

BENTON COMMUNITY FOUNDATION

Financial Statements

Years Ended December 31, 2022 and 2021

BENTON COMMUNITY FOUNDATION

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6



Talbot, Korvola & Warwick, LLP 14945 SW Sequoia Parkway, Suite 150, Portland, Oregon 97224
P 503.274.2849 F 503.274.2853 www.tkw.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Benton Community Foundation
Corvallis, Oregon

Opinion

We have audited the financial statements of Benton Community Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2022 and 2021, the related statements of activities 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 the Foundation 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 the Foundation 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 the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be 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.



RSM US Alliance is a premier affiliation of independent accounting and consulting firms. RSM US Alliance provides its members with access to resources of RSM US LLP. RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Visit rsmus.com/aboutus for more information regarding RSM US LLP and RSM International. RSM US®, the RSM US Alliance logo and the RSM US Alliance signatures are proprietary to RSM US LLP, while RSM™ is used under license by RSM US LLP.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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 the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation'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.

Talbot, Kowala & Warwick LLP

Portland, Oregon
April 19, 2023

BENTON COMMUNITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

	December 31,	
	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 869,363	\$ 568,723
Contributions receivable, net	405,042	-
Investments	27,690,392	31,652,972
Building and equipment, net	1,145,364	-
Other assets	4,375	4,375
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 30,114,536</u>	<u>\$ 32,226,070</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable and accrued charges	\$ 48,922	\$ 52,198
Note payable	1,033,692	-
Funds held as agency endowment obligations	2,349,839	1,457,733
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>3,432,453</u>	<u>1,509,931</u>
NET ASSETS		
Without donor restrictions	992,156	1,409,335
With donor restrictions	25,689,927	29,306,804
	<u> </u>	<u> </u>
TOTAL NET ASSETS	<u>26,682,083</u>	<u>30,716,139</u>
	<u> </u>	<u> </u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 30,114,536</u>	<u>\$ 32,226,070</u>

The accompanying notes are an integral part of the financial statements.

BENTON COMMUNITY FOUNDATION

STATEMENTS OF ACTIVITIES

	<u>Year Ended December 31, 2022</u>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT			
Grants, donations and contributions	\$ 121,990	\$ 3,233,613	\$ 3,355,603
Non-cash contributions	13,932	40,696	54,628
Event income	4,591	-	4,591
Income (loss) from investments, net of expenses	(282,826)	(4,918,635)	(5,201,461)
Other	-	28,352	28,352
Interfund transfers	9,799	(9,799)	-
Net assets released from restrictions	1,991,104	(1,991,104)	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>1,858,590</u>	<u>(3,616,877)</u>	<u>(1,758,287)</u>
EXPENSES			
Scholarships, grants and other program expenses	1,538,381	-	1,538,381
General and administrative	551,155	-	551,155
Fundraising	186,233	-	186,233
TOTAL EXPENSES	<u>2,275,769</u>	<u>-</u>	<u>2,275,769</u>
CHANGE IN NET ASSETS	<u>(417,179)</u>	<u>(3,616,877)</u>	<u>(4,034,056)</u>
NET ASSETS, beginning of year	<u>1,409,335</u>	<u>29,306,804</u>	<u>30,716,139</u>
NET ASSETS, end of year	<u>\$ 992,156</u>	<u>\$ 25,689,927</u>	<u>\$ 26,682,083</u>

Year Ended December 31, 2021

Without donor restrictions	With donor restrictions	Total
\$ 134,951	\$ 1,562,788	\$ 1,697,739
7,523	308,553	316,076
-	-	-
151,865	3,212,409	3,364,274
-	-	-
19,751	(19,751)	-
1,644,735	(1,644,735)	-
1,958,825	3,419,264	5,378,089
1,204,215	-	1,204,215
482,186	-	482,186
86,404	-	86,404
1,772,805	-	1,772,805
186,020	3,419,264	3,605,284
1,223,315	25,887,540	27,110,855
\$ 1,409,335	\$ 29,306,804	\$ 30,716,139

BENTON COMMUNITY FOUNDATION

STATEMENTS OF CASH FLOWS

	<u>Year Ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (4,034,056)	\$ 3,605,284
Adjustment to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	12,340	-
Bad debt expense	45,005	-
Non-cash contributions	(54,628)	(316,076)
Interest and dividends	(608,817)	(752,855)
Net realized (gains) losses	82,219	(1,130,767)
Net unrealized (gains) losses	5,672,540	(1,537,643)
Changes in operating assets and liabilities:		
Contributions receivable	(450,047)	1,017
Accounts payable and accrued charges	(3,276)	31,718
Funds held as agency endowment obligations	892,106	723,947
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>1,553,386</u>	<u>624,625</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(112,704)	-
Proceeds from sale of investments	555,519	556,991
Purchase of investments	(1,684,253)	(1,575,556)
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(1,241,438)</u>	<u>(1,018,565)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Note payable repayments	(11,308)	-
Total cash flows from financing activities	(11,308)	-
NET CHANGE IN CASH	300,640	(393,940)
CASH, beginning of year	<u>568,723</u>	<u>962,663</u>
CASH, end of year	<u>\$ 869,363</u>	<u>\$ 568,723</u>
SUMMARY OF NON-CASH TRANSACTIONS		
Transfer of investments for disbursement of scholarships	<u>\$ 82,817</u>	<u>\$ -</u>
Purchase of building with note payable proceeds	<u>1,045,000</u>	<u>-</u>
SUPPLEMENTAL INFORMATION:		
Cash paid for interest	<u>26,125</u>	<u>-</u>

The accompanying notes are an integral part of the financial statements.

BENTON COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

1. THE FOUNDATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Foundation:

Benton Community Foundation (the Foundation) was incorporated under Oregon law on February 27, 1953 and received determination of 501(c)(3) charitable status on December 11, 1957. For more than sixty years, the Foundation has been investing in its community through philanthropy to create positive, sustainable outcomes for Benton County. The Foundation is a publicly supported Community Foundation. Funds are contributed by individuals, corporations, and not-for-profit organizations. The Foundation is a member of the Council on Foundations. The Foundation is governed by a board of directors, all of whom serve without pay.

Summary of Significant Accounting Policies:

Basis of Accounting:

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Under the accrual basis of accounting, revenues and support are recorded as earned and expenses are recorded as incurred.

Classification of Contributions and Net Assets:

The accompanying financial statements have been prepared in accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Topic *Not-for Profit Entities*. The Foundation is required to present its net assets and its revenue and gains (losses) based upon the existence or absence of donor imposed restrictions into two classes: without donor restrictions and with donor restrictions. This Topic provides guidance for the classification of donor-restricted endowment funds that are subject to an enacted version of the subtopic Uniform Prudent Management of Institutional Funds Act (UPMIFA). The subtopic also provides for enhanced disclosures about endowment funds (both donor-restricted endowment funds and board designated endowment funds). Accordingly, net assets of the Foundation are classified and reported as follows:

- *Without Donor Restrictions* - Net assets not subject to donor-imposed stipulations.
- *With Donor Restrictions* - Net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time and net assets subject to donor-imposed stipulations to be held in perpetuity as an endowment.

BENTON COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

YEARS ENDED DECEMBER 31, 2022 AND 2021

1. THE FOUNDATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Summary of Significant Accounting Policies (Continued):

Classification of Contributions and Net Assets (Continued):

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Expirations of temporary restrictions on net assets are reported as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are reported as revenue without donor restriction.

When a donor-stipulation or time restriction ends or terms of the original contribution are met, 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.

Net assets without donor restrictions consist of the following types of internally-designated funds:

Undesignated – Funds used for the general operation of the Foundation.

Board Designated – Funds established by the Board for special projects and other purposes that enable the Foundation to continue the operations and help lay the foundation for future endeavors.

Use of Estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Contributions:

Contributions are recorded at fair value at the date of receipt or date of unconditional promise to give. Amounts are subject to change until the contributions are actually received. For contributions due to be received in more than one year, fair value is recorded at the estimated present value of future receipts. The Foundation provides an allowance against unconditional promises to give based on management's expectations to fully collect such amounts. The Foundation charges off uncollectible contributions when management determines the unconditional promise to give is not collectible. There were no uncollectible contributions for the years ended December 31, 2022 and 2021 and management has determined that no allowance is necessary.

BENTON COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

YEARS ENDED DECEMBER 31, 2022 AND 2021

1. THE FOUNDATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Summary of Significant Accounting Policies (Continued):

Concentration of Credit Risk:

The Foundation restricts its cash deposits with banks to financial institutions which are members of the FDIC. Cash may include amounts in excess of FDIC insurable limits. The Foundation has not experienced any losses in such accounts. Management believes the Foundation is not exposed to any significant credit risk related to cash.

Investments:

The Foundation records investments at fair value. Interest and dividend income is accounted for on the accrual basis. Gains and losses on unrestricted investments, including changes in market value, are reported in the Statements of Activities as increases or decreases in net assets without donor restrictions.

Endowment Policy and Interpretation of Relevant Law:

The Foundation's endowment consists of individual funds established for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Foundation classifies permanently restricted net assets as: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the UPMIFA. All funds considered temporarily or permanently restricted by donors are included in net assets with donor restrictions in the Foundation's Statement of Financial Position.

BENTON COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

YEARS ENDED DECEMBER 31, 2022 AND 2021

1. THE FOUNDATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Summary of Significant Accounting Policies (Continued):

Endowment Policy and Interpretation of Relevant Law (Continued):

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

Fair Value of Financial Instruments:

The Foundation follows the provisions of the FASB ASC Topic *Fair Value Measurement*. This Topic applies to all assets and liabilities that are being measured and reported on a fair value basis and requires disclosures that establish a framework for measuring fair value under U.S. GAAP, and expands disclosures about fair value measurements. This Topic enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The Topic requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

At December 31, 2022 and 2021, the Foundation has financial assets and liabilities not required to be measured at a fair value on a recurring basis, which primarily consist of payables, the carrying value of which materially approximate their fair value.

BENTON COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

YEARS ENDED DECEMBER 31, 2022 AND 2021

1. THE FOUNDATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Summary of Significant Accounting Policies (Continued):

Capital Assets:

Assets which meet the capitalization policy criteria of useful life of one year or more and value of \$2,500 or more, are stated at cost if purchased or, if donated, at the approximate fair value at the date of donation. Expenditures for major renewals and betterments which extend the useful lives of the capital assets are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives ranging from 5 to 39 years.

Income Taxes:

The Foundation is exempt from federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and comparable state law. Additionally, the Internal Revenue Service has determined the Foundation is not a private foundation. Management believes that no material activity of the Foundation would qualify as unrelated business income, and accordingly, be taxed to the Foundation. The tax years that remain open for examination by the appropriate taxing authorities for the Foundation as of December 31, 2022 are 2021, 2020, and 2019, generally three years from the date the return was filed.

The Foundation follows the provisions of the FASB ASC Topic *Income Taxes*. Management evaluated the Foundation tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this Topic.

2. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable at December 31 are expected to be collected as follows:

	<u>2022</u>	<u>2021</u>
Amounts, net of allowance, expected to be collected in:		
Less than one year	\$ 129,510	\$ -
One year to five years	341,486	-
	<u>470,996</u>	<u>-</u>
Less discount to present value (discount rate of 6.00%)	(65,954)	-
	<u>\$ 405,042</u>	<u>\$ -</u>

BENTON COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

YEARS ENDED DECEMBER 31, 2022 AND 2021

2. CONTRIBUTIONS RECEIVABLE, NET (Continued)

The Foundation determines an allowance for uncollectible contributions receivable based on prior years' experience and management's analysis of specific promises made. As of December 31, 2022, an allowance of approximately \$45,000 was deemed necessary.

3. ENDOWMENT INVESTMENT POLICIES

The goal of the Foundation's investment program for endowment funds is to achieve the total rate of return that will allow for long-term growth and fulfill donor intent. The investment objective is to preserve capital and, if possible, purchasing power over the life of the fund. The Foundation has a conservative approach, where assets of individual funds are invested in cash and mutual funds that are likely to produce a reasonable return over a reasonable period, consistent with the objective of the fund.

Endowment fund activity recorded as net assets with donor restrictions for the years ended December 31, 2022 and 2021 was as follows:

Endowment funds - December 31, 2020	\$ 22,960,361
Investment return	2,817,162
Contributions	1,028,376
Transfer in to create endowment	86,364
Appropriation of endowment assets for program expenses	(744,861)
Appropriation of endowment assets for other expenses	<u>(357,438)</u>
Endowment funds - December 31, 2021	25,789,964
Investment return	(4,228,196)
Contributions	636,285
Transfer in to create endowment	91,431
Appropriation of endowment assets for program expenses	(863,862)
Appropriation of endowment assets for other expenses	<u>(364,395)</u>
Endowment funds - December 31, 2022	<u>\$ 21,061,227</u>

There are several funds that have made interfund transfers to other funds held by the Foundation. Transfers occur when a fund has been amended by a donor and each transfer is addressed on a case by case basis. Transfers and any associated restriction changes are initiated by management and presented to the Board for review and approval.

There were 40 funds with balances below their principal balance as of December 31, 2022. The principal balance of these investments was \$3,950,000 and the fair value of these investments was \$3,700,000. There were no funds with balances below their principal balance as of December 31, 2021.

BENTON COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

YEARS ENDED DECEMBER 31, 2022 AND 2021

4. SPENDING POLICIES

Distributions made by the Foundation are guided by prudence, current economic conditions, the donor's intent, and UPMIFA. The Foundation records each donor's gift in a separate fund. It is the Foundation's policy to not make any distributions from a new fund until it has been in existence for two full quarters. After two full quarters, the Foundation will make a distribution from each fund by applying a 12 quarter rolling average percentage of fund value in accordance with donor restrictions.

This fund value is the average value of the fund over the most recent twelve full quarters, beginning with the quarter ending in September. In situations where funds have not been in existence for the full 12 quarters, the Foundation will use the average value of the fund over the numbers of quarters since the fund was established. If this average falls below the principal balance for a full 12 quarters, no distribution from the fund is made. Distributions can occur from funds below the principal balance if the decline in value occurs for less than 12 quarters.

5. INVESTMENTS

Investments are measured at fair value, classified as Level 1, and consist of the following:

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Temporary investment cash	\$ 15,274	\$ 21,235
Fixed income securities	982,140	-
Mutual funds	8,151,762	10,594,211
Stocks and exchange traded products	<u>18,541,216</u>	<u>21,037,526</u>
	<u>\$ 27,690,392</u>	<u>\$ 31,652,972</u>

Investment earnings in the Statements of Activities consist of the following:

	<u>Year Ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Interest and dividend earnings	\$ 608,817	\$ 752,855
Realized gains (losses) from sales of investments	(82,219)	1,130,767
Increase (decrease) in fair values of investments	(5,672,540)	1,537,643
Investment expenses	<u>(55,519)</u>	<u>(56,991)</u>
	<u>\$ (5,201,461)</u>	<u>\$ 3,364,274</u>

BENTON COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

YEARS ENDED DECEMBER 31, 2022 AND 2021

6. BUILDING AND EQUIPMENT, NET

The following is a summary of building and equipment and related accumulated depreciation:

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Building	\$ 1,157,704	\$ -
Furniture and equipment	<u>13,040</u>	<u>13,040</u>
	1,170,744	13,040
Less accumulated depreciation	<u>(25,380)</u>	<u>(13,040)</u>
	<u>\$ 1,145,364</u>	<u>\$ -</u>

7. FUNDS HELD AS AGENCY ENDOWMENT OBLIGATIONS

Various not-for-profit organizations (NFPO) have transferred funds to the Foundation and each such NFPO specified itself as the beneficiary of said fund. The FASB ASC Topic 958-20 *Not-for-Profit Entities* (FAS-136) establishes accounting and reporting standards for transactions in which a not-for-profit organization transfers assets to another organization (the recipient organization) and specifies itself as the beneficiary. Pursuant to this pronouncement, the agency endowment funds received by the Foundation are considered liabilities, rather than net assets of the Foundation. The Foundation holds these funds as investments and recognizes an endowment obligation. At December 31, 2022 and 2021, the total amount of funds held as agency endowment obligations by the Foundation were \$2,349,839 and \$1,457,733, respectively.

8. NOTE PAYABLE

In July 2022, the Foundation entered into a promissory note, under which the Foundation borrowed \$1,045,000 for the purchase of a new building. The note bears interest at 6.00% and matures on September 1, 2042.

BENTON COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

YEARS ENDED DECEMBER 31, 2022 AND 2021

8. NOTE PAYABLE (Continued)

Future maturities of the note payable are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2023	\$ 23,716
2024	30,067
2025	31,921
2026	33,890
2027	35,980
Thereafter	<u>878,118</u>
	<u>\$ 1,033,692</u>

9. NET ASSETS

Net assets are held for the following purposes:

	<u>December 31,</u>					
	<u>2022</u>			<u>2021</u>		
	<u>Endowed</u>	<u>Not Endowed</u>	<u>Total</u>	<u>Endowed</u>	<u>Not Endowed</u>	<u>Total</u>
Undesignated funds	\$ -	\$ 542,481	\$ 542,481	\$ -	\$ 893,970	\$ 893,970
Board designated funds	<u>190,182</u>	<u>259,493</u>	<u>449,675</u>	<u>201,450</u>	<u>313,915</u>	<u>515,365</u>
Total net assets without donor restrictions	190,182	801,974	992,156	201,450	1,207,885	1,409,335
Special project funds	-	191,365	191,365	-	219,468	219,468
Donor advised funds	-	3,342,518	3,342,518	-	3,230,500	3,230,500
Designated funds	8,895,585	-	8,895,585	10,632,489	500	10,632,989
Scholarship funds	7,564,949	-	7,564,949	9,421,788	-	9,421,788
Community funds	4,121,473	102,629	4,224,102	5,131,444	132,616	5,264,060
Sustainability funds	<u>289,038</u>	<u>1,182,370</u>	<u>1,471,408</u>	<u>402,793</u>	<u>135,206</u>	<u>537,999</u>
Total net assets with donor restrictions	<u>20,871,045</u>	<u>4,818,882</u>	<u>25,689,927</u>	<u>25,588,514</u>	<u>3,718,290</u>	<u>29,306,804</u>
Total net assets	<u>\$ 21,061,227</u>	<u>\$ 5,620,856</u>	<u>\$ 26,682,083</u>	<u>\$ 25,789,964</u>	<u>\$ 4,926,175</u>	<u>\$ 30,716,139</u>

10. FUNCTIONAL CLASSIFICATION OF EXPENSES

The costs of program and supporting service activities have been summarized in the Statements of Activities. The expense analysis in the table below presents the natural classification detail of expense by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or support function. The expenses that are allocated include payroll and payroll related expenses, which are allocated on the basis of actual time spent on fundraising or general and administrative tasks. Other costs are classified in each functional category based on the underlying purpose of each transaction.

BENTON COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

YEARS ENDED DECEMBER 31, 2022 AND 2021

10. FUNCTIONAL CLASSIFICATION OF EXPENSES (Continued)

	Year Ended December 31,					
	2022			2021		
	Scholarships, grants and other program expenses	General and administrative	Fundraising	Scholarships, grants and other program expenses	General and administrative	Fundraising
Bank fees	\$ -	\$ 981	\$ -	\$ -	\$ 605	\$ -
Bad debt expense	-	45,005	-	-	-	-
Depreciation	-	12,340	-	-	-	-
Fundraising	-	-	42,633	-	-	30,518
Insurance	-	4,306	-	-	4,241	-
Information technology	-	12,516	-	-	12,935	-
Interest on note payable	-	26,125	-	-	-	-
Memberships	-	12,869	-	-	8,551	-
Miscellaneous and other	-	14,033	-	-	(1,378)	-
Occupancy	-	28,011	-	-	26,185	-
Office supplies	-	22,291	-	-	21,327	-
Payroll and payroll related expenses	-	292,346	143,600	-	296,215	55,886
Professional fees	-	71,142	-	-	108,987	-
Scholarship and grant distributions	1,538,381	-	-	1,204,215	-	-
Travel and meals	-	9,190	-	-	4,518	-
Total	<u>\$ 1,538,381</u>	<u>\$ 551,155</u>	<u>\$ 186,233</u>	<u>\$ 1,204,215</u>	<u>\$ 482,186</u>	<u>\$ 86,404</u>

11. CONCENTRATIONS

The Foundation received contributions from three community members, representing approximately 60% of total grants, donations and contributions for the year ended December 31, 2022. The Foundation received contributions from two community members, representing approximately 40% of total grants, donations and contributions for the year ended December 31, 2021.

12. LIQUIDITY AND AVAILABILITY

The Foundation regularly monitors liquidity required to meet its operating needs, liabilities, and other obligations as they become due. The Foundation's general operating needs are substantially supported by administrative service fees assessed on gifts received and fund balances. In addition to financial assets available to meet general expenditures over the next twelve months, the Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

As of December 31, 2022, the Foundation has cash and investments to cover approximately 15 weeks of operating expenses. The Foundation's budget for fiscal year 2023 includes \$430,000 in assessed administrative fee income (not included in the following table). This amount will be available to be used for general expenditures. The following table provides information on assets that could readily be made available within one year of the date of the Statement of Financial Position to meet general expenditures. Endowment assets not yet appropriated by the Board of Directors for expenditure are not included in financial assets available to meet cash needs within one year.

BENTON COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

YEARS ENDED DECEMBER 31, 2022 AND 2021

13. LIQUIDITY AND AVAILABILITY (Continued)

Financial assets:	
Cash	\$ 869,363
Contributions receivable, net	405,042
Investments	27,690,392
Other assets	<u>875</u>
	28,965,672
Less amounts unavailable for general expenditures within one year:	
Contributions receivable due after one year, net of allowance and discount	(283,626)
Investments not available for general operations	(25,407,942)
Agency endowment investments not available for general operations	<u>(2,349,839)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 924,265</u>

14. RETIREMENT PLAN

Effective January 1, 2019, the Foundation began providing employees with a SEP (Simplified Employee Pension) IRA retirement plan, entirely funded by the Foundation. Employees must be at least eighteen years old to participate and are eligible to participate once they have performed services in at least one year of the immediately preceding five years. The Foundation may contribute monthly up to 6% of an employee's earned monthly wages to that employee's individual SEP IRA account. The Foundation's contributions vest immediately and are discretionary. The Foundation contributed \$21,963 and \$18,297 to the Plan for the years ended December 31, 2022 and 2021, respectively.

15. SUBSEQUENT EVENTS

In accordance with the FASB ASC Topic *Subsequent Events*, the Foundation has evaluated subsequent events through April 19, 2023, which is the date these financial statements were available to be issued. There are no subsequent events requiring recognition as of April 19, 2023, which should be incorporated into these financial statements.