

The Dayton Foundation and Related Entities

Combined Financial Statements

June 30, 2022 and 2021



FLAGEL HUBER FLAGEL
Certified Public Accountants | Business Advisors

The Dayton Foundation and Related Entities

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June 30, 2022 and 2021

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Independent Auditor's Report

To the Trustees and Governing Board of
The Dayton Foundation

Opinion

We have audited the accompanying combined financial statements of The Dayton Foundation (a nonprofit organization) and related entities, which comprise the combined statements of financial position as of June 30, 2022 and 2021, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of The Dayton Foundation and related entities as of June 30, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of The Dayton Foundation and related entities 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 Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Dayton Foundation and related entities' ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined 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 combined 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 combined 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 combined 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 Dayton Foundation and related entities' 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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Dayton Foundation and related entities' 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.

Flagel Huber Flagel

Certified Public Accountants

Dayton, Ohio

December 1, 2022

The Dayton Foundation and Related Entities
Combined Statements of Financial Position
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash, cash equivalents, and restricted cash	\$ 98,358,539	\$ 55,038,084
Contributions receivable	20,632,314	25,670,598
Student loans receivable, net	199,215	233,372
Other receivables and prepaids	552,898	258,796
Notes receivable, net	1,744,524	573,058
Investments, at fair value	916,922,969	685,675,373
Property and equipment, net	954,790	1,017,202
Total Assets	<u>\$ 1,039,365,249</u>	<u>\$ 768,466,483</u>
Liabilities and Net Assets		
Liabilities		
Grants payable, net	\$ 17,891,205	\$ 10,723,865
Accounts payable and accrued liabilities	1,083,230	954,950
Life income annuities payable	2,827,753	4,573,533
Agent liabilities	180,894,388	169,599,817
Total Liabilities	<u>202,696,576</u>	<u>185,852,165</u>
Net Assets		
Without donor restrictions	816,553,006	556,678,368
With donor restrictions	20,115,667	25,935,950
Total Net Assets	<u>836,668,673</u>	<u>582,614,318</u>
Total Liabilities and Net Assets	<u>\$ 1,039,365,249</u>	<u>\$ 768,466,483</u>

The Dayton Foundation and Related Entities
Combined Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Total</u>	<u>2021 Total</u>
Support and Revenue				
Contributions	\$ 431,751,792	\$ 850,391	\$ 432,602,183	\$ 48,643,131
Net investment return	(117,623,688)	0	(117,623,688)	119,524,800
Other income (losses)	951,864	(3,023,394)	(2,071,530)	1,230,497
	<u>315,079,968</u>	<u>(2,173,003)</u>	<u>312,906,965</u>	<u>169,398,428</u>
Net assets released from restriction	3,647,280	(3,647,280)	0	0
	<u>318,727,248</u>	<u>(5,820,283)</u>	<u>312,906,965</u>	<u>169,398,428</u>
Grants and Expenses				
Program services	52,741,097	0	52,741,097	34,911,049
Management and general	4,306,227	0	4,306,227	3,292,409
Fundraising	1,805,286	0	1,805,286	1,489,137
	<u>58,852,610</u>	<u>0</u>	<u>58,852,610</u>	<u>39,692,595</u>
Change in Net Assets	259,874,638	(5,820,283)	254,054,355	129,705,833
Net Assets - beginning of year	<u>556,678,368</u>	<u>25,935,950</u>	<u>582,614,318</u>	<u>452,908,485</u>
Net Assets - end of year	<u>\$ 816,553,006</u>	<u>\$ 20,115,667</u>	<u>\$ 836,668,673</u>	<u>\$ 582,614,318</u>

The Dayton Foundation and Related Entities
Combined Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	\$ 40,979,899	\$ 7,663,232	\$ 48,643,131
Net investment return	119,524,800	0	119,524,800
Other income	956,294	274,203	1,230,497
	<u>161,460,993</u>	<u>7,937,435</u>	<u>169,398,428</u>
Net assets released from restriction	1,771,048	(1,771,048)	0
	<u>163,232,041</u>	<u>6,166,387</u>	<u>169,398,428</u>
Grants and Expenses			
Program services	34,911,049	0	34,911,049
Management and general	3,292,409	0	3,292,409
Fundraising	1,489,137	0	1,489,137
	<u>39,692,595</u>	<u>0</u>	<u>39,692,595</u>
Change in Net Assets	123,539,446	6,166,387	129,705,833
Net Assets - beginning of year	<u>433,138,922</u>	<u>19,769,563</u>	<u>452,908,485</u>
Net Assets - end of year	<u><u>\$ 556,678,368</u></u>	<u><u>\$ 25,935,950</u></u>	<u><u>\$ 582,614,318</u></u>

The Dayton Foundation and Related Entities
Combined Statements of Functional Expenses
For the Years Ended June 30, 2022 and 2021

	2022			
	Program Services	Management and General	Fundraising	Total
Expenses				
Grants	\$ 46,039,690	\$ 0	\$ 0	\$ 46,039,690
Salaries, taxes, and benefits	2,037,175	2,115,449	1,636,996	5,789,620
Professional fees and consulting	2,717,544	325,273	1,236	3,044,053
Legal	17,891	59,152	176	77,219
Office and occupancy	236,477	399,764	35,224	671,465
Information technology	26,981	196,598	58	223,637
Equipment and supplies	48,403	30,903	70	79,376
Travel expense	96,901	11,616	4,613	113,130
Depreciation and amortization	0	70,743	0	70,743
Advertising	128,647	1,501	65,812	195,960
Conferences, conventions and meetings	37,643	56,257	16,895	110,795
Insurance	9,254	90,085	0	99,339
Events	253,695	25,287	2,878	281,860
Other expenses - OCPAT	940,551	0	0	940,551
Other expenses	150,245	923,599	41,328	1,115,172
Total Expenses	\$ 52,741,097	\$ 4,306,227	\$ 1,805,286	\$ 58,852,610
	2021			
	Program Services	Management and General	Fundraising	Total
Expenses				
Grants	\$ 29,006,675	\$ 0	\$ 0	\$ 29,006,675
Salaries, taxes, and benefits	2,272,180	1,855,012	1,316,159	5,443,351
Professional fees and consulting	1,481,410	247,916	1,369	1,730,695
Legal	12,205	83,291	296	95,792
Office and occupancy	162,454	299,824	18,371	480,649
Information technology	83,512	257,128	52	340,692
Equipment and supplies	45,401	53,449	3,396	102,246
Travel and expense	26,676	3,548	200	30,424
Depreciation and amortization	0	69,341	0	69,341
Advertising	147,997	9,155	62,026	219,178
Conferences, conventions and meetings	49,786	26,536	5,023	81,345
Insurance	26,563	85,491	0	112,054
Events	20,620	25,073	392	46,085
Other expenses - OCPAT	921,594	0	0	921,594
Other expenses	653,976	276,645	81,853	1,012,474
Total Expenses	\$ 34,911,049	\$ 3,292,409	\$ 1,489,137	\$ 39,692,595

The Dayton Foundation and Related Entities
Combined Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 254,054,355	\$ 129,705,833
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	70,743	69,341
Cash surrender value of life insurance policies	7,563	6,197
Realized and unrealized (gains) losses on investments, net	132,374,949	(113,276,847)
Changes in assets and liabilities:		
Contributions and student loans receivable, net	5,072,441	(5,701,618)
Other receivables and prepaids	(294,102)	194,595
Grants payable, net	7,167,340	(29,295)
Accounts payable and accrued liabilities	128,280	(77,102)
Charitable remainder unitrusts payable	0	(135,045)
Life income annuities payable	(1,745,780)	151,672
Agent liabilities	11,294,571	32,681,636
Net Cash Provided by Operating Activities	<u>408,130,360</u>	<u>43,589,367</u>
Cash Flows From Investing Activities:		
Purchases of investments, net	(363,630,108)	(35,936,397)
Collections on notes receivable	73,000	73,000
Issuance of notes receivable	(1,244,466)	(202,058)
Purchases of property and equipment	(8,331)	(7,364)
Net Cash Used in Investing Activities	<u>(364,809,905)</u>	<u>(36,072,819)</u>
Change in Cash, Cash Equivalents, and Restricted Cash	43,320,455	7,516,548
Cash, Cash Equivalents, and Restricted Cash - beginning of year	<u>55,038,084</u>	<u>47,521,536</u>
Cash, Cash Equivalents, and Restricted Cash - end of year	<u>\$ 98,358,539</u>	<u>\$ 55,038,084</u>

The Dayton Foundation and Related Entities

Notes to Combined Financial Statements

June 30, 2022 and 2021

1. Organization and Purpose

The Dayton Foundation (the “Foundation”) was established in 1921 to meet the changing needs and improve the quality of life in the Dayton/Miami Valley region and serves as a vehicle for individual, family, organization and corporate community giving.

The combined financial statements include the following entities:

<i>Entity</i>	<i>Type</i>
The Dayton Foundation	Community Trust
The Dayton Foundation, Inc.	Charitable Corporation
The Dayton Foundation Depository	Charitable Corporation
The Greater Dayton Pooled Income Fund	Pooled Income Fund (non-component trust)
The Dayton Foundation Plus, Inc.	Supporting Organization
Dayton Foundation Charitable Accounts, Inc.	Supporting Organization
The Ohio Community Pooled Annuity Trust	Supporting Organization
The Disability Foundation	Supporting Organization
Greener Pastures Foundation	Supporting Organization
The Hundred Club of Dayton	Supporting Organization
The Harry W. and Margaret Moore Foundation, Inc.	Supporting Organization
Learn to Earn Dayton	Supporting Organization

All of the entities listed above are tax-exempt under the Internal Revenue Code. All of the entities have either a common Governing Board and management, or the Foundation appoints some or all of the board members. All significant inter-organizational transactions and balances have been eliminated in preparing the combined financial statements.

Effective May 15, 2022, Dayton History began operating independently and is no longer a supporting organization of the Foundation. Accounting principles require that a change in the reporting entity be accounted for as an accounting change with retrospective application. As a result, the account balances and activity of Dayton History have not been included in the combined financial statements as of and for the years ended June 30, 2022 and 2021. The total assets of Dayton History previously included in the June 30, 2021 combined statement of financial position was \$50,225,982. The total change in net assets previously included in the combined statement of activities for the year ended June 30, 2021 was \$5,680,783.

2. Summary of Significant Accounting Policies

Basis of Accounting

The combined financial statements of the Foundation have been prepared on the accrual basis of accounting, in which revenue and gains are recognized when earned and expenses and losses are recognized when incurred.

Use of Estimates

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

The Dayton Foundation and Related Entities

Notes to Combined Financial Statements

June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (Continued)

Reclassifications

For comparability, certain amounts for the prior year have been reclassified to conform with the current year's presentation. These reclassifications did not result in any changes to total net assets.

Cash Flows

The Foundation has recorded the purchases and sales of investments, net, in the combined statements of cash flows due to the impracticability of determining the gross purchases and sales amounts.

Net Asset Classifications and Endowments

Management has determined that the majority of the Foundation's net assets do not meet the definition of an Endowment under the State Prudent Management of Institutional Funds Act (SPMIFA) adopted by Ohio (Sections 1715.51 through 1715.59 of the Ohio Revised Code) due to the variance power provision included in the fund agreements, which gives the Foundation the unilateral power to redirect the use of the transferred assets to a beneficiary other than the one specified by the donor. However, for financial reporting purposes, the Foundation considers an endowment fund to be an established fund of cash or securities providing income and funds to support the purpose and operations of the Foundation. See Note 13 for further information about the Foundation's endowment funds. The Foundation is subject to its governing documents and most contributions received are subject to the terms of these governing documents. Certain contributions are received subject to other gift instruments or are subject to specific agreements with the Foundation.

The Foundation reports information regarding its financial position and activities according to the two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. A description of each class as it pertains to the Foundation is as follows:

Net assets without donor restrictions:

Under the terms of the governing documents, the Governing Board has the ability to distribute a portion of the corpus of any trust or separate gift, devise, bequest, or fund as the board in its sole discretion shall determine. As a result of the ability to distribute corpus, all contributions not classified as net assets with donor restrictions are classified as net assets without donor restrictions for financial statement purposes.

Net assets with donor restrictions:

Net assets with donor restrictions consist of irrevocable charitable trusts, lead trusts, restricted contributions receivable, and donor-restricted endowment funds. When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction. Donor restricted gifts that are received and expended within the same year are reported as revenue without donor restrictions.

The Dayton Foundation and Related Entities

Notes to Combined Financial Statements

June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (Continued)

Cash, Cash Equivalents, and Restricted Cash

For financial statement purposes, the Foundation considers all cash, money market funds and investments in certain short-term financial instruments to be cash equivalents. The majority of cash and cash equivalents are held in money market funds and investment accounts and are reclassified to cash and cash equivalents for presentation in the combined financial statements. Restricted cash represents amounts set aside due to donor restrictions

Cash, cash equivalents, and restricted cash on deposit with regional banks and other qualifying financial institutions may, at times, exceed FDIC insurance limits. Cash, cash equivalents, and restricted cash held in money market funds and investment accounts are not covered by FDIC insurance. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Cash, cash equivalents, and restricted cash as of June 30, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Cash	\$ 98,287,087	\$ 54,590,313
Cash - with donor restrictions	<u>71,452</u>	<u>447,771</u>
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	<u>\$ 98,358,539</u>	<u>\$ 55,038,084</u>

Contributions Receivable

Contributions receivable represent unconditional promises to give from donors and bequests from estates and trusts of donors who have passed away to contribute cash or other assets to the Foundation. Also included in contributions receivable are distributions to be received from charitable lead trusts. Contributions receivable are recognized at the net present value of the amounts expected to be collected. Amounts expected to be collected after one year are recorded at the present value of their estimated future cash flows. Amortization of the discount for present value is included in contributions revenue.

Student Loans Receivable

Student loans receivable are carried at the unpaid balance of the original amount billed to students. A student loan receivable is considered to be past due if the first of four annual installments is outstanding after the first anniversary date of the termination of the student's schooling. Interest of 4% per annum is charged on student accounts receivable commencing as of the date of termination of the student's schooling and is recognized as it is charged.

Allowance for Student Loan Losses

The Foundation maintains an allowance for estimated loan losses resulting from students that do not make required payments. The Foundation determines the allowance for loan losses by identifying troubled loans and by using historical experience applied to an aging of student loans receivable. Student loans receivable are written off when deemed uncollectible. Recoveries of student loans receivable previously written off are recorded when received. The allowance for student loan losses was \$100,000 at June 30, 2022 and 2021.

The Dayton Foundation and Related Entities

Notes to Combined Financial Statements

June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (Continued)

Investments

Investments in equity and debt securities with readily determinable values are recorded at fair value as determined by quoted market prices. Investments in pooled funds and mutual funds are recorded at fair value as determined by the closing net asset values per share. Investments in life insurance policies are recorded at estimated fair values determined by the life insurance companies. Donated investments are recorded at fair value on the date of contribution. The changes in the difference between fair value and cost of investments at the beginning and end of the year are reflected in the combined statements of activities as unrealized appreciation or depreciation and are reported as increases or decreases in support and revenue without donor restrictions unless their use is restricted by donor stipulations or law. The realized gains and losses on the sale of investments are the differences between the proceeds received and the carrying value of the investments sold.

The majority ownership investments in the limited partnership and the limited liability companies are recorded at fair value based on an independent valuation of the Foundation's ownership in the entities, adjusted for cash receipts, disbursements, other activity and known valuation changes. The minority ownership investments in the limited liability companies are recorded at the actual cost of the investment, adjusted for cash receipts, cash disbursements, and any pro-rata income or loss. Because these investments are not readily marketable, the estimated fair value is subject to uncertainty and therefore may differ from the value that would have been used had a readily available market existed for these investments, and the difference could be material.

Alternative investments consist of hedge fund of funds held through various ownership units. Alternative investments are reported at the Foundation's equity (pro rata interest) in the net assets of the hedge fund of funds which approximate fair values, based on valuations provided by the respective hedge fund manager. The estimated fair values provided by the fund managers are based on quoted market prices, if available, or other valuation methods. Because of inherent uncertainties, the estimated fair values may differ significantly from the values that would have been reported had a readily available market existed for certain of these investments, and these differences could be material.

The Foundation's investments are subject to the normal risks associated with financial markets. The Foundation manages the risks with regard to investments by adhering to an investment policy, which requires professional investment management and diversification of investments, as well as other standards and practices.

Revenue Recognition

The Foundation recognizes revenue based on the existence or absence of an exchange transaction. Revenues from exchange type transactions are recognized as revenue as the Foundation satisfies its performance obligations by providing a service or transferring control over a product to its customers. This type of transaction can be recognized at "a point in time" or "over a period of time" depending various factors.

The Foundation recognizes revenue from financial management and administrative services at a point in time when services are completed. As of June 30, 2022 and 2021, no receivables or deferred revenue related to these amounts have been recorded. Revenue is recorded on the combined statements of activities as other income, see Note 17 for detail of amounts.

The Dayton Foundation and Related Entities

Notes to Combined Financial Statements

June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Revenues from non-exchange type transactions, including contributions and reimbursement type grants, which are classified as conditional contributions, are recorded as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional contributions are recognized as revenue when the conditions on which they depend are substantially met.

Contributions with Donor Restrictions and Donated Services

Contributions of cash and other assets are reported at fair value. Contributions are classified as being either with donor restrictions or without donor restrictions. A contribution is recorded as being with donor restrictions when the donor, in the gift instrument, does not allow for principal invasion. Contributions that are received under an agreement providing the Foundation with the unilateral power to redirect the use of the transferred assets to a beneficiary other than the one specified by the donor (“variance power”) are classified as being without donor restrictions. The Foundation does not receive any donated services that are required to be recognized as contributions.

Property and Equipment

Property and equipment are stated at cost. Donated assets are recorded at the fair value when received. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets. When an asset is retired or sold, its cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized.

Impairment of Long-Lived Assets

The Foundation reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value. No impairment losses were recognized during the years ended June 30, 2022 and 2021.

Agent Liabilities

The Foundation receives and distributes assets under certain agency and intermediary arrangements. Accounting principles generally accepted in the United States of America (GAAP) establish standards for transactions in which a community foundation accepts assets from a donor and agrees to transfer those assets, the return on investment of those assets, or both, to another entity or individual that is specified by the donor. In accordance with GAAP, funds received by the Foundation when acting as an agent, intermediary or trustee are reported as assets of the Foundation, and a liability is established for the fair value of the funds. In addition, the annual activity of these funds is reported as a change in the asset and corresponding liability rather than in the combined statements of activities.

Grants

Grants made are recorded as expenses in the combined statements of activities, when approved by the Foundation’s Governing Board, or when a donor advised grant award is communicated to the grantee. Grants subject to conditions are recorded when the conditions have been substantially met. When the payment of the grant is expected to exceed one year, the grant is then recorded at its net present value.

The Dayton Foundation and Related Entities

Notes to Combined Financial Statements

June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, certain receivables and prepaids, accounts payable, accrued liabilities and the line of credit approximate fair value because of the short maturity of these instruments. Investments are carried at fair value. The annuities and unitrusts payable are reported at fair value based on life expectancy of the annuitants or beneficiaries and the present value of the expected cash flows using a discount rate. Grants payable are reported at net present value. Agent liabilities are reported at fair value based on the fair value of the underlying investments. The carrying value of long-term debt approximates fair value based on current borrowing rates for loans with similar maturities and terms.

Endowment Investment and Spending Policies

The Foundation has adopted, and periodically reviews, investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. In general, the current long-term return objective is to return 4% more than the rate of inflation, net of investment fees. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds, for grant-making and administration. The current spending is to distribute an amount equal to 4% of a rolling 20 quarter market value average of the investments. Accordingly, over the long term, the Foundation expects its current spending policy to allow its endowment assets to grow, consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment return.

Functional Expense Allocation

The combined financial statements report certain categories of expenses that are attributed to both program and supporting services. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The Foundation charges all expenses directly related to the fulfillment of its mission to program services based on direct identification of the costs for each program. Expenses that are not directly related to a single program or activity but are indispensable to the conduct of the Foundation's programs or existence are charged to management and general. Expenses relating to activities undertaken to induce contributions are charged to fundraising. Certain administrative costs including salaries and wages, payroll taxes, and employee benefits are allocated on the basis of estimates of personnel time related to each activity.

The Dayton Foundation and Related Entities

Notes to Combined Financial Statements

June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (Continued)

Accounting for Uncertainty in Income Taxes

The Foundation determines the recognition of uncertain tax positions, if applicable, that may subject the organization to unrelated business income tax by applying a more-likely-than-not recognition threshold and determines the measurement of uncertain tax positions considering the amounts and probabilities of the outcomes that could be realized upon ultimate settlement with tax authorities. Based on its review, management does not believe the Foundation has taken any material uncertain tax positions, including any positions that would place the Foundation's exempt status in jeopardy or result in a material income tax liability as of June 30, 2022.

The Foundation's Form 990, *Return of Organization Exempt from Income Tax*, for the years ended June 30, 2019 through 2021 could be subject to examination by the Internal Revenue Service, generally for three years after they are filed. However, there are currently no audits or examinations in progress.

Tax-Exempt Status

The Foundation, and the combined entities, are not-for-profit organizations and are exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes is presented in these combined financial statements.

3. Liquidity and Availability

The Foundation is substantially supported by contributions, which may contain donor restrictions. Because donor restrictions require resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet these restrictions. Consequently, financial assets may not be available for general expenditure within one year. As part of the Foundation's liquidity management policies, it structures its financial assets to be available as its grants, general expenditures, liabilities, and other obligations become due. In addition, the Foundation structures its financial assets to maintain a base of financial assets that is sufficient to preserve the purchasing power for future spending. It is the policy of the Foundation to regularly review and assess the need for funds to meet operating and charitable obligations and to ensure the availability of cash or collateral to fulfill those requirements.

The majority of the financial assets available within one year of June 30, 2022 originate from fund agreements which include a variance power provision. In accordance with the variance power, the Foundation has the power to modify any restrictions or conditions on the distribution of funds for any specific charitable purpose or to specified organizations if, in the sole judgement of the Governing Board, such restrictions or conditions become, in effect, unnecessary, undesirable, impractical, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served. Therefore, while the financial assets are not donor-restricted as defined by accounting standards, the Foundation intends to follow the donor's intentions for the funds to the best of its ability.

The Dayton Foundation and Related Entities

Notes to Combined Financial Statements

June 30, 2022 and 2021

3. Liquidity and Availability (Continued)

The following reflects the Foundation's financial assets reduced by amounts not available for general use because of contractual or donor-imposed restrictions, or board designations, within one year of June 30, 2022:

Cash and cash equivalents	\$ 98,358,539
Contributions receivable	20,632,314
Student loans receivable, net	199,215
Accounts receivable and accrued income	500,800
Note receivable, net	1,744,524
Investments, at fair value	916,922,969
Total financial assets at June 30, 2022	<u>1,038,358,361</u>

Less those unavailable for general expenditures within one year, due to:

Donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	(20,115,667)
Private equity investments	(1,097,905)
Board designation net assets	(7,534,219)
Contractual obligations:	
Agent liabilities	(180,894,388)
Long-term portion of contributions receivable without donor restrictions	(4,333,731)
Long-term portion of note and student loans receivable	<u>(1,781,580)</u>
Financial assets available to meet cash needs for grants, general expenditures, and other obligations within one year	<u>\$ 822,600,871</u>

4. Investments

Investments, stated at fair value, consist of the following at June 30:

	<u>2022</u>	<u>%</u>	<u>2021</u>	<u>%</u>
Equity securities	\$ 296,799,870	32.4	\$ 137,218,616	20.0
Fixed income securities	67,313,475	7.3	41,000,774	6.0
Mutual funds	526,276,725	57.5	488,048,950	71.2
Alternative investments	24,070,519	2.6	7,674,519	1.1
CSV of life insurance policies	1,364,475	0.1	1,372,038	0.2
Partnership and LLC interests	1,097,905	0.1	10,360,476	1.5
	<u>\$ 916,922,969</u>	<u>100.0</u>	<u>\$ 685,675,373</u>	<u>100.0</u>

The Dayton Foundation and Related Entities

Notes to Combined Financial Statements

June 30, 2022 and 2021

5. Contributions Receivable

The following provides a summary of contributions receivable at June 30:

	2022	2021
Less than one year	\$ 4,099,526	\$ 3,493,251
One to five years	8,917,480	11,435,931
Greater than five years	7,615,308	10,741,416
	<u>\$ 20,632,314</u>	<u>\$ 25,670,598</u>

The balance at June 30, 2022 and 2021 includes charitable lead and remainder trusts totaling \$11,617,204 and \$14,773,210, respectively. The amounts to be received from the charitable lead and remainder trusts were discounted to present value using the applicable federal rate (AFR) in effect for the reporting year, which was 3.6% and 1.2% at June 30, 2022 and 2021, respectively. The total amount of the discount at June 30, 2022 and 2021 was \$3,992,569 and \$1,663,353, respectively.

The pledges receivable included in this balance were discounted to present value using applicable federal rates (AFR) and current risk-free rates of return based on U.S. Treasury Securities yields with maturity dates similar to the expected collection period. The total amount of the discount at June 30, 2022 and 2021 was \$15,618 and \$38,471, respectively.

The Foundation provides for losses on uncollectible contributions receivable using the allowance method. As of June 30, 2022 and 2021, no allowance was considered necessary.

6. Notes Receivable

The following provides a summary of the notes receivable, net at June 30:

	2022	2021
Notes receivable	\$ 3,146,940	\$ 1,975,474
Less: loan loss reserve	(1,402,416)	(1,402,416)
	<u>\$ 1,744,524</u>	<u>\$ 573,058</u>

A component fund within the Foundation has loaned money to another non-profit foundation for the purpose of paying off a loan related to a building campaign. The note does not bear interest and will be repaid over time as the other foundation collects certain pledges. Any amounts not collected on the note will be considered grant expense. The Foundation established a loan loss reserve based on current information regarding the likelihood of repayment of the note, which is primarily based on the amount and collection of the underlying pledges. The net amount of the note at June 30, 2022 and 2021 was \$298,000 and \$371,000, respectively.

A component fund within the Foundation has loaned money to a local non-profit. The Foundation has not established a loan loss reserve based on current information regarding the likelihood of repayment of the note. The total amount of the notes at June 30, 2022 and 2021 was \$944,638 and \$202,058, respectively.

The Dayton Foundation and Related Entities

Notes to Combined Financial Statements

June 30, 2022 and 2021

6. Notes Receivable (Continued)

A component fund within the Foundation has loaned money to a local entity. The Program Related Investment Loan (PRI) was made to Gem City Market Cooperative during 2022 to provide funds for startup expenses and working capital for the cooperative grocery store located in Northwest Dayton; an area that is determined by the US Department of Agriculture to be a food desert, an area where low-income residents lack access to full-service grocery options. The loan bears no interest and principal payments of \$7,856 are due quarterly after the initial 18-month grace period. The loan matures in 2030. The Foundation has not established a loan loss reserve based on current information regarding the likelihood of repayment of the note. The total amount of the note at June 30, 2022 and 2021 was \$251,886 and \$0, respectively. This note was forgiven in full in October 2022.

Several component funds within the Foundation have loaned money to a local entity. The Program Related Investment Loan (PRI) was made to Poet Island, LLC during 2022 to provide funds for a senior LGBTQ+ market rate housing project in Northwest Dayton. The loan bears no interest and the principal is due in full in a single payment in October 2022. The Foundation has not established a loan loss reserve based on current information regarding the likelihood of repayment of the note. The total amount of the note at June 30, 2022 and 2021 was \$250,000 and \$0, respectively. As of the date of this report the note has not been paid.

7. Benefit Plan

The Foundation has a cafeteria plan, qualified under Section 125 of the Internal Revenue Code, which provides eligible employees a choice between cash and benefits under the Foundation's group medical plan, group life insurance, disability, dependent daycare, medical reimbursement and tax deferred annuity plans (retirement). The Foundation made contributions of approximately \$342,000 and \$309,000 to this plan for the years ended June 30, 2022 and 2021, respectively.

8. Property and Equipment

The following is a summary of property and equipment at June 30:

	2022	2021
Land	\$ 691,460	\$ 691,460
Greener Pastures - land	177,449	177,449
Learn to Earn Dayton - equipment	12,928	10,084
Equipment and leasehold improvements	775,461	784,673
Total cost	1,657,298	1,663,666
Less accumulated depreciation	(702,508)	(646,464)
Net property and equipment	\$ 954,790	\$ 1,017,202

The Foundation holds title to land, listed above at \$691,460, that is currently used by an unrelated charitable organization to carry out its exempt purpose.

Depreciation expense for the years ended June 30, 2022 and 2021 was \$70,617 and \$69,341, respectively.

The Dayton Foundation and Related Entities

Notes to Combined Financial Statements

June 30, 2022 and 2021

9. Grants Payable

Grants payable consist of grants authorized but unpaid at year-end and are reported as liabilities. The following provides a summary of grants payable at June 30:

	2022	2021
Less than one year	\$ 12,257,871	\$ 6,827,057
One to five years	6,166,401	4,032,576
Greater than five years	0	10,000
Total grants payable	18,424,272	10,869,633
Less: Discount on long-term grants	(533,067)	(145,768)
Net grants payable	\$ 17,891,205	\$ 10,723,865

Grants to be paid in more than one year are discounted using the applicable federal rate (AFR) which was 3.6% and 1.2% at June 30, 2022 and 2021, respectively.

10. Life Income Annuities Payable

The Foundation solicits charitable gift annuities. Under this program, the donor makes a contribution to the Foundation in exchange for a guaranteed future income for the donor or his/her beneficiary. At June 30, 2022 and 2021, liabilities of \$2,827,753 and \$4,573,533, respectively, represent the value of the actuarially determined future payments, discounted to present value at the rate of 6% (which approximates the estimated average rate of return on investments). Funds designated by the Foundation's Governing Board for the payment of this liability totaled \$5,555,986 and \$9,240,161 at June 30, 2022 and 2021, respectively. These "self-insured" annuity contracts, all of which were entered into prior to June 30, 2006, remain as general obligations of the Foundation.

For all life income annuities entered into after June 30, 2006 (and a few contracts entered into prior to that date), the Foundation has purchased annuity contracts from various insurance companies to provide the payments to recipients over their remaining lifetimes. The cumulative total cost of active insured annuities purchased was \$4,709,795 and \$2,434,481 at June 30, 2022 and 2021, respectively. Although the liability for these purchased annuities is not recorded on the books of the Foundation, the Foundation could be ultimately liable for payment if an insurance company was to default on the payments to the annuitants. However, management currently believes the possibility of default by an insurance company is remote.

11. Operating Leases

The Foundation leases space for administrative offices under an operating lease which expires in 2039 with two optional 5-year extensions. The Foundation also pays certain maintenance costs in accordance with this lease agreement. In addition, the Foundation leases office equipment, data center space and a vehicle under operating lease agreements, which expire at various times through fiscal year ending in 2024. Total rent expense, including costs for common area maintenance, was approximately \$279,000 and \$242,000 for the years ended June 30, 2022 and 2021, respectively.

The Dayton Foundation and Related Entities

Notes to Combined Financial Statements

June 30, 2022 and 2021

11. Operating Leases (Continued)

Future minimum lease payments, excluding common area maintenance costs, for operating leases at June 30, 2022 are as follows:

2023	\$	192,700
2024		191,400
2025		181,500
2026		180,800
2027		186,200
Thereafter (through 2040)		2,733,800
	\$	<u>3,666,400</u>

12. Fair Value Measurements

The Foundation applies accounting principles generally accepted in the United States of America (GAAP) for fair value measurements of financial assets and liabilities that are recognized or disclosed at fair value in the combined financial statements on a recurring basis. Fair value is defined as the price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. GAAP establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 - Quoted prices in active markets that are accessible at the measurement date for identical or similar assets or liabilities
- Level 2 - Inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly
- Level 3 - Unobservable inputs that are not supported by market data

The following is a description of the valuation methodologies the Foundation used for assets measured at fair value. There have been no changes from the prior year in the methodologies used at June 30, 2022. Significant transfers between fair value levels are determined at the end of the reporting period. There were no significant transfers in 2022.

Equity securities, fixed income securities and mutual funds: Reference to quoted market prices, net asset values per share and other relevant information generated by market transactions.

Alternative investments: Valued at the equity (pro rata interest) in the net assets of the hedge fund of funds, based on valuations provided by respective fund managers. The fair values reported by the fund managers are based on quoted market prices, if available, or other valuation methods. The following methods described may produce a fair value calculation 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 fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Cash surrender value of life insurance policies: Valued based on cash value of the policy as determined by life insurance companies.

The Dayton Foundation and Related Entities

Notes to Combined Financial Statements

June 30, 2022 and 2021

12. Fair Value Measurements (Continued)

Majority owned limited liability companies: Valued based on initial independent valuation of the membership interest with adjustments for discounts and lack of marketability, as applicable, adjusted each year for activity and other known valuation changes. This method approximates fair value.

Minority owned limited liability companies: Valued based on actual cost of investment, adjusted for cash receipts, cash disbursements, and any pro-rata income or loss.

Contributions receivable - split interest agreements: Valued using present value techniques.

Fair values of assets and liabilities measured on a recurring basis at June 30, 2022 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity securities	\$ 296,799,870	\$ 296,799,870	\$ 0	\$ 0
Fixed income securities	67,313,475	67,313,475	0	0
Mutual funds	526,276,725	526,276,725	0	0
Alternative investments	24,070,519	0	0	24,070,519
Cash surrender value of life insurance policies	1,364,475	0	1,364,475	0
Partnership and LLC interests	1,097,905	0	0	1,097,905
Contributions receivable - split interest agreements	11,617,204	0	11,617,204	0
Total assets at fair value	<u>\$ 928,540,173</u>	<u>\$ 890,390,070</u>	<u>\$ 12,981,679</u>	<u>\$ 25,168,424</u>

Fair values of assets measured on a recurring basis at June 30, 2021 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity securities	\$ 137,218,616	\$ 137,218,616	\$ 0	\$ 0
Fixed income securities	41,000,774	41,000,774	0	0
Mutual funds	488,048,950	488,048,950	0	0
Alternative investments	7,674,519	0	0	7,674,519
Cash surrender value of life insurance policies	1,372,038	0	1,372,038	0
Partnership and LLC interests	10,360,476	0	0	10,360,476
Contributions receivable - split interest agreements	14,773,210	0	14,773,210	0
Total assets at fair value	<u>\$ 700,448,583</u>	<u>\$ 666,268,340</u>	<u>\$ 16,145,248</u>	<u>\$ 18,034,995</u>

The Dayton Foundation and Related Entities

Notes to Combined Financial Statements

June 30, 2022 and 2021

13. Endowment Funds

The following is a summary of changes in endowment net assets (as defined in Note 2 on page 9) for the year ended June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 531,613,136	\$ 6,778,638	\$ 538,391,774
Contributions	419,046,475	0	419,046,475
Investment income, net of fees	8,648,507	0	8,648,507
Net realized and unrealized appreciation (depreciation)	(119,956,122)	0	(119,956,122)
Interfund transfer income	10,209,813	0	10,209,813
Amounts appropriated for expenditure	(66,373,060)	0	(66,373,060)
Endowment net assets, end of year	<u>\$ 783,188,749</u>	<u>\$ 6,778,638</u>	<u>\$ 789,967,387</u>

The following table summarizes all Foundation net assets as of June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds:			
With restrictions	\$ 0	\$ 6,778,638	\$ 6,778,638
Without restrictions – donor advised/designated	782,009,004	0	782,009,004
Without restrictions – board designated	1,179,745	0	1,179,745
Total endowment funds	<u>783,188,749</u>	<u>6,778,638</u>	<u>789,967,387</u>
Other net assets:			
Supporting organizations, split interest agreements and other	<u>33,364,257</u>	<u>13,337,029</u>	<u>46,701,286</u>
Total net assets	<u>\$ 816,553,006</u>	<u>\$ 20,115,667</u>	<u>\$ 836,668,673</u>

The following is a summary of changes in endowment net assets for the year ended June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 407,845,070	\$ 6,778,638	\$ 414,623,708
Contributions	36,780,801	0	36,780,801
Investment income, net of fees	5,115,593	0	5,115,593
Net realized and unrealized depreciation	111,700,643	0	111,700,643
Interfund transfer income	5,952,803	0	5,952,803
Amounts appropriated for expenditure	(35,781,774)	0	(35,781,774)
Endowment net assets, end of year	<u>\$ 531,613,136</u>	<u>\$ 6,778,638</u>	<u>\$ 538,391,774</u>

The Dayton Foundation and Related Entities

Notes to Combined Financial Statements

June 30, 2022 and 2021

13. Endowment Funds (Continued)

The following table summarizes all Foundation net assets as of June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds:			
With restrictions	\$ 0	\$ 6,778,638	\$ 6,778,638
Without restrictions – donor advised/designated	530,256,954	0	530,256,954
Without restrictions – board designated	1,356,182	0	1,356,182
Total endowment funds	<u>531,613,136</u>	<u>6,778,638</u>	<u>538,391,774</u>
Other net assets:			
Supporting organizations, split interest agreements and other	<u>25,065,232</u>	<u>19,157,312</u>	<u>44,222,544</u>
Total net assets	<u>\$ 556,678,368</u>	<u>\$ 25,935,950</u>	<u>\$ 582,614,318</u>

14. Local Disaster Relief Funds

The Foundation established several funds with board designated purposes of providing financial relief and supporting recovery efforts related to various local disasters.

The activity for these funds for the year ended June 30, 2022 is as follows:

	Greater Dayton Disaster Relief Funds	COVID-19 Response Funds	Total
Beginning net assets	\$ 1,113,668	\$ 83,067	\$ 1,196,735
Contributions	74,661	23,810	98,471
Grants	<u>(389,841)</u>	<u>(106,877)</u>	<u>(496,718)</u>
Ending net assets	<u>\$ 798,488</u>	<u>\$ 0</u>	<u>\$ 798,488</u>

Activity for the year ended June 30, 2021 is as follows:

	Greater Dayton Disaster Relief Funds	Oregon District Tragedy Relief Funds	COVID-19 Response Funds	Total
Beginning net assets	\$ 1,941,619	\$ 419,433	\$ 675,718	\$ 3,036,770
Contributions	204,976	164,392	307,753	677,121
Grants	<u>(1,032,927)</u>	<u>(583,825)</u>	<u>(900,404)</u>	<u>(2,517,156)</u>
Ending net assets	<u>\$ 1,113,668</u>	<u>\$ 0</u>	<u>\$ 83,067</u>	<u>\$ 1,196,735</u>

The Dayton Foundation and Related Entities

Notes to Combined Financial Statements

June 30, 2022 and 2021

14. Local Disaster Relief Funds (Continued)

In addition, the Foundation acted as the fiscal sponsor for the Miami Valley Long-Term Recovery Operations Group (MVLTRG) which was an alliance of nonprofits and financial institutions that partnered in providing disaster recovery services to those individuals and households impacted by the 2019 Memorial Day tornados. As fiscal sponsor, the Foundation controlled the distribution of funds from the Greater Dayton Disaster Relief Fund in support of this recovery effort. On October 31, 2021, the MVLTRG dissolved in accordance with the MVLTRG Dissolution Guiding Principles and the Foundation entered into a Memorandum of Understanding with Catholic Social Services of the Miami Valley and Habitat for Humanity of Greater Dayton to continue to fund, at the direction of these two nonprofits, individual and household disaster relief that registered for assistance by December 31, 2022. Furthermore, the Foundation has awarded funding after October 31, 2021 to multiple communities that were impacted by the disaster, at the direction of the Disaster Leadership Board. It is anticipated that the final award for funding of community recovery projects will be completed by year-end 2022 and the Greater Dayton Disaster Relief Fund will close.

15. Net Assets

Net assets with donor restrictions are restricted for the following purposes or periods at June 30:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Learn to Earn	\$ 248,046	\$ 443,037
100 th anniversary celebration	45,977	304,734
	<u>294,023</u>	<u>747,771</u>
Subject to the passage of time:		
For periods after June 30, 2022	<u>1,425,802</u>	<u>3,636,330</u>
Subject to a spending policy and appropriation:		
Investment of donor-restricted funds in perpetuity	6,778,638	6,778,638
Beneficial interests in lead and remainder trusts	11,617,204	14,773,210
	<u>18,395,842</u>	<u>21,551,848</u>
Total net assets with donor restrictions	<u>\$ 20,115,667</u>	<u>\$ 25,935,949</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time specified by donors as follows:

	<u>2022</u>	<u>2021</u>
Purpose restrictions accomplished:		
Learn to Earn	\$ 194,991	\$ 383,417
100 th anniversary celebration	258,757	168,833
	<u>453,748</u>	<u>552,250</u>
Time restrictions expired:		
Passage of specified time	<u>2,210,528</u>	<u>328,269</u>
Spending policy releases:		
Appropriations for expenditure	983,004	890,529
Total restrictions released	<u>\$ 3,647,280</u>	<u>\$ 1,771,048</u>

The Dayton Foundation and Related Entities

Notes to Combined Financial Statements

June 30, 2022 and 2021

15. Net Assets (Continued)

In addition, the Foundation's Governing Board has designated net assets without donor restrictions as follows as of June 30:

	<u>2022</u>	<u>2021</u>
Sinking fund for payment of CGA liabilities	\$ 5,555,986	\$ 9,240,161
Endowment	1,179,745	1,356,182
Local disaster relief funds	798,488	1,196,735
	<u>\$ 7,534,219</u>	<u>\$ 11,793,078</u>

16. Agent Liabilities

The following is a summary of the changes in agent liabilities for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 169,599,817	\$ 136,918,181
Contributions	55,448,215	31,039,420
Net investment return	(17,916,546)	26,983,836
Grant expense	(26,209,417)	(25,248,430)
Program expense	(7,186)	(73,947)
Other expenses	(20,495)	(19,243)
Balance, end of year	<u>\$ 180,894,388</u>	<u>\$ 169,599,817</u>

Funds received by the Foundation when acting as an agent, intermediary or trustee are reported as assets of the Foundation, and a liability is established for the fair value of the funds. In addition, the annual activity of these funds is reported as a change in the asset and corresponding liability rather than in the combined statements of activities.

17. Other Income (Losses)

Other income (losses) consisted of the following for the year ended June 30, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue of supporting organizations	\$ 347,493	\$ 0	\$ 347,493
Administrative assessments on agency funds	460,995	0	460,995
Scholarship management fees	71,097	0	71,097
Change in value of split-interest agreements	72,279	(3,023,394)	(2,951,115)
Total other income	<u>\$ 951,864</u>	<u>\$ (3,023,394)</u>	<u>\$ (2,071,530)</u>

The Dayton Foundation and Related Entities
Notes to Combined Financial Statements
June 30, 2022 and 2021

17. Other Income (Losses) (Continued)

Other income (losses) consisted of the following for the year ended June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue of supporting organizations	\$ 589,956	\$ 0	\$ 589,956
Administrative assessments on agency funds	545,326	0	545,326
Scholarship management fees	65,636	0	65,636
Change in value of split-interest agreements	(244,624)	274,203	29,579
Total other income	<u>\$ 956,294</u>	<u>\$ 274,203</u>	<u>\$ 1,230,497</u>

18. Officer Life Insurance Policy

The Foundation is owner and 25% beneficiary of a term life insurance policy on the president of the Foundation. The face amount of the policy is \$1,000,000.

19. Interfund Promissory Note

The Dayton Foundation has an informal borrowing arrangement with The Dayton Foundation Depository. The borrowing arrangement provides for no interest accumulation and a discretionary repayment plan. The balance was \$780,620 and \$0 as of June 30, 2022 and 2021, respectively. The effect of this note has been eliminated in these combined financial statements.

20. Subsequent Events

Management evaluated the activity of the Foundation through December 1, 2022 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.



In this ever-changing business environment, Flagel Huber Flagel goes beyond numbers and deadlines, returning the trust and confidence our clients place in us, with a caring partner relationship. We are committed to a collaborative search for ideas and solutions that help business organizations thrive and families build and preserve wealth. Our commitment is simple; financial and operational *insight*, service *integrity*, and problem solving *innovation*.

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