of this interpretation, we retain in perpetuity (a) the original value of initial and subsequent gift amounts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. We consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

The Foundation has adopted investment and spending policies for endowment assets to attempt to provide a predictable stream of funding for granting purposes while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must use for a donor-specified purpose. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce long-term growth of capital without undue exposure to risk. The Foundation expects its endowment funds, over time, to grow at a rate equal or greater than the Consumer Price Index plus any distributions and administrative expenses. Actual returns in any given year may vary from this amount.

Endowment net asset composition by type of fund as of December 31, 2022 and 2021 was as follows:

	<u>2022</u>	<u>2021</u>
	<u>With Donor</u>	<u>With Donor</u>
	<u>Restrictions</u>	<u>Restrictions</u>
Donor-restricted endowment funds:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 41,521,989	\$ 40,682,833
Accumulated investment gains	<u>6,005,261</u>	<u>16,292,649</u>
	<u>\$ 47,527,250</u>	<u>\$ 56,975,482</u>

Legacy Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE G - ENDOWMENT FUNDS - Continued

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

	2022	2021
	<u>With Donor Restrictions</u>	<u>With Donor Restrictions</u>
Revenue and support		
Contributions and grant income	\$ 864,741	\$ 1,612,852
Investment return (loss), net	<u>(8,451,585)</u>	<u>7,126,394</u>
Total revenue and support	(7,586,844)	8,739,246
Appropriation of endowment assets for expenditure	<u>1,861,388</u>	<u>1,949,400</u>
Change in endowment net assets	(9,448,232)	6,789,846
Endowment net assets, beginning of year	<u>56,975,482</u>	<u>50,185,636</u>
Endowment net assets, end of year	<u>\$ 47,527,250</u>	<u>\$ 56,975,482</u>

Occasionally, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that UPMIFA requires the Foundation to retain as a fund of perpetual duration. As of December 31, 2022, 30 of the 224 endowment funds had deficiencies totaling \$507,511. As of December 31, 2021, 5 of the 224 endowment funds had deficiencies totaling \$9,177. Deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions and continued appropriation for certain programs that was deemed prudent by the board of directors.

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

The Foundation has a policy of appropriating for distribution each year five percent of its endowment funds' average fair value over the twenty prior quarters, or a lesser percentage as voted upon annually by the Board of Directors. In establishing this policy, the Foundation considered the long-term expected return on its endowment.

NOTE H - NET ASSETS WITHOUT DONOR RESTRICTIONS

The Foundation's governing board has designated net assets without donor restrictions for the following purposes as of December 31, 2022 and 2021:

	2022	2021
Board designated capital reserve	\$ 205,971	\$ 227,808
Board designated operating reserve	518,009	557,076
Operating funds without donor restrictions	<u>1,265,321</u>	<u>1,202,101</u>
	<u>\$ 1,989,301</u>	<u>\$ 1,986,985</u>

Legacy Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Subject to expenditure for a specific purpose:		
Donor advised	\$ 1,458,673	\$ 1,835,721
Scholarships	1,498,229	1,684,617
Designated	6,548,116	6,884,728
Fields of interest	347,728	487,766
Special projects	561,290	727,218
Pledges receivable, the proceeds from which have been restricted for donor designated purposes	<u>5,766,939</u>	<u>7,583,402</u>
	16,180,975	19,203,452
 Proceeds from gift annuity upon death of the annuitant	 32,569	 67,094
 Endowments:		
Subject to appropriation and expenditure when a specific event occurs:		
Restricted by donors for:		
Donor advised	139,107	4,038
Scholarships	920,790	836,206
Designated	13,453	10,930
Fields of interest	61,705	59,862
Community grants	<u>272,866</u>	<u>280,263</u>
	1,407,921	1,191,299
 Subject to Foundation spending and appropriation:		
Donor advised	7,728,603	9,442,865
Scholarships	6,148,070	7,663,828
Designated	15,293,210	17,496,082
Fields of interest	2,840,416	3,362,018
Community grants	14,616,541	17,828,567
Underwater endowments	<u>(507,511)</u>	<u>(9,177)</u>
	<u>46,119,329</u>	<u>55,784,183</u>
	<u>\$ 63,740,794</u>	<u>\$ 76,246,028</u>

Legacy Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE J - NET ASSETS RELEASED FROM DONOR RESTRICTION

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors as follows for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Purpose restrictions accomplished:		
Donor advised	\$ 327,307	\$ 256,387
Scholarships	240,222	53,571
Designated	1,256,296	1,404,341
Fields of interest	125,927	19,092
Special projects	<u>333,403</u>	<u>742,632</u>
	2,283,155	2,476,023
Restricted-purpose spending-rate distributions and appropriations:		
Donor advised	385,432	446,656
Scholarships	282,299	264,119
Designated	589,569	605,501
Fields of interest	115,653	136,289
Community grants	<u>488,435</u>	<u>496,835</u>
	<u>1,861,388</u>	<u>1,949,400</u>
	<u>\$ 4,144,543</u>	<u>\$ 4,425,423</u>

NOTE K - LIQUIDITY

The Foundation has financial assets available within one year of the Consolidated Statements of Financial Position date consisting the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,193,429	\$ 891,044
Investments	<u>749,601</u>	<u>835,821</u>
	<u>\$ 1,943,030</u>	<u>\$ 1,726,865</u>

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of Consolidated Statements of Financial Position date. As part of its liquidity management, the Foundation invests cash in excess of daily requirements in various cash equivalents including money market funds and other interest earning opportunities.

NOTE L - CUSTODIAL FUNDS

The Foundation reports contributions as a liability when third party organizations transfer these assets to the Foundation and specify themselves, or their affiliates, as the beneficiary. These liabilities are offset by the Foundation's investments. During the years ended December 31, 2022 and 2021, the following activity occurred in the custodial funds held by the Foundation. These amounts are not reflected on the Consolidated Statements of Activities.

Legacy Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE L - CUSTODIAL FUNDS - Continued

	2022	2021
Support and revenue		
Contributions	\$ 92,855	\$ 84,582
Investment return (loss), net	<u>(1,629,585)</u>	<u>1,520,359</u>
	\$ (1,536,730)	\$ 1,604,941
Expenses		
Grants expense	342,290	309,269
Administrative fees	<u>79,573</u>	<u>91,150</u>
	<u>421,863</u>	<u>400,419</u>
Change in custodial funds	(1,958,593)	1,204,522
Balance at beginning of year	<u>11,052,179</u>	<u>9,847,657</u>
Balance at end of year	<u><u>\$ 9,093,586</u></u>	<u><u>\$ 11,052,179</u></u>

NOTE M - SPLIT-INTEREST AGREEMENTS

The Foundation's split-interest agreements consist of three charitable gift annuities. The assets received are recorded at their fair value. The fair value of assets held for the charitable gift annuities totaled \$374,871 and \$509,731 at December 31, 2022 and 2021, respectively. These assets are included in the level 1 inputs in Note E. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of future payment obligations at December 31, 2022 and 2021 were \$342,302 and \$442,637, respectively. The liabilities were determined using a discount rate of 5.2% and 1.6% as of December 31, 2022 and 2021, respectively. Changes in fair value of the charitable gift annuities are reflected as changes in net assets with donor restrictions in the Consolidated Statements of Activities. During the years ending December 31, 2022 and 2021 there were no contributions to charitable gift annuities.

Gains or losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as increases or decreases in the value of the split-interest agreements in the Consolidated Statements of Activities in their respective net asset classification.

NOTE N - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through April 4, 2023, which is the date these consolidated financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2022 have been incorporated into these consolidated financial statements herein.

NOTE O - ADOPTION OF NEW ACCOUNTING PRINCIPLE

Effective for its 2022 annual financial statements, the Foundation adopted new accounting standards issued by FASB that require significant changes in accounting for operating leases under which the Foundation is lessee, and in the method and timing of recognition of certain nonlease contract revenues and certain incremental expenses such as sales commissions. Upon adoption, among other effects, the Foundation is required to record assets and liabilities for all operating lease obligations with terms of 12 months or greater. These changes entail certain retrospective adjustments.