

LEGACY FOUNDATION, INC.  
AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

December 31, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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 1, 2024

## Legacy Foundation, Inc. and Affiliate

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31,

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 6,685,190	\$ 5,150,276
Other assets	122,942	47,855
Construction in progress	140,750	23,800
Pledges receivable, net	3,901,748	5,766,939
Right of use asset	62,134	129,916
Investments	73,384,293	64,502,878
Property and equipment, net	<u>24,784</u>	<u>83,990</u>
	<u>\$ 84,321,841</u>	<u>\$ 75,705,654</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 141,789	\$ 65,083
Accrued expenses	24,633	13,368
Grants payable	151,573	331,304
Right of use liability	62,134	129,916
Annuities payable	336,443	342,302
Custodial funds	<u>10,190,884</u>	<u>9,093,586</u>
Total liabilities	10,907,456	9,975,559
<b>NET ASSETS</b>		
Without donor restrictions	2,205,005	1,989,301
With donor restrictions	<u>71,209,380</u>	<u>63,740,794</u>
Total net assets	<u>73,414,385</u>	<u>65,730,095</u>
	<u>\$ 84,321,841</u>	<u>\$ 75,705,654</u>

The accompanying notes are an integral part of these statements.

Legacy Foundation, Inc. and Affiliate

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended December 31,

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and support			
Contributions	\$ 83,202	\$ 1,226,534	\$ 1,309,736
Gifts-in-kind		1,367,093	1,367,093
Investment return (loss), net	82,072	9,478,901	9,560,973
Administrative fees	797,540		797,540
Special events and other income	122,229		122,229
SSNDC rental income	5,616		5,616
Amortization of discount on pledge receivable		134,808	134,808
Change in value of split-interest agreements		(49,617)	(49,617)
Total operating revenue and support	1,090,659	12,157,719	13,248,378
Net assets released from restrictions:			
Satisfaction of purpose restrictions	2,746,458	(2,746,458)	
Pursuant to spending spolicy	1,942,675	(1,942,675)	
Operating expenses			
Program services	4,225,911		4,225,911
Supporting services:			
Management and general expenses	1,176,824		1,176,824
Fundraising expenses	161,353		161,353
Total operating expenses	5,564,088		5,564,088
<b>CHANGE IN NET ASSETS</b>	215,704	7,468,586	7,684,290
Net assets at beginning of year	1,989,301	63,740,794	65,730,095
Net assets at end of year	\$ 2,205,005	\$ 71,209,380	\$ 73,414,385

The accompanying notes are an integral part of these statements.

2022		
<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
\$ 102,833	\$ 1,752,007	\$ 1,854,840
23,800		23,800
(56,012)	(10,341,094)	(10,397,106)
737,322		737,322
80,243		80,243
9,029		9,029
	183,537	183,537
	44,859	44,859
<hr/>	<hr/>	<hr/>
897,215	(8,360,691)	(7,463,476)
2,283,155	(2,283,155)	
1,861,388	(1,861,388)	
3,724,310		3,724,310
1,141,627		1,141,627
173,505		173,505
<hr/>	<hr/>	<hr/>
5,039,442		5,039,442
2,316	(12,505,234)	(12,502,918)
1,986,985	76,246,028	78,233,013
<hr/>	<hr/>	<hr/>
\$ 1,989,301	\$ 63,740,794	\$ 65,730,095
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Legacy Foundation, Inc. and Affiliate

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31,

2023

	Program Services					
	Grant-making	Community Economic Development	Total	Management & General	Fundraising	Total
Salaries and wages	\$ 157,015	\$ 69,825	\$ 226,840	\$ 268,446	\$ 81,040	\$ 576,326
Payroll taxes	13,014	6,067	19,081	22,250	6,717	48,048
Employee benefits	16,636	2,212	18,848	28,442	8,586	55,876
Conferences and meetings	6,106	1,054	7,160	10,440	3,152	20,752
Grants	3,722,679		3,722,679			3,722,679
Program expenses	127,336	6,205	133,541			133,541
Printing and publications	128		128	219	66	413
Postage	935		935	1,598	483	3,016
Administrative fees				714,541		714,541
Advertising					22,627	22,627
Insurance	1,125	1,769	2,894	1,923	581	5,398
Office supplies	1,655		1,655	2,830	854	5,339
Professional fees	30,780	775	31,555	25,234		56,789
Occupancy	24,728		24,728	42,277	12,763	79,768
Telephone	2,308	600	2,908	3,946	1,191	8,045
Development					6,786	6,786
Technology	16,480	978	17,458	28,176	8,506	54,140
Equip. rent & maintenance	1,955		1,955	3,344	1,009	6,308
Special events	6,080		6,080	10,395	3,138	19,613
Miscellaneous	3,598		3,598	6,149	1,857	11,604
Depreciation	3,868		3,868	6,614	1,997	12,479
	<u>\$ 4,136,426</u>	<u>\$ 89,485</u>	<u>\$ 4,225,911</u>	<u>\$ 1,176,824</u>	<u>\$ 161,353</u>	<u>\$ 5,564,088</u>

The accompanying notes are an integral part of these statements.



2022

Program Services					
Grant-making	Community Economic Development	Total	Management & General	Fundraising	Total
\$ 193,477	\$ 56,112	\$ 249,589	\$ 283,562	\$ 85,604	\$ 618,755
13,942	6,589	20,531	23,837	7,196	51,564
16,371	4,050	20,421	27,989	8,449	56,859
4,713	684	5,397	7,525	2,272	15,194
3,099,169		3,099,169			3,099,169
215,658	8,819	224,477			224,477
1,039		1,039	1,777	536	3,352
			657,749		657,749
				25,548	25,548
1,997	68	2,065	3,415	1,031	6,511
1,615	25	1,640	2,744	828	5,212
27,458	775	28,233	17,839		46,072
24,842		24,842	42,471	12,821	80,134
2,312	600	2,912	3,952	1,193	8,057
				7,267	7,267
18,111	1,091	19,202	29,820	9,002	58,024
3,743		3,743	6,392	1,929	12,064
10,313		10,313	17,632	5,323	33,268
4,159	6	4,165	7,109	2,147	13,421
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>

## Legacy Foundation, Inc. and Affiliate

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31,

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 7,684,290	\$ (12,502,918)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	12,479	16,745
Realized and unrealized (gains) losses on investments	(7,886,551)	11,575,798
Contributions to funds held in perpetuity	(219,969)	(839,156)
Non-cash contributions	(1,367,093)	(23,800)
(Increase) decrease in assets:		
Other assets	(75,087)	64,751
Construction in progress	(66,580)	
Pledges receivable	1,865,191	1,816,463
Increase (decrease) in liabilities:		
Accounts payable	76,706	(50,660)
Accrued expenses	11,265	(31)
Grants payable	(179,731)	(37,088)
Annuities payable	(5,859)	(100,335)
Custodial funds	1,097,298	(1,958,593)
Net cash provided by (used in) operating activities	946,359	(2,038,824)
Cash flows from investing activities:		
Purchase of property and equipment	(3,643)	(5,774)
Proceeds from the sales of investments	26,254,273	38,692,495
Purchase of investments	(25,882,044)	(37,758,420)
Net cash provided by investing activities	368,586	928,301
Cash flows from financing activities:		
Cash received for funds held in perpetuity	219,969	839,156
Net cash provided by financing activities	219,969	839,156
Net change in cash and cash equivalents	1,534,914	(271,367)
Cash and cash equivalents at beginning of year	5,150,276	5,421,643
Cash and cash equivalents at end of year	<u>\$ 6,685,190</u>	<u>\$ 5,150,276</u>
<u>Supplemental Disclosure</u>		
Non-cash contributions	\$ 1,367,093	\$ 23,800

The accompanying notes are an integral part of these statements.

## Legacy Foundation, Inc. and Affiliate

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

## 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, 2023 and 2022

## 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 2020, 2021, and 2022 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, 2023 and 2022

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

12. In-Kind Contributions

During the years ended December 31, 2023 and 2022, 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, 2023 and 2022, the Foundation received contributed property with a value of \$1,367,093 and \$-0-, respectively. It is the Foundation's policy to immediately liquidate gifts of public securities and invest the proceeds in compliance with the Foundation's investment policy. During the years ended December 31, 2023 and 2022, the Foundation received contributed property with a value of \$-0- and \$23,800, respectively. The property was donated for the Foundation's affiliate to renovate and utilize for community development.

13. Concentration of Credit Risk

The Foundation maintains its cash in bank deposit accounts at high credit quality financial institutions. At December 31, 2023 and 2022, the Foundation exceeded the insured limit by \$3,477,060 and \$3,040,931, 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 \$3,901,748 and \$5,766,939 at December 31, 2023 and 2022, respectively.

2024	\$ 2,000,000
2025	2,000,000
2026	-0-
2027	-0-
2028 and later	<u>-0-</u>
	4,000,000
Present value discount	58,252
Allowance for uncollectible pledges	<u>40,000</u>
	<u>\$ 3,901,748</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, 2023 and 2022

## NOTE D - INVESTMENTS

The following is an analysis of the cost and fair value at December 31, 2023 and 2022 by type of investment.

	<u>2023</u>	<u>2022</u>
Common stock	\$ 4,329,591	\$ 3,628,985
Mutual funds - equities:		
Diversified emerging markets	4,999,932	2,887,996
Small value		96,325
Mid-cap value	106,582	199,073
Large value	3,921,521	2,861,308
Global real estate	733,596	813,726
Real estate	130,352	122,385
Small growth	101,257	109,977
Infrastructure	1,501,601	1,204,538
Large growth	1,758,001	556,011
Mid-cap growth	102,800	86,241
Foreign small/mid value	1,148,290	1,045,727
Convertibles	98,124	94,031
Small blend	2,910,621	2,335,829
Mid-cap blend	12,749	24,189
Large blend	17,726,090	17,593,846
Foreign large blend	7,839,885	9,824,415
Natural resources	2,841,451	2,670,145
Foreign large growth	<u>3,690,842</u>	<u>401,704</u>
Total mutual funds - equities	49,623,694	42,927,466
Mutual funds - fixed income:		
Intermediate-term bond	10,115,474	6,420,775
Corporate bonds	10,332	15,703
World bond	118,130	113,500
Short-term bond	1,984,785	2,735,731
High yield bond	4,058,402	5,390,265
Inflation-protected bond	887,619	582,737
Bank loan	1,995,863	
Multisector bond		4,034
Emerging markets bond		1,192,950
Intermediate government		6,094
Ultrashort bonds		1,265,749
Municipal bonds	<u>260,403</u>	<u>218,889</u>
Total mutual funds - fixed income	<u>19,431,008</u>	<u>17,946,427</u>
Total investments, at fair value	<u>\$ 73,384,293</u>	<u>\$ 64,502,878</u>
Total investments, at historical cost	<u>\$ 70,942,844</u>	<u>\$ 72,176,148</u>

## Legacy Foundation, Inc. and Affiliate

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

## NOTE E - PROPERTY AND EQUIPMENT

The amounts of property and equipment, net of depreciation, consist of the following at December 31,

	<u>2023</u>	<u>2022</u>
Office equipment	\$ 107,981	\$ 133,930
SSNDC rental houses		55,040
Less accumulated depreciation	<u>(83,197)</u>	<u>(104,980)</u>
	<u>\$ 24,784</u>	<u>\$ 83,990</u>

## NOTE F - CONSTRUCTION IN PROGRESS

Construction in progress consists of homes being renovated by South Shore Neighborhood Development Corporation with the intention to sell. Construction in progress totaled \$140,750 and \$23,800 as of December 31, 2023 and 2022.

## NOTE G - 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.

## Legacy Foundation, Inc. and Affiliate

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

## NOTE G - FAIR VALUE MEASUREMENTS - Continued

	2023			Total
	Level 1	Level 2	Level 3	
Assets:				
Pledge receivable, net		\$ 3,901,748		\$ 3,901,748
Investments				
Common stock	\$ 4,329,591			\$ 4,329,591
Mutual funds - equities	\$ 49,623,694			\$ 49,623,694
Mutual funds - fixed income	\$ 19,431,008			\$ 19,431,008
Total investments at fair value				\$ 73,384,293
Liabilities:				
Annuities payable		\$ 336,443		\$ 336,443
	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

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, 2023 and 2022.

- 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 5.2 percent to 5.8 percent.

## NOTE H - 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 \$435,988 and \$374,871 at December 31, 2023 and 2022, respectively. These assets are included in the level 1 inputs in Note G. 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, 2023 and 2022 were \$336,443 and \$342,302, respectively. The liabilities were determined using a discount rate of 5.8% and 5.2% as of December 31, 2023 and 2022, 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, 2023 and 2022 there were no contributions to charitable gift annuities.



## Legacy Foundation, Inc. and Affiliate

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

## NOTE H - SPLIT-INTEREST AGREEMENTS - Continued

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 I - 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, 2023 and 2022, respectively.

The Foundation leases a vehicle under an operating lease that expired in January 2022 with monthly payments of \$1,031. Lease expense was \$-0- and \$2,084 for the years ended December 31, 2023 and 2022, respectively.

The following table discloses the undiscounted cash flows due related to operating leases, as of December 31, 2023, along with a reconciliation to the discounted amount recorded on the Consolidated Statements of Financial Position.

	2024	\$	68,791
	2025		-0-
	2026		-0-
	2027		-0-
	2028		-0-
			<u>68,791</u>
Present value discount			<u>6,657</u>
		\$	<u><u>62,134</u></u>

## NOTE J - ENDOWMENT FUNDS

At December 31, 2023 and 2022, 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, 2023 and 2022, 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

## Legacy Foundation, Inc. and Affiliate

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

## NOTE J - ENDOWMENT FUNDS - Continued

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, 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</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	\$ 41,741,958	\$ 41,521,989
Accumulated investment gains	11,513,090	6,005,261
	<u>\$ 53,255,048</u>	<u>\$ 47,527,250</u>

Changes in endowment net assets for the years ended December 31, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
	<u>With Donor</u>	<u>With Donor</u>
	<u>Restrictions</u>	<u>Restrictions</u>
Revenue and support		
Contributions and grant income	\$ 245,386	\$ 864,741
Investment return (loss), net	7,425,087	(8,451,585)
Total revenue and support	7,670,473	(7,586,844)
Appropriation of endowment assets for expenditure	1,942,675	1,861,388
Change in endowment net assets	5,727,798	(9,448,232)
Endowment net assets, beginning of year	47,527,250	56,975,482
Endowment net assets, end of year	<u>\$ 53,255,048</u>	<u>\$ 47,527,250</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, 2023, 9 of the 221 endowment funds had deficiencies totaling \$92,493. As of December 31, 2022, 30 of the 224 endowment funds had deficiencies totaling \$507,511. 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.

## Legacy Foundation, Inc. and Affiliate

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

## NOTE J - ENDOWMENT FUNDS - Continued

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 K - 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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Purpose restrictions accomplished:		
Donor advised	\$ 1,095,379	\$ 327,307
Scholarships	230,517	240,222
Designated	1,183,313	1,256,296
Fields of interest	95,175	125,927
Special projects	<u>142,074</u>	<u>333,403</u>
	2,746,458	2,283,155
Restricted-purpose spending-rate distributions and appropriations:		
Donor advised	438,191	385,432
Scholarships	289,641	282,299
Designated	602,200	589,569
Fields of interest	149,248	115,653
Community grants	<u>463,395</u>	<u>488,435</u>
	<u>1,942,675</u>	<u>1,861,388</u>
	<u>\$ 4,689,133</u>	<u>\$ 4,144,543</u>

## NOTE L - 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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Board designated capital reserve	\$ 221,311	\$ 205,971
Board designated operating reserve	566,074	518,009
Operating funds without donor restrictions	<u>1,417,620</u>	<u>1,265,321</u>
	<u>\$ 2,205,005</u>	<u>\$ 1,989,301</u>

## Legacy Foundation, Inc. and Affiliate

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

## NOTE M - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for a specific purpose:		
Donor advised	\$ 2,101,283	\$ 1,458,673
Scholarships	1,534,345	1,498,229
Designated	9,111,235	6,548,116
Fields of interest	253,588	347,728
Special projects	1,008,249	561,290
Pledges receivable, the proceeds from which have been restricted for donor designated purposes	<u>3,901,748</u>	<u>5,766,939</u>
	17,910,448	16,180,975
 Proceeds from gift annuity upon death of the annuitant	 43,884	 32,569
 Endowments:		
Subject to appropriation and expenditure when a specific event occurs:		
Restricted by donors for:		
Donor advised	321,326	139,107
Scholarships	1,033,140	920,790
Designated	9,587	13,453
Fields of interest	67,169	61,705
Community grants	<u>351,126</u>	<u>272,866</u>
	1,782,348	1,407,921
 Subject to Foundation spending and appropriation:		
Donor advised	8,299,562	7,728,603
Scholarships	7,020,811	6,148,070
Designated	16,238,828	15,293,210
Fields of interest	3,605,134	2,840,416
Community grants	16,400,858	14,616,541
Underwater endowments	<u>(92,493)</u>	<u>(507,511)</u>
	<u>51,472,700</u>	<u>46,119,329</u>
	<u>\$ 71,209,380</u>	<u>\$ 63,740,794</u>

## Legacy Foundation, Inc. and Affiliate

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

## NOTE N - LIQUIDITY

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

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 670,860	\$ 1,193,429
Other assets	77,350	
Investments	<u>1,372,342</u>	<u>749,601</u>
	<u>\$ 2,120,552</u>	<u>\$ 1,943,030</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 O - 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, 2023 and 2022, the following activity occurred in the custodial funds held by the Foundation. These amounts are not reflected on the Consolidated Statements of Activities.

	<u>2023</u>	<u>2022</u>
Support and revenue		
Contributions	\$ 11,445	\$ 92,855
Investment return (loss), net	<u>1,488,358</u>	<u>(1,629,585)</u>
	\$ 1,499,803	\$ (1,536,730)
Expenses		
Grants expense	319,506	342,290
Administrative fees	<u>82,999</u>	<u>79,573</u>
	<u>402,505</u>	<u>421,863</u>
Change in custodial funds	1,097,298	(1,958,593)
Balance at beginning of year	<u>9,093,586</u>	<u>11,052,179</u>
Balance at end of year	<u>\$ 10,190,884</u>	<u>\$ 9,093,586</u>

## NOTE P - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through April 1, 2024, which is the date these consolidated financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2023 have been incorporated into these consolidated financial statements herein.