

The Scioto Area Community Foundation, Inc.

Financial Statement Audit

January 1, 2022 through December 31, 2022



CAUDILL & ASSOCIATES, CPA, PLLC

3070 Lake Crest Cir – Ste 400/267
Lexington, KY 40513

Member American Institute of Certified Public Accountants
Member American Institute of Certified Public Accountants – Not for Profit Section
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The Scioto Area Community Foundation, Inc.
January 1, 2022 through December 31, 2022

Independent Auditor’s Report
..... 1

Financial Statements

Statement of Net
 Assets..... 3
Statements of Activities..... 4
Statement of Functional Expenses.....5
Statements of Cash Flows 6
Notes to Financial Statements 7-14



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INDEPENDENT AUDITOR'S REPORT

The Scioto Area Community Foundation, Inc.
Portsmouth, Ohio 45662

To the Board of Directors:

Opinion

We have audited the accompanying financial statements of The Scioto Area Community Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statement of activities, the statement of functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Scioto Area Community Foundation, Inc. as of December 31, 2022, and the changes in its net asset, the statement of functional expenses and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Scioto Area Community Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Scioto Area Community Foundation, Inc's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Scioto Area Community Foundation, Inc's ability to continue as a going concern for a reasonable period of time.

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

Caudill & Associates, CPA, PLLC

Caudill & Associates, CPA

November 15, 2023

THE SCIOTO AREA COMMUNITY FOUNDATION, INC.
STATEMENTS OF NET ASSETS
December 31, 2022

	<u>December 31, 2022</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,085,875
Investments, at fair value	45,738,761
Income receivable	51,840
Cash surrender value of life insurance	<u>40,423</u>
Total Current Assets	46,916,899
NONCURRENT ASSETS	
Right-of-Use Asset	<u>129,525</u>
Total Noncurrent Assets	<u>129,525</u>
PROPERTY AND EQUIPMENT, NET	<u>22,417</u>
Total Assets	<u><u>\$ 47,068,841</u></u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	\$ 2,637
Grants payable	140,887
Deposits held and due to other not-for-profits	6,034,880
Leases payable, current portion	7,144
Other liabilities	<u>5,131</u>
Total Current Liabilities	6,190,679
NONCURRENT LIABILITIES	
Leases payable, net of current portion	<u>\$ 115,702</u>
Total Noncurrent Liabilities	115,702
Total Liabilities	6,306,381
NET ASSETS	
Without donor restrictions	7,588,235
With donor restrictions	<u>33,174,225</u>
Total Net Assets	<u>40,762,460</u>
Total Liabilities and Net Assets	<u><u>\$ 47,068,841</u></u>

See accompanying notes to the financial statements

THE SCIOTO AREA COMMUNITY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022

REVENUES, GAINS AND OTHER SUPPORT	Without Donor Restrictions	With Donor Restrictions	Total
Contributions	\$ 623,480	\$ 564,839	\$ 1,188,319
Investment income	205,108	1,152,082	1,357,190
Realized and unrealized gains (losses)	(1,186,073)	(7,036,047)	(8,222,120)
Administrative fee income	603,227	-	603,227
Net assets released from restrictions	<u>1,212,325</u>	<u>(1,212,325)</u>	<u>-</u>
 Total Revenues, Gains and Other Support	 1,458,067	 (6,531,451)	 (5,073,384)
 EXPENSES			
Program services			
Grants paid	1,462,534	-	1,462,534
Other program services	<u>213,735</u>	<u>-</u>	<u>213,735</u>
Net program services	1,676,269	-	1,676,269
 Management and general	 211,323	 -	 211,323
 Development and communications	 <u>56,084</u>	 <u>-</u>	 <u>56,084</u>
 Total Expenses	 <u>1,943,676</u>	 <u>-</u>	 <u>1,943,676</u>
 CHANGE IN NET ASSETS	 (485,609)	 (6,531,451)	 (7,017,060)
 NET ASSETS AT BEGINNING OF YEAR	 <u>8,073,844</u>	 <u>39,705,676</u>	 <u>47,779,520</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 7,588,235</u>	 <u>\$ 33,174,225</u>	 <u>\$ 40,762,460</u>

See accompanying notes to the financial statements

THE SCIOTO AREA COMMUNITY FOUNDATION, INC.
STATEMENT OF FUNTIONAL EXPENSES
For the Year Ended December 31, 2022

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Grants	\$ 1,568,549	\$ -	\$ -	\$ 1,568,549
Salaries and benefits	186,798	76,154	29,187	292,139
Professional fees	2,504	28,170	-	30,674
Advertising and promotion	-	-	9,414	9,414
Occupancy	-	20,168	-	20,168
Travel	1,699	717	265	2,681
Depreciation and amortization	-	17,431	-	17,431
Insurance	-	12,593	-	12,593
Other	6,429	20,013	6,337	32,779
	<u>\$ 1,765,979</u>	<u>\$ 175,246</u>	<u>\$ 45,203</u>	<u>\$ 1,986,428</u>

See accompanying notes to the financial statements

THE SCIOTO AREA COMMUNITY FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2022

	<u>December 31, 2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (7,017,060)
Adjustments to reconcile net change in net assets to net cash provided by (used in) operating activities	
Depreciation	28,646
(Increase) decrease in cash surrender value of life insurance	300,535
(Increase) decrease in income receivable	2,728
Increase (decrease) in accounts payable	2,367
Increase (decrease) in grants payable	(6,263)
Increase (decrease) in deposits held and due to others	(886,365)
Increase (decrease) in other liabilities	708
Unrealized (gain) losses on investments	<u>7,488,317</u>
Net Cash Provided by (used in) Operating Activities	(86,387)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Net (Purchases) Sales of Investment Securities	<u>437,663</u>
Net Cash Provided by (Used in) Investing Activities	<u>437,663</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Principal payments on lease	<u>(6,679)</u>
Net Cash Provided Used in Capital and Related Financing Activities	<u>(6,679)</u>
 NET INCREASE (DECREASE) IN CASH	344,597
 CASH, BEGINNING OF YEAR	<u>741,278</u>
 CASH, END OF YEAR	<u><u>\$ 1,085,875</u></u>

See accompanying notes to the financial statements

The Scioto Area Community Foundation

*Notes to the Financial Statements
For the Year Ended December 31, 2022*

Note 1 – Description of the Organization

The Scioto Area Community Foundation, Inc. (the Foundation) is a not-for-profit corporation classified by the Internal Revenue Service as tax exempt under Section 501(c)(3). With income from funds contributed by individuals, families, businesses and other groups, the Foundation works to improve the quality of life in Southern Ohio and Northern Kentucky. By making grants to local not-for-profit organization and providing scholarships to benefit local students, the Foundation responds to the changing needs of the community and builds on local strengths in the areas of arts, civic affairs, education, health and social services.

Note 2- Summary of Significant Accounting Policies

This summary of significant accounting policies of the Foundation is presented to assist in the understanding of the Foundation's financial statements. The statements and notes are representations of the Foundation's management, which is responsible for their integrity and objectivity. The accounting policies conform to generally accepted accounting principles.

Financial Statement Presentation

The Foundation has presented its financial statements in accordance with generally accepted accounting principles for not-for-profit organizations. Under this guidance, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These assets may be used at the discretion of the Organization's management and board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Contributions

Donor restricted contributions are recorded as increases in new assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. Contributions received without donor restrictions are recorded as net assets without donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the members to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments

The Foundation carries investments in marketable securities with readily determinable fair values at their fair values in the statements of net assets. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Investment income and gains are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is no longer subject to examination by the Internal Revenue Service for years prior to 2014 and there are currently no audits for any prior tax periods in progress.

The Scioto Area Community Foundation

Notes to the Financial Statements
For the Year Ended December 31, 2022

Grants

Grants are recorded as expenses when they are approved by the Board of Governors for payment. Grants payable at December 31, 2022 represent unconditional promises to give to other organizations.

Cash and Equivalents

For the purpose of the statements of cash flows, the Foundation considers all cash amounts that are not subject to withdrawal restrictions or penalties and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are stated at cost or at their estimated fair value at the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives.

Additions and betterments of \$1,000 are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expenses as incurred.

The useful lives of property and equipment for purposes of computing depreciation are:

Leasehold Improvements	10-20 Years
Furniture and Equipment	5-10 Years

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Foundation.

Note 3- Property and Equipment

Property and equipment consists of the following:

	<u>December 31,</u> <u>2021</u>
Furniture and fixtures	\$ 94,886
leasehold improvements	181,213
	<u>276,099</u>
Less: Accumulated Depreciation	<u>(253,682)</u>
Net property and equipment	<u>\$ 22,417</u>

Note 4- Risk and Uncertainties

Financial instruments, which potentially subject the Foundation to a concentration of credit risk, consist of cash and investments.

The Foundation maintains several custodial accounts, which include insurance coverage against major losses. Coverage is provided by insurance companies which the custodial fund managers believe to be financially sound, and is maintained at levels which the custodial fund managers consider reasonable given the size and scope of its operations. Insurance coverage is approved annually by the custodial fund managers.

Cash held outside the independently insured custodial accounts does not exceed the federally insured limits.

The Scioto Area Community Foundation

Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 5 – Fair Value Measurement

The Foundation's investments are reported at fair value in the accompanying statement of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value measurement establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs are unobservable and have the lowest priority. The Foundation uses appropriate valuation techniques based upon available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 or Level 3 inputs were available to the Foundation.

Level 1 Fair Value Measurements

The fair value of mutual funds are based upon quoted net asset values of the shares held by the Foundation at year end. The fair values of common stocks, corporate bonds, and US Government Securities are based on the closing price reported on the active market where the individual securities are traded.

The following tables set forth, by level with the fair value hierarchy, the Foundation's investments at fair value as of December 31, 2022:

December 31, 2022	Fair Value	Quoted Prices in Active markets for Identical Assets (Level 1)
Marketable Securities	\$ 45,738,761	\$ 45,738,761
Other assets	40,423	40,423
Total assets at fair value	<u>\$ 45,779,184</u>	<u>\$ 45,779,184</u>

The following schedule summarizes the investment income for the years ended December 31, 2022.

	December 31, 2022
Interest and dividends	\$ 1,357,190
Investment fees	(773,074)
Net realized and unrealized gains (losses) (losses) on investments	<u>(8,222,120)</u>
Total	<u>\$ (7,638,004)</u>

The Scioto Area Community Foundation

Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 6 – Operating Lease

The following is a summary of long-term operating lease liabilities at December 31, 2022:

Lease Payable	\$ 122,846
Less Current Maturities	<u>(7,144)</u>
Long-Term Debt, Net of Current Portion	<u>\$ 115,702</u>

Right of Use Leases

The Foundation has a right to use lease agreement with Portsmouth Housing Partners, Ltd. For real property located at 303 Chillicothe Street Portsmouth, Ohio. This lease has met the criteria of a right of use lease under ASC 842 thus requiring it to be recorded by the Foundation. This lease agreement includes options to renew, and the Foundation believes it is reasonably certain that these options to renew will be exercised. Lease payments for the year ended December 31, 2022 amounted to \$9,917. The following is a summary of the minimum lease payments, including interest, due on this lease:

Year Ended				
December 31,	Principal	Interest	Total	
2023	\$ 7,144	\$ 3,071	\$ 10,215	
2024	7,628	2,893	10,521	
2025	8,135	2,702	10,837	
2026	8,664	2,498	11,162	
2027	9,214	2,282	11,496	
Thereafter	82,061	8,672	90,733	
Total	<u>\$ 82,061</u>	<u>\$ 8,672</u>	<u>\$ 90,733</u>	

See note 15 for additional information.

Note 7 – Agency Endowment Fund Composition

The Foundation's agency endowment funds consists of approximately 40 individual finds established for a variety of purposes. These endowments include donor-restricted funds and unrestricted funds functioning as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including unrestricted funds functioning as endowments, are classified and reported based upon the existence or absence of donor imposed restrictions.

Changes in endowment assets for the year ended December 31, 2022:

	Total
Net assets, beginning of year	\$ 6,921,245
Investment return	
Investment income, net	251,601
Net appreciation (realized and unrealized gains/losses)	<u>(855,288)</u>
Total investment return	(603,687)
Contributions	241,523
Amounts appropriated for expenditure	<u>(494,201)</u>
Net assets, end of year	<u>\$ 6,064,880</u>

The Scioto Area Community Foundation

*Notes to the Financial Statements
For the Year Ended December 31, 2022*

Investment Return Objectives, Risk Parameters and Strategies

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which included equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4% to the beneficiaries and 1% to the Foundation while still growing the funds if possible. Therefore, the Foundation expects endowment assets, over time, to produce an average rate of return of approximately 7% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment funds; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of only spending the earnings, including appreciation, of the endowment funds. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as provide additional real growth through new gifts and investment return.

Funds With Deficiencies

From time to time, the fair market value of assets associated with individual donor restricted endowment funds may fall below the level that the UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no funds with deficiencies at December 31, 2022.

The Scioto Area Community Foundation

*Notes to the Financial Statements
For the Year Ended December 31, 2022*

Agency Endowments	December 31, 2022 FMV Net Assets	December 31, 2021 FMV Net Assets	Net Change
ACCF - First State Bank Fund	\$ 85,104	\$ 70,919	\$ 14,185
ACCF - Humane Society of Adams County	20,247	22,732	(2,485)
ACCF - Scholarship Fund	144,811	144,290	521
Adams County Community Foundation	123,947	145,732	(21,785)
Animal Welfare League of Scioto County	71,281	71,932	(651)
Ascend Counseling and Recovery	8,266	6,336	1,930
Boy Scout Trust	33,104	38,842	(5,738)
Candyland Children's Museum	2,149	-	2,149
Catholic Social Services	77,304	86,438	(9,134)
Community Partners of Shawnee Mental Health	108,249	121,865	(13,616)
Community Services for the Deaf and Hard of Hearing	21,136	23,790	(2,654)
Compass Community Health	5,736	5,000	736
Compass Housing	4,670	3,898	772
Connex, Inc.	35,288	34,443	845
Counseling Center, Inc.	19,596	22,125	(2,529)
Friends of Portsmouth Endowment	16,476	15,296	1,180
Friends of the Welcome Center	2,546	2,539	7
Goodwill Industries of Southern Ohio	10,523	10,317	206
Hillview Retirement Center	60,308	67,909	(7,601)
Kataria Equal Access Scholarship	-	5,358	(5,358)
Miracle Square Park	1,436	-	1,436
Miracle City Academy	7,293	6,654	639
Portsmouth Area Arts Council	36,478	41,431	(4,953)
Portsmouth Area Museum - Roy Rogers	757	604	153
Portsmouth Community Orchestra	15,701	17,557	(1,856)
Portsmouth Little Theater	41,442	49,918	(8,476)
Portsmouth Murals	112,895	39,727	73,168
Potters House Ministries	17,666	17,248	418
REACH	32,074	34,544	(2,470)
Scenic Scioto Heritage Trail	54,987	52,103	2,884
Scioto County Heritage Museum Endowment	3,236	2,411	825
Scioto County Habit for Hummanity	106,548	104,843	1,705
So Ohio Folklife Endowment	800	-	800
SOMC-Cancer Center	6,621	7,442	(821)
SOMC-Endowment Fund	3,069,027	3,392,503	(323,476)
SOMC-Hospice Sub Fund	1,858	1,403	455
SOMC-Life Insurance Endowment	40,423	340,958	(300,535)
Southern Ohio Museum	1,440,189	1,693,780	(253,591)
Southern Ohio Performing Arts Association	67,502	78,977	(11,475)
STEM Academy Endowment Fund	28,246	33,239	(4,993)
Time Out for Me	11,658	11,638	20
United Way of Scioto County Endowment Fund	73,820	83,094	(9,274)
USSA of Scioto County, Inc.	1,531	1,177	354
West Portsmouth Youth Complex Endowment	11,951	10,233	1,718
Total Agency Endowments	\$ 6,034,880	\$ 6,921,245	\$ (886,365)

The Scioto Area Community Foundation

Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 8 – Cash Surrender of Life Insurance Policies

The Foundation has been notified that they are the beneficiary of several life insurance policies. The cash surrender values of these policies was \$40,423 at December 31, 2022. These policies are designated for the benefit of the Southern Ohio Medical Center Cancer Center Endowment Fund.

Note 9 – Grants Payable

Grants authorized but unpaid at year end are measured at fair value and reported as liabilities. All grants payable are due and payable within one year.

Note 10 – Employee Benefit Plan

The Foundation sponsors a defined contribution plan (the Plan) covering all employees who earn at least \$5,000 annually and agree to make contributions to the Plan. The Foundation matches participants' contributions to the Plan each year up to 3% of the individual participant's compensation. Total expense for the year ended December 31, 2022 was \$7,374.

Note 11 – Availability and Liquidity

The following represents the Foundation's financial assets at December 31, 2022:

Financial assets at year end	
Cash and equivalents	\$ 1,085,875
Investments	<u>45,738,761</u>
Total financial assets	\$ 46,824,636
Less amounts not available to be used within one year:	
Net assets with donor restrictions	33,174,225
Assets held and due to others	6,034,880
Less net assets with purpose restrictions to be met in less than a year	<u>(1,326,969)</u>
	<u>37,882,136</u>
Financial assets available to meet general expenditures over the next twelve months	
	<u>\$ 8,942,500</u>

The Foundation's goal is to maintain financial assets to meet 90 days of operating expenses. As a part of its liquidity plan, excess cash is transferred to its money managers and invested.

Note 12 – Investments

The following is a summary of the fair value of investments at December 31, 2022:

Cash and equivalents	\$ 828,641
Equities	7,274,106
Fixed Income	1,166,867
Mutual Funds	<u>37,297,788</u>
Total	<u>\$ 46,567,402</u>

At December 31, 2022 all investments were considered level 1 investments.

The Scioto Area Community Foundation

Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 13 – Subsequent Events

The Foundation's management has performed an analysis for the activities and transactions subsequent to December 31, 2022 to determine the need for any adjustments or disclosures within the financial statements. Management has performed the analysis through November 15, 2023.

Note 14 - Net Assets with Donor Restrictions

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

Purpose restrictions, available for spending:	
Funds received and restricted for specified purposes	\$25,854,006
Endowment funds, which must be held in perpetuity for:	
Scholarships and grants	2,941,792
Subtotal	<u>2,941,792</u>
Accumulated earnings on endowment funds:	
Scholarships and grants	4,378,427
Subtotal	<u>4,378,427</u>
Net assets with donor restrictions	<u><u>\$33,174,225</u></u>

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 for the year ended December 31, 2022 as follows:

Purpose restrictions accomplished:	
Release of appropriated endowment amounts with purpose restrictions:	
Scholarships and grants	<u>\$1,212,325</u>
Total releases of donor restrictions	<u><u>\$1,212,325</u></u>

Note 15 - New Accounting Pronouncement/Restatement

For 2022, the Foundation implemented ASU 2016-02, "Leases (Topic 842)".

Among other things, the amendments in ASU 2016-02, lessees will be required to recognize the following for all lease (with the exception of short-term leases) at the commencement date:

- A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and
- A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

Under the new guidance, lessor accounting is largely unchanged. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and Topic 606, "Revenue from Contracts with Customers".

These changes were incorporated in the Foundation's 2022 financial statements. The Foundation recognized \$129,525 in leases payable and corresponding right of use leased assets as of January 1, 2022. There was no effect on beginning net assets.