

MORTON COMMUNITY FOUNDATION

Morton, Illinois

Financial Statements

and

Auditor's Report

June 30, 2022 and 2021

MORTON COMMUNITY FOUNDATION

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Independent Auditor's Report

Board of Trustees
Morton Community Foundation
Morton, Illinois

Opinion

We have audited the accompanying financial statements of Morton Community Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Morton Community Foundation as of June 30, 2022 and 2021, and the changes in net assets and its cash flows for the year then ended in conformity 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 Financial Statements section of our report. We are required to be independent of Morton Community 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 Morton Community Foundation's ability to continue as a going concern within one year after the date that the financial statements are 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 the modified cash basis of accounting 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 judgement made by a reasonable user based on the financial statements.

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

- exercise professional judgement 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 Morton Community 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Morton Community 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.

GINOLI & COMPANY LTD

GINOLI & COMPANY LTD
Certified Public Accountants

Peoria, Illinois
May 10, 2023

MORTON COMMUNITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,643,122	\$ 445,618
Restricted cash	617	8,816
Investments	9,520,854	8,651,850
Accounts receivable	8,089	5,912
Capital assets, net	<u>77,246</u>	<u>83,391</u>
 TOTAL ASSETS	 <u>\$ 11,249,928</u>	 <u>\$ 9,195,587</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Grants payable	\$ 53,444	\$ 35,968
Accounts payable and accrued expenses	4,610	5,083
Payroll liabilities	3,514	3,280
Agency liabilities	617	8,816
Custodial funds managed for others	<u>856,795</u>	<u>357,850</u>
 Total liabilities	 <u>\$ 918,980</u>	 <u>\$ 410,997</u>
NET ASSETS		
Without donor restrictions	\$ 2,010,639	\$ 2,268,014
With donor restrictions	<u>8,320,309</u>	<u>6,516,576</u>
 Total net assets	 <u>\$ 10,330,948</u>	 <u>\$ 8,784,590</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 11,249,928</u>	 <u>\$ 9,195,587</u>

The notes to financial statements are an integral part of this exhibit.

MORTON COMMUNITY FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Contributions	\$ 153,456	\$ 3,766,245	\$ 3,919,701	\$ 470,267	\$ 553,997	\$ 1,024,264
Less custodial funds received	-	614,201	614,201	-	17,245	17,245
Total contributions	<u>\$ 153,456</u>	<u>\$ 3,152,044</u>	<u>\$ 3,305,500</u>	<u>\$ 470,267</u>	<u>\$ 536,752</u>	<u>\$ 1,007,019</u>
Investment income	\$ 55,540	\$ 202,258	\$ 257,798	\$ 38,706	\$ 124,425	\$ 163,131
Less investment income on custodial funds	-	11,860	11,860	-	6,722	6,722
Total investment income	<u>\$ 55,540</u>	<u>\$ 190,398</u>	<u>\$ 245,938</u>	<u>\$ 38,706</u>	<u>\$ 117,703</u>	<u>\$ 156,409</u>
Net unrealized and realized gains (losses) on investments	\$ (303,919)	\$ (1,234,861)	\$ (1,538,780)	\$ 354,434	\$ 1,250,956	\$ 1,605,390
Less net unrealized and realized gains (losses) on investments of custodial funds	-	(114,871)	(114,871)	-	67,451	67,451
Total unrealized and realized gains (losses) on investments	<u>\$ (303,919)</u>	<u>\$ (1,119,990)</u>	<u>\$ (1,423,909)</u>	<u>\$ 354,434</u>	<u>\$ 1,183,505</u>	<u>\$ 1,537,939</u>
Management fees	86,299	-	86,299	67,465	-	67,465
Fundraising income	42,790	-	42,790	35,176	-	35,176
In-kind rent	-	-	-	2,000	-	2,000
Net assets released from restrictions	418,719	(418,719)	-	429,471	(429,471)	-
Miscellaneous income	2	-	2	24,900	-	24,900
Total revenue and support	<u>\$ 452,887</u>	<u>\$ 1,803,733</u>	<u>\$ 2,256,620</u>	<u>\$ 1,422,419</u>	<u>\$ 1,408,489</u>	<u>\$ 2,830,908</u>
DISTRIBUTIONS AND EXPENSES						
Development	\$ 74,289	\$ -	\$ 74,289	\$ 71,061	\$ -	\$ 71,061
Administration	96,668	-	96,668	93,228	-	93,228
Grants and program services	539,305	-	539,305	529,164	-	529,164
Total distributions and expenses	<u>\$ 710,262</u>	<u>\$ -</u>	<u>\$ 710,262</u>	<u>\$ 693,453</u>	<u>\$ -</u>	<u>\$ 693,453</u>
CHANGES IN NET ASSETS	\$ (257,375)	\$ 1,803,733	\$ 1,546,358	\$ 728,966	\$ 1,408,489	\$ 2,137,455
NET ASSETS - BEGINNING OF YEAR	<u>2,268,014</u>	<u>6,516,576</u>	<u>8,784,590</u>	<u>1,539,048</u>	<u>5,108,087</u>	<u>6,647,135</u>
NET ASSETS - END OF YEAR	<u><u>\$ 2,010,639</u></u>	<u><u>\$ 8,320,309</u></u>	<u><u>\$ 10,330,948</u></u>	<u><u>\$ 2,268,014</u></u>	<u><u>\$ 6,516,576</u></u>	<u><u>\$ 8,784,590</u></u>

The notes to financial statements are an integral part of this exhibit.

MORTON COMMUNITY FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022				2021			
	(Fundraising) Development "Gather"	Management & Administration "Grow"	Grants & Program Services "Grant"	Total	(Fundraising) Development "Gather"	Management & Administration "Grow"	Grants & Program Services "Grant"	Total
Grants	\$ -	\$ -	\$ 387,332	\$ 387,332	\$ -	\$ -	\$ 402,625	\$ 402,625
Less grants from custodial funds	-	-	5,700	5,700	-	-	5,550	5,550
Total grants and program services	\$ -	\$ -	\$ 381,632	\$ 381,632	\$ -	\$ -	\$ 397,075	\$ 397,075
Investment management fees	\$ -	\$ -	\$ 129,449	\$ 129,449	\$ -	\$ -	\$ 101,125	\$ 101,125
Less management fees from custodial funds	-	-	6,543	6,543	-	-	3,879	3,879
Total grants and program services	\$ -	\$ -	\$ 122,906	\$ 122,906	\$ -	\$ -	\$ 97,246	\$ 97,246
Salaries and wages	52,440	52,440	26,221	131,101	50,838	50,838	25,418	127,094
Payroll taxes	4,012	4,012	2,005	10,029	3,889	3,889	1,945	9,723
Employee benefits	1,969	1,969	986	4,924	1,648	1,648	825	4,121
In-kind rent	-	-	-	-	800	800	400	2,000
Telephone and internet	-	1,091	-	1,091	-	1,293	-	1,293
Rent	5,760	5,760	2,880	14,400	5,760	5,760	2,880	14,400
Office expenses - shared	-	-	-	-	458	458	228	1,144
Office operations and supplies	1,700	1,700	849	4,249	1,761	1,761	881	4,403
Computer supplies	179	1,435	179	1,793	268	2,139	268	2,675
Postage	480	480	241	1,201	346	346	173	865
Web expenses	3,560	396	-	3,956	320	36	-	356
Tech support	135	1,081	135	1,351	549	4,391	549	5,489
Insurance	1,012	1,012	505	2,529	916	916	459	2,291
Professional fees	552	4,411	552	5,515	697	5,573	697	6,967
Depreciation	-	9,545	-	9,545	-	7,786	-	7,786
Conferences and seminars	112	900	112	1,124	60	480	60	600
Education and dues	102	819	102	1,023	60	484	60	604
Fundraising - miscellaneous event expense	2,276	-	-	2,276	2,691	-	-	2,691
Marketing and public relations	-	7,274	-	7,274	-	-	-	-
Miscellaneous	-	2,343	-	2,343	-	4,630	-	4,630
Total Expenses	\$ 74,289	\$ 96,668	\$ 539,305	\$ 710,262	\$ 71,061	\$ 93,228	\$ 529,164	\$ 693,453

The notes to financial statements are an integral part of this exhibit.

MORTON COMMUNITY FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 1,546,358	\$ 2,137,455
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	9,545	7,786
Unrealized (gains) losses on investments	1,687,136	(1,509,305)
PPP loan recognized as income	-	(24,900)
In-kind income	-	(2,000)
In-kind expense	-	2,000
Change in assets and liabilities:		
Accounts receivable	(2,177)	(931)
Grants payable	17,476	(118,824)
Accounts payable and accrued expenses	(473)	(654)
Payroll liabilities	234	491
Agency liabilities	(8,199)	(33,820)
Custodial funds managed for others	498,945	81,989
	<u>\$ 3,748,845</u>	<u>\$ 539,287</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	\$ (2,613,613)	\$ (794,580)
Interest/dividends reinvested	(256,947)	(162,857)
Realized gains reinvested	(148,355)	(96,085)
Distributions from investments	333,325	286,964
Withdrawals for investment fees	129,450	101,125
Purchase of capital assets	(3,400)	(83,513)
	<u>\$ (2,559,540)</u>	<u>\$ (748,946)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 1,189,305	\$ (209,659)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>454,434</u>	<u>664,093</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,643,739</u>	<u>\$ 454,434</u>

The notes to financial statements are an integral part of this exhibit.

MORTON COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES

A. Nature of Activities

The Morton Community Foundation (Foundation) was organized on May 2, 2000. The Foundation is a nonprofit organization, and its purpose is to receive, manage, and distribute philanthropic gifts for the long-term benefit of Morton Area residents.

B. Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (GAAP) for the nonprofit industry. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

C. Basis of Presentation

The Foundation is required to report information regarding its financial position and activities as follows:

Net Assets Without Donor Restrictions – This represents net assets that are available for use in general operations and not subject to any donor-imposed limitations. These assets are available for community grants as approved by the Board of Trustees or may be used to fund the administrative expenses of the organization. The Board of Trustees has designated a portion of these net assets as board-designated endowments and operating reserves.

Net Assets With Donor Restrictions – This represents net assets that are limited by donor-imposed stipulations as to time or specified purpose. They also may include donor-imposed restrictions that neither expire due to passage of time nor can be removed by actions of the organization. When a restriction is satisfied or expires, these assets are reclassified to net assets without donor restrictions. Donor-advised funds and donor-designated funds are always considered to be net assets with donor restrictions. Endowment funds with donor-imposed restrictions are also included in this classification.

D. Use of Estimates

The financial statements include estimates and assumptions made by management that affect the carrying amounts of assets and liabilities and the reported amounts of revenues and expenses. Actual amounts may differ from those estimates.

MORTON COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES – continued

E. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents.

F. Revenue Recognition

Contributions received are recorded as revenue in the appropriate category based on whether there are donor restrictions or not.

In certain instances, donors direct their donations to specific other charitable organizations. The Foundation has no discretion over the use of the assets received and, therefore, are considered to be acting in an agency capacity. Therefore, resources received and distributions disbursed are reported as increases and decreases in assets and liabilities, rather than contributions and distributions. The cash held for this purpose is reported as restricted cash on the statement of financial position with the related agency liability.

G. Custodial Funds Managed for Others

The Foundation manages several endowment funds in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958-20, “*Transfer of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*”. This guidance requires the Foundation to account for assets that are contributed by a not-for-profit organization for the benefit of that organization or one of its affiliated organizations as a liability to the specified beneficiary concurrent with its recognition of the assets received, even if the assets are irrevocably transferred to the Foundation. All asset transfers of this type, and the activity associated with those assets, are recognized as custodial fund transactions in the financial statements.

In order to present the full scope of the Foundation’s operations, the Foundation includes the activity (contributions, investment income, net realized and unrealized gains and losses, grants, and management fees) related to such transactions in the statement of activities but separately shows the custodial fund activity as a reduction. These assets held on behalf of these agencies are reported as investments in the statement of financial position and the related liability is shown as custodial funds managed for others. Assets and liabilities related to such funds totaled \$856,795 and \$357,850 for June 30, 2022 and 2021, respectively. These funds are managed in accordance with the same investment approach as the Foundation’s other endowment funds.

MORTON COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES – continued

H. Capital Assets

Capital assets are recorded at cost and are being depreciated using the straight-line method over their estimated useful life of five years. Expenditures for maintenance and repairs are charged to operations. Depreciation expense for the years ending June 30, 2022 and 2021, was \$9,545 and \$7,786, respectively.

I. Income Tax

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income unrelated to its exempt purposes, if any, would be subject to income taxes. The income tax returns for the years ending June 30, 2022, 2021, and 2020, are open for examination by the taxing authorities.

J. Cost allocation and functional allocation of expenses

The costs of program and supporting service activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Costs are charged on a direct functional basis whenever practical. Certain categories of expenses are attributable to more than one function and therefore, are allocated between the different categories based on estimated applicability. Management believes their allocations are reasonable and consistent. The organization has categorized its functions as grants and program services, administration, and development.

Grant and program services include the processes associated with assessing community needs and opportunities; interpretation of donor intentions; and the processing of applications for and the reviewing, awarding, and post-grant evaluation of charitable grants and scholarships, along with related reporting.

Administration includes functions and processes in the establishment and maintenance of the management of the organization including strategy development, policy making, and oversight. This also encompasses the managing of human resources and the maintenance, repair, and operation of facilities and equipment.

Development includes relationship building and maintenance, donor services, promotion, and image building.

MORTON COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 2: CONCENTRATION OF CREDIT RISK

The Foundation maintains its checking and money market accounts at high credit quality financial institutions. The balance, at times, may exceed federally insured limits. The Foundation did not exceed the FDIC limit at June 30, 2022.

The investments of the Foundation are managed by the Community Foundation of Central Illinois (CFCI). Management believes CFCI invests Foundation funds to adequately meet its objectives for acceptable levels of risk and desire for growth and earnings.

NOTE 3: INVESTMENTS

The Foundation invests the majority of its funds in an Endowment Fund administered by the Community Foundation of Central Illinois (CFCI). CFCI manages the assets and maintains an accounting of the Foundation's portion of the fund. These fund assets are invested approximately 60% in equities, and approximately 40% in fixed income securities.

Investments are reported at fair value based on quoted prices and are comprised of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Investments with donor restrictions	\$7,675,457	\$6,559,632
Investments without donor restrictions	<u>1,845,397</u>	<u>2,092,218</u>
 Total Investments	 <u>\$9,520,854</u>	 <u>\$8,651,850</u>

Investment income from these investments is summarized as follows:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 256,947	\$ 162,856
Net realized gains	148,355	96,085
Net unrealized gains (losses)	<u>(1,687,136)</u>	<u>1,509,305</u>
 Total investment income	 <u>\$(1,281,834)</u>	 <u>\$1,768,246</u>

NOTE 4: CAPITAL ASSETS

Capital assets consist of the following:

	<u>6/30/21</u>	<u>Additions</u>	<u>6/30/22</u>
Equipment	\$ 18,907	\$ 3,400	\$ 22,307
Leasehold improvements	22,289	-	22,289
Office Relocation	<u>68,476</u>	<u>-</u>	<u>68,476</u>
Total	\$109,672	\$ 3,400	\$113,072
Accumulated depreciation	<u>26,281</u>	<u>9,545</u>	<u>35,826</u>
Capital assets, net	<u>\$ 83,391</u>	<u>\$(6,145)</u>	<u>\$ 77,246</u>

MORTON COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 5: FAIR VALUE MEASUREMENTS

The Foundation uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for, substantially, the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

As of June 30, 2022 and 2021, the only assets or liabilities that are measured at fair value on a recurring basis in periods subsequent to initial recognition are the investments held in an Endowment Fund administered by CFCI. Securities listed on a national market or exchange are valued at the last sales price. Such securities and cash equivalent securities are classified within Level 1 of the valuation hierarchy.

NOTE 6: DONOR CHOICE FUNDS

The Foundation receives donations from individuals that are held for investment until such time as the donor provides what charitable organizations the funds are to be given to. The interest earned from these funds is allowed to be retained for operations of the Foundation. Donor choice funds at June 30, 2022 and 2021, are \$1,495,114 and \$284,660, respectively, and are included in cash and cash equivalents on the Statements of Financial Position.

MORTON COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 7: ENDOWMENTS

The Foundation's endowments consist of funds established to support various programs and activities of the Foundation. Its endowments consist of both donor-restricted endowment funds and funds designated by the Board of Directors (Board) to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of the Foundation has interpreted the Illinois Uniform Prudent Management of Institutional Funds Act (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. Consequently, the Foundation would classify all endowments as donor-restricted until those amounts are appropriated for expenditure by the Foundation's Board. 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 endowment fund(s),
2. the purposes of the Foundation and the donor-restricted endowment fund(s),
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, and
7. the investment policy of the Foundation

Spending Policy

The Foundation, acting through the Board of Directors, implements the spending policy through such actions as budget review and approval, review and approval of monthly financial statements, and review and assessment of investment performance.

Return Objectives and Strategies Employed for Achieving Objectives

The Foundation relies on a total return strategy of the CFCI in which investment returns are achieved through capital appreciation and current yield (interest and dividends). The primary objective for the investment management for endowment assets is to emphasize long-term growth of principal while avoiding risk. Short-term volatility will be tolerated to the extent that it is consistent with the volatility of a comparable market index. CFCI targets a diversified asset allocation strategy as follows:

Fixed Income Investments	- 40%
Equity Investments	- 60%

MORTON COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 7: ENDOWMENTS - continued

Endowment net asset composition by type of fund, including transfers pending, as of June 30, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$7,675,457	\$7,675,457
Board designated endowment funds	<u>1,845,397</u>	<u>-</u>	<u>1,845,397</u>
Total endowment funds	\$1,845,397	\$7,675,457	\$9,520,854
Transfers pending	<u>-</u>	<u>6,534</u>	<u>6,534</u>
Total funds	<u>\$1,845,397</u>	<u>\$7,681,991</u>	<u>\$9,527,388</u>

Changes in endowment net assets for the fiscal year ended June 30, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net assets, beginning of year	\$2,092,218	\$6,589,766	\$8,681,984
Contributions	88,229	2,481,784	2,570,013
Investment return:			
Investment income	54,689	202,258	256,947
Net realized and unrealized losses	(303,919)	(1,234,862)	(1,538,781)
Transfer	500	(500)	-
Appropriation of endowment assets for expenditure	<u>(86,320)</u>	<u>(356,455)</u>	<u>(442,775)</u>
Net assets, end of year	<u>\$1,845,397</u>	<u>\$7,681,991</u>	<u>\$9,527,388</u>

Endowment net asset composition by type of fund, including transfers pending, as of June 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$6,559,632	\$6,559,632
Board designated endowment funds	<u>2,092,218</u>	<u>-</u>	<u>2,092,218</u>
Total endowment funds	\$2,092,218	\$6,559,632	\$8,651,850
Transfers pending	<u>-</u>	<u>30,134</u>	<u>30,134</u>
Total funds	<u>\$2,092,218</u>	<u>\$6,589,766</u>	<u>\$8,681,984</u>

MORTON COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 7: ENDOWMENTS - continued

Changes in endowment net assets for the fiscal year ended June 30, 2021;

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Net assets, beginning of year	\$1,398,741	\$5,083,405	\$6,482,146
Contributions	368,500	471,180	839,680
Investment return:			
Investment income	38,431	124,425	162,856
Net realized and unrealized gains	354,434	1,250,956	1,605,390
Appropriation of endowment assets for expenditure	<u>(67,888)</u>	<u>(340,200)</u>	<u>(408,088)</u>
Net assets, end of year	<u>\$2,092,218</u>	<u>\$6,589,766</u>	<u>\$8,681,984</u>

NOTE 8: CUSTODIAL FUNDS

There are certain endowment funds that have been created specifically for the benefit of the donor. This portion of the endowments with donor restrictions is shown as a liability on the Statements of Financial Position as these assets are custodial in nature and can't be used for grants to other organizations. Custodial funds maintained in endowment funds at June 30, 2022 and 2021, were \$856,795 and \$357,850, respectively.

NOTE 9: AGENCY LIABILITIES

Agency liabilities represent contributions collected, and ultimately paid, for the benefit of other organizations. The Morton Community Foundation receives a 2% fee for all contributions received on behalf of these projects and organizations. Agency fund assets are reported as restricted cash in the Statement of Financial Position.

Agency transactions for the year ended June 30, 2022 and 2021, were as follows:

	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 8,816	\$ 42,636
Contributions	500	43,780
Distributions and grants	(8,699)	(76,865)
Transfers	<u>-</u>	<u>(735)</u>
Ending balance	<u>\$ 617</u>	<u>\$ 8,816</u>

MORTON COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 10: IN-KIND INCOME AND EXPENSE

For two months in 2021, the Morton Community Foundation occupied a building owned by a local church organization without being charged rent. Monthly rent was estimated at \$1,000 and was recorded as an income and expense item. Total rent recorded for the year ending June 30, 2021, was \$2,000.

NOTE 11: PPP LOAN

As part of the government program for employers to maintain employees in conjunction with the global pandemic, the Foundation applied for and received a Payroll Protection Program loan in 2020 for \$24,900. In organization with the parameters of the program, the Foundation applied for, and was granted forgiveness during the prior fiscal year. Therefore, the \$24,900 is reported as income on the Statements of Activities for the year ending June 30, 2021.

NOTE 12: LEASE OF BUILDING

The Foundation entered an agreement to lease a property through Emerald City Investment, LLC. The term of the lease is five years, beginning on May 1, 2020, with monthly payments of \$1,200 due on or before the first of each month. The Foundation will have the option to extend the agreement for up to three additional terms of five years each. Future minimum lease payments for each of the next five years is as follows:

June 30, 2023	14,400
June 30, 2024	14,400
June 30, 2025	12,000
June 30, 2026	-
June 30, 2027	-

NOTE 13: SUBSEQUENT EVENTS

Subsequent events were evaluated through the financial statement issuance date of May 10, 2023. No subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.