

BLUE RIVER FOUNDATION, INC.
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
December 31, 2022 and 2021



Independent Auditors' Report

Board of Directors
Blue River Foundation, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Blue River Foundation, Inc., which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Blue River Foundation, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Blue River Foundation, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Blue River Foundation, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 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 Blue River 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 Blue River 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.

Estep Burkey Simmons, LLC

Muncie, Indiana

June 7, 2023

Blue River Foundation, Inc.

STATEMENTS OF FINANCIAL POSITION

December 31,

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 1,524,450	\$ 3,215,820
Prepaid expenses	13,755	1,846
Investments	45,928,094	53,208,553
Building and equipment		
Building and improvements	689,952	689,952
Office equipment	64,051	50,984
	<u>754,003</u>	<u>740,936</u>
Less accumulated depreciation	385,578	366,792
	<u>368,425</u>	<u>374,144</u>
	<u>\$ 47,834,724</u>	<u>\$ 56,800,363</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts and grants payable	\$ 31,803	\$ 11,646
Deposits	495	495
Payroll taxes and withholdings	16	16
Agency funds	4,371,077	5,111,663
Total liabilities	<u>4,403,391</u>	<u>5,123,820</u>
NET ASSETS		
Without donor restrictions	1,718,705	2,282,303
With donor restrictions	41,712,628	49,394,240
	<u>43,431,333</u>	<u>51,676,543</u>
	<u>\$ 47,834,724</u>	<u>\$ 56,800,363</u>

The accompanying notes are an integral part of these statements.

Blue River Foundation, Inc.

STATEMENTS OF ACTIVITIES

Years Ended December 31,

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues and support			
Contributions	\$ 20,620	\$ 961,716	\$ 982,336
Investment return (loss), net	(75,172)	(6,333,170)	(6,408,342)
Loss on disposal of equipment			
Foundation administrative fees	502,369		502,369
Rental income	45,185		45,185
Miscellaneous income	27,981		27,981
	<u>520,983</u>	<u>(5,371,454)</u>	<u>(4,850,471)</u>
Net assets released from restrictions			
Satisfaction of purpose restrictions	534,319	(534,319)	
Pursuant to spending policy	1,775,839	(1,775,839)	
Expenses			
Program services	2,570,026		2,570,026
Supporting services			
Management and general	716,234		716,234
Fundraising	108,479		108,479
	<u>3,394,739</u>	<u></u>	<u>3,394,739</u>
CHANGE IN NET ASSETS	(563,598)	(7,681,612)	(8,245,210)
Net assets at beginning of year	<u>2,282,303</u>	<u>49,394,240</u>	<u>51,676,543</u>
Net assets at end of year	<u>\$ 1,718,705</u>	<u>\$ 41,712,628</u>	<u>\$ 43,431,333</u>

The accompanying notes are an integral part of these statements.

2021		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 126,291	\$ 4,895,998	\$ 5,022,289
96,808	7,196,152	7,292,960
(403)		(403)
484,688		484,688
44,621		44,621
10,382		10,382
<hr/>	<hr/>	<hr/>
762,387	12,092,150	12,854,537
758,789	(758,789)	
2,313,305	(2,313,305)	
2,504,451		2,504,451
690,253		690,253
109,518		109,518
<hr/>	<hr/>	<hr/>
3,304,222		3,304,222
530,259	9,020,056	9,550,315
1,752,044	40,374,184	42,126,228
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\$ 2,282,303	\$ 49,394,240	\$ 51,676,543
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Blue River Foundation, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31,

	2022			
	Grant- making	Management and General	Fundraising	Total
Salaries and wages	\$ 152,926	\$ 145,813	\$ 56,902	\$ 355,641
Payroll taxes	11,119	10,602	4,137	25,858
Employee benefits	20,230	19,289	7,528	47,047
Conferences and meetings	1,570	1,497	584	3,651
Grants	2,311,903			2,311,903
Program expenses	16,198			16,198
Donor development			6,694	6,694
Printing and publications	6,287	5,994	2,339	14,620
Postage	2,810	2,680	1,046	6,536
Administrative fees expense		459,286		459,286
Advertising			946	946
Dues and subscriptions	5,197	4,956	1,934	12,087
Office supplies	2,135	2,035	794	4,964
Professional services		15,356		15,356
Rent	11,700	4,500	1,800	18,000
Telephone	710	677	264	1,651
Utilities	7,776	7,414	2,893	18,083
Insurance expense	4,743	4,522	1,765	11,030
Repairs and maintenance	3,619	18,093	14,474	36,186
Special events				
Miscellaneous		2,934	248	3,182
Depreciation	11,103	10,586	4,131	25,820
	<u>\$ 2,570,026</u>	<u>\$ 716,234</u>	<u>\$ 108,479</u>	<u>\$ 3,394,739</u>

The accompanying notes are an integral part of these statements.

2021			
Grant- making	Management and General	Fundraising	Total
\$ 126,127	\$ 120,261	\$ 46,930	\$ 293,318
9,558	9,114	3,557	22,229
19,275	18,378	7,172	44,825
2,114	2,016	787	4,917
2,276,016			2,276,016
20,150			20,150
		3,478	3,478
4,323	4,122	1,608	10,053
721	688	268	1,677
	445,212		445,212
		1,418	1,418
2,614	2,492	973	6,079
2,725	2,598	1,014	6,337
	9,660		9,660
11,700	4,500	1,800	18,000
737	703	274	1,714
6,167	5,880	2,295	14,342
2,994	2,855	1,114	6,963
8,179	40,895	32,716	81,790
748			748
	11,055	280	11,335
10,303	9,824	3,834	23,961
<u>\$ 2,504,451</u>	<u>\$ 690,253</u>	<u>\$ 109,518</u>	<u>\$ 3,304,222</u>

Blue River Foundation, Inc.

STATEMENTS OF CASH FLOWS

Years Ended December 31,

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (8,245,210)	\$ 9,550,315
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	25,820	23,961
Unrealized investment (gains) losses	8,290,045	(4,798,703)
Realized investment gains	(529,515)	(954,375)
Loss on disposal of equipment		403
Forgiveness of notes payable		(70,600)
Cash received from contributors for funds held in perpetuity	(680,069)	(930,168)
Non-cash stock contributions	(12,692)	(305,110)
(Increase) decrease in assets:		
Accounts receivable		75
Prepaid expenses	(11,909)	756
Increase (decrease) in liabilities:		
Accounts and grants payable	20,157	11,172
Payroll taxes and withholdings		(3,399)
Deferred rental income		(474)
Agency funds	(740,586)	616,612
Net cash provided by (used in) operating activities	<u>(1,883,959)</u>	<u>3,140,465</u>
Cash flows from investing activities:		
Proceeds from sale of investments	6,516,325	3,797,729
Purchases of investments	(6,983,704)	(6,385,617)
Purchases of fixed assets	(20,101)	(9,789)
Net cash used in investing activities	<u>(487,480)</u>	<u>(2,597,677)</u>
Cash flows from financing activities:		
Cash received from contributors for funds held in perpetuity	680,069	930,168
Net cash provided by financing activities	<u>680,069</u>	<u>930,168</u>
Net increase (decrease) in cash and cash equivalents	(1,691,370)	1,472,956
Cash and cash equivalents at beginning of year	<u>3,215,820</u>	<u>1,742,864</u>
Cash and cash equivalents at end of year	<u>\$ 1,524,450</u>	<u>\$ 3,215,820</u>
<u>Supplemental Disclosure</u>		
Non-cash contributions	\$ 12,692	\$ 305,110

The accompanying notes are an integral part of these statements.

Blue River Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

Blue River Foundation, Inc. (the Foundation) is a not-for-profit community foundation organized to identify, promote, support and manage programs that will enhance the health, cultural, educational, social and civic long-term needs of the citizens of Shelby County, Indiana. The Foundation does business as Blue River Community Foundation.

2. 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.

3. Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and similar provisions of the Indiana Code.

4. Property and Equipment

Property and equipment are capitalized at cost. Donated assets are recorded at the fair value at the date of receipt. Depreciation is computed by the straight-line method over useful lives ranging from three to thirty-nine years.

5. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

6. 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 Statements of Financial Position. Net investment return/(loss) is reported in the Statements of Activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

7. Compensated Absences

The Foundation's policy for compensated absences requires employees to take their paid time off during the year for which it is earned. The Foundation's policy is to recognize the cost of compensated absences when actually paid to employees.

8. Grants and Scholarships

Grants and scholarships, including multi-year awards, are recorded as an expense and a payable when grants are approved and communicated to the grantees. Grants and scholarships expense for the years ended December 31, 2022 and 2021 was \$2,311,903 and \$2,726,016.

Blue River Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

9. Net Assets and Spending Policy

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 Statements of Activities as net assets released from restrictions.

The Foundation's portfolio has a Preservation of Purchasing Power investment objective. This is an investment objective that attempts to grow the portfolio, after distributions, at a rate that will allow future distributions to keep pace with inflation. Controlling portfolio volatility to help provide stable distributions from year to year is a second objective.

As long as making a grant will not invade Historic Gift Value, the allowable grant distribution from Endowment Funds, over and above fees and expenses allocable to the fund, shall be calculated by multiplying up to 4.5% times the average market of the Endowment Fund for each of the prior twenty quarters looking back from September 30 each year.

10. Functional Allocation of Expenses

The 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. 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 gifts of public securities of \$12,692 and \$305,110, respectively, which were valued at fair value. 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.

12. Concentration of Credit Risk

The Foundation maintains its cash in bank deposit accounts at high credit quality financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2022 and 2021, the Foundation exceeded the insured limit by \$514,427 and \$2,146,371, respectively.

Blue River Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

13. 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.

14. Estimates

The preparation of 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 - BEQUESTS

The Foundation has been notified that it has been named as a beneficiary of several estates; however, no amounts have been disclosed. Gifts from estates are recorded when the Foundation is notified by the executor or other representative of a deceased person of an amount due the Foundation from an estate.

NOTE C - FOUNDATION ADMINISTRATIVE FEES

The Foundation assesses an annual administrative fee on most funds. The fee is calculated using the evaluation method of average quarterly balances using trailing quarters for the calculation. This amount is used to support the operations of the Foundation. The amount is assessed on the beginning fund balance plus income and less expenses.

For the years ended December 31, 2022 and 2021, \$502,369 and \$484,688, respectively, are included as revenue and support in net assets without donor restrictions and \$459,286 and \$445,212, respectively, as expenses. Due to the fact that administrative fees are considered a significant measure of the operations of community foundations, these fees have not been eliminated in the financial statements.

NOTE D - RISKS AND UNCERTAINTIES

The Foundation holds a variety of investments (Note E). 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 financial statements.

Blue River Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE E - INVESTMENTS

Investments are stated at fair value as of December 31, 2022 and 2021 and are summarized as follows.

	<u>2022</u>	<u>2021</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Cash surrender value of life insurance	\$ 20,389	\$ 19,599
Mutual funds - equities:		
Foreign small/mid blend	2,084,324	2,222,879
Foreign large value	3,598,977	3,031,809
Foreign small/mid value	667,809	747,325
Foreign large growth	2,249,913	2,196,969
Small value	5,248,993	6,559,730
Large value	5,669,479	6,590,115
Small growth	1,432,170	1,565,390
Large growth	4,228,326	6,326,250
Small blend	1,070,373	1,106,971
Large blend	2,275,261	3,168,678
Energy	1,778,975	2,481,673
Natural resources	1,948,100	2,645,976
Global real estate	899,490	915,967
Real estate	2,465,348	2,743,862
Total mutual funds - equities	<u>35,617,538</u>	<u>42,303,594</u>
Mutual funds - fixed income:		
Long-term bond	14,822	1,750,727
Corporate bonds	49,813	64,226
Inflation-protected bond	1,543,039	1,751,264
Short-term bond	2,047,960	2,159,875
Intermediate-term bond	3,699,509	2,242,751
Ultrashort bond	500,542	513,779
World bond	2,434,482	2,402,738
Total mutual funds - fixed income	<u>10,290,167</u>	<u>10,885,360</u>
Total investments, at fair value	<u>\$ 45,928,094</u>	<u>\$ 53,208,553</u>
Total investments, at historical cost	<u>\$ 40,162,132</u>	<u>\$ 36,089,410</u>

NOTE F - NOTE PAYABLE

The note payable with First Financial Bank represented net borrowings under a commercial promissory note. The interest rate at December 31, 2021 was 1.00%. The note was forgiven during the year ending December 31, 2021.

Blue River Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE F - NOTE PAYABLE - Continued

The promissory note was obtained as part of the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020. Funds from the promissory note may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The Foundation used the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the promissory note may be forgiven if they are used for qualifying expenses as described in the CARES Act.

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

	2022			
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Investments				
Cash surrender value of life insurance	\$ 20,389		\$ 20,389	
Mutual funds - equities	\$ 35,617,538	\$ 35,617,538		
Mutual funds - fixed income	\$ 10,290,167	\$ 10,290,167		

Blue River Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE G - FAIR VALUE MEASUREMENTS - Continued

	2021			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Investments				
Cash surrender value of life insurance	\$ 19,599		\$ 19,599	
Mutual funds - equities	\$ 42,303,594	\$ 42,303,594		
Mutual funds - fixed income	\$ 10,885,360	\$ 10,885,360		

Fair values for level 1 investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair values for level 2 investments are determined by reference to a statement provided by the life insurance company.

NOTE H - 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:		
Designated	\$ 114,240	\$ 85,610
Donor advised	266,817	263,763
Scholarships	9,535	
Field of interest	143,727	300,323
Discretionary		109,093
	<u>534,319</u>	<u>758,789</u>
Restricted-purpose spending-rate distributions and appropriations:		
Designated	608,203	616,168
Donor advised	157,435	199,889
Scholarships	464,953	431,236
Field of interest	124,393	100,388
Discretionary	420,855	965,624
	<u>1,775,839</u>	<u>2,313,305</u>
	<u>\$ 2,310,158</u>	<u>\$ 3,072,094</u>

Blue River Foundation, Inc.

NOTES TO 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:		
Designated	\$ 2,100,830	\$ 2,206,791
Donor advised	359,997	494,621
Scholarships	11,204	43,354
Field of interest	183,182	259,122
Discretionary	<u>9,369</u>	<u>9,369</u>
	2,664,582	3,013,257
Endowments:		
Subject to appropriation and expenditure when a specific event occurs:		
Restricted by donors for:		
Designated	59,569	11,243
Donor advised	2,430,722	2,622,158
Scholarships	90,863	145,035
Field of interest	37,625	30,155
Discretionary	<u>12,883</u>	<u>45,928</u>
	2,631,662	2,854,519
Subject to Foundation spending and appropriation:		
Designated	11,627,607	14,103,956
Donor advised	6,825,876	8,747,520
Scholarships	7,506,552	9,071,605
Field of interest	2,791,067	2,463,220
Discretionary	7,802,797	9,163,330
Underwater endowments	<u>(137,515)</u>	<u>(23,167)</u>
	<u>36,416,384</u>	<u>43,526,464</u>
	<u>\$ 41,712,628</u>	<u>\$ 49,394,240</u>

NOTE J - ENDOWMENT FUNDS

The Foundation's endowment consists of 278 and 272 donor-restricted permanent endowment funds established to support designated charitable purposes and organizations, and 1 fund designated by the Board of Directors to function as endowments to provide support for Foundation programs at December 31, 2022 and 2021, respectively. 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.

Blue River Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE J - ENDOWMENT FUNDS - Continued

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

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

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 18,716		\$ 18,716
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor		\$ 30,824,867	30,824,867
Accumulated investment gains		8,223,179	8,223,179
	<u>\$ 18,716</u>	<u>\$ 39,048,046</u>	<u>\$ 39,066,762</u>
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 22,473		\$ 22,473
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor		\$ 30,144,798	30,144,798
Accumulated investment gains		16,236,185	16,236,185
	<u>\$ 22,473</u>	<u>\$ 46,380,983</u>	<u>\$ 46,403,456</u>

Blue River Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE J - ENDOWMENT FUNDS - Continued

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

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Contributions		\$ 720,011	\$ 720,011
Investment loss, net	\$ (2,868)	(6,277,109)	(6,279,977)
Total revenue and support	(2,868)	(5,557,098)	(5,559,966)
Appropriation of endowment assets for expenditure	889	1,775,839	1,776,728
Change in endowment net assets	(3,757)	(7,332,937)	(7,336,694)
Endowment net assets, beginning of year	22,473	46,380,983	46,403,456
Endowment net assets, end of year	\$ 18,716	\$ 39,048,046	\$ 39,066,762
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Contributions		\$ 4,476,905	\$ 4,476,905
Interfund contribution from non-endowed fund		5,468,122	5,468,122
Investment return, net	3,716	6,215,145	6,218,861
Total revenue and support	3,716	16,160,172	16,163,888
Appropriation of endowment assets for expenditure	7,561	2,313,305	2,320,866
Change in endowment net assets	(3,845)	13,846,867	13,843,022
Endowment net assets, beginning of year	26,318	32,534,116	32,560,434
Endowment net assets, end of year	\$ 22,473	\$ 46,380,983	\$ 46,403,456

Occasionally, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor of UPMIFA requires the Foundation to retain as a fund of perpetual duration. As of December 31, 2022, 51 of the 278 endowment funds had deficiencies totaling \$137,515. As of December 31, 2021, 1 of the 272 endowment funds had deficiencies totaling \$23,167. Deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new donor-restricted contributions and continued appropriation for certain programs that was deemed prudent by the board of directors.

Blue River Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE K - AGENCY 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 agency funds held by the Foundation. These amounts are not reflected on the Statements of Activities.

	<u>2022</u>	<u>2021</u>
Support and revenue		
Contributions	\$ 100,000	\$ 66,165
Investment return (loss), net	<u>(673,202)</u>	<u>887,789</u>
	\$ (573,202)	\$ 953,954
Expenses		
Grants expense	124,301	297,866
Administrative fees	<u>43,083</u>	<u>39,476</u>
	<u>167,384</u>	<u>337,342</u>
Change in agency funds	(740,586)	616,612
Balance at beginning of year	<u>5,111,663</u>	<u>4,495,051</u>
Balance at end of year	<u>\$ 4,371,077</u>	<u>\$ 5,111,663</u>

NOTE L - RENTAL INCOME

The Foundation leases office space to various organizations. The leases are for a period of one year, and require monthly payments ranging from \$225 to \$650, and charge late fees of 5% of the monthly rental if payments are more than 7 days late. At December 31, 2022 and 2021, the Foundation received rental income of \$45,185 and \$44,621, respectively.

NOTE M - LIQUIDITY

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

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 789,182	\$ 742,940
Investments	<u>555,065</u>	<u>569,406</u>
	<u>\$ 1,344,247</u>	<u>\$ 1,312,346</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 the 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.

Blue River Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE N - RELATED-PARTY TRANSACTIONS

During 2022, officers and board members made donations to funds at the Foundation. Total donations received totaled \$201,911.

During 2021, officers and board members made donations to funds at the Foundation. Total donations received totaled \$213,097.

NOTE O - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through June 7, 2023, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2022, have been incorporated into these financial statements herein.