

The Dayton Foundation and Related Entities

Combined Financial Statements

June 30, 2021 and 2020



FLAGEL HUBER FLAGEL
Certified Public Accountants | Business Advisors

The Dayton Foundation and Related Entities

Table of Contents

June 30, 2021 and 2020

Independent Auditor's Report	Pages 1 - 2
Combined Financial Statements	
Combined Statements of Financial Position	3
Combined Statements of Activities and Changes in Net Assets	4 - 5
Combined Statements of Functional Expenses	6
Combined Statements of Cash Flows	7
Notes to Combined Financial Statements	8 - 26



FLAGEL HUBER FLAGEL
CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Trustees and Governing Board of
The Dayton Foundation

We have audited the accompanying combined financial statements of The Dayton Foundation and Related Entities (the "Foundation"), which comprise the combined statements of financial position as of June 30, 2021 and 2020, 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.

Management's Responsibility for the Combined Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We did not audit the financial statements of Dayton History, a supporting organization, which statements reflect total assets of \$64,198,364 and \$56,243,304 as of June 30, 2021 and 2020, respectively, and total revenues, gains and other support of \$13,662,905 and \$7,885,704, respectively, for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Dayton History, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audits and the report of other auditors, 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, 2021 and 2020, 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.

Flagel Huber Flagel

Certified Public Accountants

Dayton, Ohio

December 2, 2021

The Dayton Foundation and Related Entities
Combined Statements of Financial Position
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash, cash equivalents, and restricted cash	\$ 56,071,451	\$ 48,794,461
Contributions receivable	29,640,197	21,301,443
Student loans receivable, net	233,372	324,679
Other receivables and prepaids	828,579	917,592
Notes receivable, net	573,058	444,000
Investments, at fair value	686,098,843	536,797,429
Property and equipment, net	45,246,965	42,379,045
Total Assets	<u>\$ 818,692,465</u>	<u>\$ 650,958,649</u>
 Liabilities and Net Assets		
Liabilities		
Grants payable, net	\$ 10,723,865	\$ 10,753,160
Accounts payable and accrued liabilities	2,292,293	1,708,237
Refundable advance	0	233,604
Charitable remainder unitrusts payable	0	135,045
Life income annuities payable	4,573,533	4,421,861
Lines of credit and long-term debt	0	672,220
Agent liabilities	169,599,817	136,918,181
Total Liabilities	<u>187,189,508</u>	<u>154,842,308</u>
 Net Assets		
Without donor restrictions	598,742,507	471,168,268
With donor restrictions	32,760,450	24,948,073
Total Net Assets	<u>631,502,957</u>	<u>496,116,341</u>
 Total Liabilities and Net Assets	 <u>\$ 818,692,465</u>	 <u>\$ 650,958,649</u>

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>2020</u>
Support and Revenue				
Contributions	\$ 41,952,378	\$ 14,530,488	\$ 56,482,866	\$ 52,436,571
Net investment return	119,598,242	22,269	119,620,511	9,090,867
Other income	3,809,088	274,203	4,083,291	7,382,315
	<u>165,359,708</u>	<u>14,826,960</u>	<u>180,186,668</u>	<u>68,909,753</u>
Net assets released from restriction	7,014,583	(7,014,583)	0	0
	<u>172,374,291</u>	<u>7,812,377</u>	<u>180,186,668</u>	<u>68,909,753</u>
Expenses				
Program services	39,492,388	0	39,492,388	45,146,791
Management and general	3,786,805	0	3,786,805	4,200,600
Fundraising	1,520,859	0	1,520,859	1,349,988
	<u>44,800,052</u>	<u>0</u>	<u>44,800,052</u>	<u>50,697,379</u>
Change in Net Assets	127,574,239	7,812,377	135,386,616	18,212,374
Net Assets - beginning of year	<u>471,168,268</u>	<u>24,948,073</u>	<u>496,116,341</u>	<u>477,903,967</u>
Net Assets - end of year	<u>\$ 598,742,507</u>	<u>\$ 32,760,450</u>	<u>\$ 631,502,957</u>	<u>\$ 496,116,341</u>

The Dayton Foundation and Related Entities
Combined Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	\$ 48,926,965	\$ 3,509,606	\$ 52,436,571
Net investment return	9,074,783	16,084	9,090,867
Other income	5,302,988	2,079,327	7,382,315
	<u>63,304,736</u>	<u>5,605,017</u>	<u>68,909,753</u>
Net assets released from restriction	10,569,351	(10,569,351)	0
	<u>73,874,087</u>	<u>(4,964,334)</u>	<u>68,909,753</u>
Grants and Expenses			
Program services	45,146,791	0	45,146,791
Management and general	4,200,600	0	4,200,600
Fundraising	1,349,988	0	1,349,988
	<u>50,697,379</u>	<u>0</u>	<u>50,697,379</u>
Change in Net Assets	23,176,708	(4,964,334)	18,212,374
Net Assets - beginning of year	<u>447,991,560</u>	<u>29,912,407</u>	<u>477,903,967</u>
Net Assets - end of year	<u>\$ 471,168,268</u>	<u>\$ 24,948,073</u>	<u>\$ 496,116,341</u>

The Dayton Foundation and Related Entities
Combined Statements of Functional Expenses
For the Years Ended June 30, 2021 and 2020

	2021			
	Program Services	Management and General	Fundraising	Total
Expenses				
Grants	\$ 28,650,954	\$ 0	\$ 0	\$ 28,650,954
Salaries, taxes, and benefits	3,658,743	2,158,652	1,335,435	7,152,830
Professional fees and consulting	1,481,410	247,916	1,370	1,730,696
Legal	12,205	83,291	296	95,792
Office and occupancy	627,400	324,939	18,371	970,710
Information technology	100,138	333,214	52	433,404
Equipment and supplies	140,253	61,114	3,396	204,763
Travel expense	29,171	5,096	200	34,467
Depreciation and amortization	1,257,738	82,045	0	1,339,783
Advertising	343,567	9,155	62,026	414,748
Conferences, conventions and meetings	49,786	26,536	5,023	81,345
Insurance	122,800	85,491	0	208,291
Events	20,620	25,073	392	46,085
Occupancy - Dayton History	180,300	15,562	0	195,862
Cost of goods sold - Dayton History	384,603	0	0	384,603
Other expenses - Dayton History	857,133	52,076	12,445	921,654
Other expenses - OCPAT	921,594	0	0	921,594
Other expenses	653,973	276,645	81,853	1,012,471
Total Expenses	\$ 39,492,388	\$ 3,786,805	\$ 1,520,859	\$ 44,800,052
	2020			
	Program Services	Management and General	Fundraising	Total
Expenses				
Grants	\$ 35,160,027	\$ 0	\$ 0	\$ 35,160,027
Salaries, taxes, and benefits	3,679,928	2,204,599	1,148,057	7,032,584
Professional fees and consulting	1,355,852	337,078	5,123	1,698,053
Legal	15,647	70,502	274	86,423
Office and occupancy	514,693	467,060	333	982,086
Information technology	70,243	245,790	0	316,033
Equipment and supplies	249,855	195,730	25,764	471,349
Travel and expense	76,435	19,273	2,763	98,471
Depreciation and amortization	1,022,147	64,873	0	1,087,020
Advertising	237,031	2,849	16,754	256,634
Conferences, conventions and meetings	42,555	55,097	18,569	116,221
Insurance	89,903	98,252	0	188,155
Events	257,611	28,164	0	285,775
Occupancy - Dayton History	194,755	12,589	0	207,344
Cost of goods sold - Dayton History	623,961	0	0	623,961
Other expenses - Dayton History	769,224	55,555	91,476	916,255
Other expenses - OCPAT	519,204	0	0	519,204
Other expenses	267,720	343,189	40,875	651,784
Total Expenses	\$ 45,146,791	\$ 4,200,600	\$ 1,349,988	\$ 50,697,379

The accompanying notes are an integral part of these combined financial statements.

The Dayton Foundation and Related Entities
Combined Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 135,386,616	\$ 18,212,374
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,339,783	1,087,020
Cash surrender value of life insurance policies	6,197	(21,946)
Realized and unrealized gains on investments, net	(113,276,847)	(840,304)
Loss on disposal of assets	0	56,471
Donated investments and collections	0	(939,700)
Changes in assets and liabilities:		
Contributions and student loans receivable	(8,247,447)	9,859,324
Other receivables and prepaids	89,013	174,209
Note receivable	(129,058)	171,417
Grants payable, net	(29,295)	(1,376,380)
Accounts payable and accrued liabilities	(523,500)	(710,151)
Refundable advance	(233,604)	233,604
Charitable remainder unitrusts payable	(135,045)	(27,632)
Life income annuities payable	151,672	(525,151)
Agent liabilities	32,681,636	(3,760,033)
Net Cash Provided by Operating Activities	<u>47,080,121</u>	<u>21,593,122</u>
Cash Flows From Investing Activities:		
Purchases of investments, net	(36,030,764)	(9,236,446)
Purchases of property and equipment	(3,100,147)	(4,774,860)
Net Cash Used in Investing Activities	<u>(39,130,911)</u>	<u>(14,011,306)</u>
Cash Flows From Financing Activities:		
Payments on long-term debt	(672,220)	(704,617)
Net Cash Used in Financing Activities	<u>(672,220)</u>	<u>(704,617)</u>
Change in Cash, Cash Equivalents, and Restricted Cash	7,276,990	6,877,199
Cash, Cash Equivalents, and Restricted Cash - beginning of year	<u>48,794,461</u>	<u>41,917,262</u>
Cash, Cash Equivalents, and Restricted Cash - end of year	<u>\$ 56,071,451</u>	<u>\$ 48,794,461</u>
Schedule of Noncash Investing Activities:		
Acquisition of property and equipment included in accounts payable	\$ 1,107,556	\$ 0

The Dayton Foundation and Related Entities

Notes to Combined Financial Statements

June 30, 2021 and 2020

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 History	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
Moraine Caddy Scholarship Fund	Supporting Organization
Learn to Earn Dayton	Supporting Organization

As of June 30, 2020, the Moraine Caddy Scholarship Fund is no longer a supporting organization of the Foundation. During 2020 the Organization dissolved and transferred its assets to a scholarship fund within the Foundation.

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.

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, 2021 and 2020

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 16 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, 2021 and 2020

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, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Cash	\$ 55,563,668	\$ 47,472,589
Cash - with donor restrictions	<u>507,783</u>	<u>1,321,872</u>
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	<u>\$ 56,071,451</u>	<u>\$ 48,794,461</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, 2021 and 2020.

The Dayton Foundation and Related Entities

Notes to Combined Financial Statements

June 30, 2021 and 2020

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.

The Foundation adopted Accounting Standards Update No. 2018-13, *Fair Value Measurement (Topic 820)* which affects the disclosure requirements for fair value measurement. The adoption of this new standard has not had a material impact on the Foundation's financial statements, however it affects the disclosure requirements, primarily the information required for level 3 investments.

Revenue Recognition

Effective July 1, 2020, the Foundation adopted Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* which affects contracts with customers to transfer goods or services. The core principle of this ASU is that an entity should recognize revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the good or services provided. Revenues from contracts are measured based on the amount of consideration specified in a contract with a customer and are recognized when performance obligations (i.e. obligations to transfer goods and / or services) are satisfied, which generally occurs with the transfer of control of the goods or services to the customer. The adoption of this new standard has not had a material impact on the Foundation's financial statements.

The Dayton Foundation and Related Entities

Notes to Combined Financial Statements

June 30, 2021 and 2020

2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

The Foundation recognizes revenue from financial management and administrative services at a point in time when services are completed. As of June 30, 2021 and 2020, no receivables or deferred revenue related to these amounts have been recorded.

Certain supporting organizations of the Foundation derive their revenue from several sources which are subject to ASC Topic 606. Sources recognized at a point in time when goods or services have been provided include admissions, restaurant and gift shop sales, building/facilities and events rental, management fees, and museum program events. Revenue from management fee arrangements is recognized ratably over the course of the related contract, as services are provided throughout its duration. Incidental items that are immaterial in the context of the contract are recognized as expense. Costs incurred to obtain a contract are expensed as incurred when the amortization period is less than a year. The nature of the supporting organization's business does not give rise to variable consideration. The supporting organization does not have any significant financing components.

Revenue is recorded on the combined statements of activities as other income, see Note 20 for detail of amounts.

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. Land and historical buildings and exhibits are not depreciated. Other property and equipment are 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, 2021 and 2020.

The Dayton Foundation and Related Entities

Notes to Combined Financial Statements

June 30, 2021 and 2020

2. Summary of Significant Accounting Policies (Continued)

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.

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.

The Dayton Foundation and Related Entities

Notes to Combined Financial Statements

June 30, 2021 and 2020

2. Summary of Significant Accounting Policies (Continued)

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.

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, 2021.

The Foundation's Form 990, *Return of Organization Exempt from Income Tax*, for the years ended June 30, 2018 through 2020 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 Dayton Foundation and Related Entities

Notes to Combined Financial Statements

June 30, 2021 and 2020

3. Liquidity and Availability (Continued)

The majority of the financial assets available within one year of June 30, 2021 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 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, 2021:

Cash and cash equivalents	\$ 56,071,451
Contributions receivable	29,640,197
Student loans receivable, net	233,372
Accounts receivable and accrued income	432,247
Note receivable, net	573,058
Investments, at fair value	<u>686,098,843</u>
Total financial assets at June 30, 2021	<u>773,049,168</u>
Less those unavailable for general expenditures within one year, due to:	
Donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	(32,760,450)
Private equity investments	(10,360,476)
Board designation net assets	(13,636,890)
Contractual obligations:	
Agent liabilities	(169,599,817)
Long-term portion of contributions receivable without donor restrictions	(4,520,201)
Long-term portion of note and student loans receivable	<u>(656,492)</u>
Financial assets available to meet cash needs for grants, general expenditures, and other obligations within one year	<u>\$ 541,514,842</u>

The Dayton Foundation and Related Entities

Notes to Combined Financial Statements

June 30, 2021 and 2020

4. Investments

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

	<u>2021</u>	<u>%</u>	<u>2020</u>	<u>%</u>
Equity securities	\$ 137,218,616	20.0	\$ 108,842,017	20.3
Fixed income securities	41,000,774	5.9	40,498,171	7.6
Mutual funds	488,472,420	72.6	368,963,496	70.4
Alternative investments	7,674,519	1.1	6,588,979	1.2
CSV of life insurance policies	1,372,038	0.2	1,378,235	0.3
Partnership and LLC interests	10,360,476	0.2	10,526,531	0.2
	<u>\$ 686,098,843</u>	<u>100.0</u>	<u>\$ 536,797,429</u>	<u>100.0</u>

5. Contributions Receivable

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

	<u>2021</u>	<u>2020</u>
Less than one year	\$ 5,168,251	\$ 4,209,400
One to five years	13,685,931	8,833,250
Greater than five years	10,786,015	8,258,793
	<u>\$ 29,640,197</u>	<u>\$ 21,301,443</u>

The balance at June 30, 2021 and 2020 includes charitable lead and remainder trusts totaling \$14,773,210 and \$11,504,494, 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 1.2% and 0.6% at June 30, 2021 and 2020, respectively. The total amount of the discount at June 30, 2021 and 2020 was \$1,663,353 and \$771,237, 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, 2021 and 2020 was \$93,872 and \$117,721, respectively.

The Foundation provides for losses on uncollectible contributions receivable using the allowance method. As of June 30, 2021 and 2020, no allowance was considered necessary.

6. Notes Receivable

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

	<u>2021</u>	<u>2020</u>
Notes receivable	\$ 1,975,474	\$ 1,846,416
Less: loan loss reserve	(1,402,416)	(1,402,416)
	<u>\$ 573,058</u>	<u>\$ 444,000</u>

The Dayton Foundation and Related Entities

Notes to Combined Financial Statements

June 30, 2021 and 2020

6. Notes Receivable (Continued)

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, 2021 and 2020 was \$371,000 and \$444,000, respectively.

During 2020, a component fund within the Foundation 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 net amount of the note at June 30, 2021 and 2020 was \$202,058 and \$0, respectively.

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 life insurance, disability, dependent daycare, medical reimbursement and tax deferred annuity plans (retirement). The Foundation made contributions of approximately \$309,000 and \$284,000 to this plan for the years ended June 30, 2021 and 2020, respectively.

8. Property and Equipment

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

	2021	2020
Land	\$ 691,460	\$ 691,460
Greener Pastures - land	177,449	177,449
Dayton History - land, buildings, exhibits and collections	60,614,129	56,426,602
Learn to Earn Dayton - equipment	10,084	8,635
Equipment and leasehold improvements	784,673	843,719
Total cost	<u>62,277,795</u>	<u>58,147,865</u>
Less accumulated depreciation	<u>(17,030,830)</u>	<u>(15,768,820)</u>
Net property and equipment	<u>\$ 45,246,965</u>	<u>\$ 42,379,045</u>

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, 2021 and 2020 was \$1,339,783 and \$1,087,020, respectively.

The Dayton Foundation and Related Entities

Notes to Combined Financial Statements

June 30, 2021 and 2020

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:

	2021	2020
Less than one year	\$ 6,827,057	\$ 7,571,069
One to five years	4,032,576	3,226,531
Greater than five years	10,000	25,000
Total grants payable	<u>10,869,633</u>	<u>10,822,600</u>
Less: Discount on long-term grants	<u>(145,768)</u>	<u>(69,440)</u>
Net grants payable	<u>\$ 10,723,865</u>	<u>\$ 10,753,160</u>

Grants to be paid in more than one year are discounted using the applicable federal rate (AFR) which was 1.2% and 0.6% at June 30, 2021 and 2020, respectively.

10. Charitable Remainder Unitrusts Payable

The Foundation is the trustee and remainder interest beneficiary of several charitable remainder unitrust agreements. In accordance with these agreements, the donors contributed assets to the Foundation in return for annual distributions for a specified period and for a specified percentage of the net market value of the assets of the trust. Contribution revenue is recorded as the difference between the fair market value of the contribution and the net present value of future trust payments on the date of the contribution.

At June 30, 2021 and 2020, the Foundation had recorded unitrusts payable of \$0 and \$135,045, respectively, relating to these trusts. These liabilities are adjusted annually based on the net present value of the future payments due in accordance with the agreements as computed using the fair market value of the trust assets at June 30. The net present value is discounted at the rate of 6% (which approximates the estimated average rate of return on investments) at June 30, 2021 and 2020.

11. 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, 2021 and 2020, liabilities of \$4,573,533 and \$4,421,861, 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 \$9,240,161 and \$7,110,152 at June 30, 2021 and 2020, 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 \$2,434,481 and \$2,549,724 at June 30, 2021 and 2020, 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.

The Dayton Foundation and Related Entities

Notes to Combined Financial Statements

June 30, 2021 and 2020

12. Operating Leases

During 2019, the Foundation entered into an operating lease agreement for new administrative offices. The lease term began August 2019 with an original term of 20 years and two optional 5-year extensions. The Foundation also pays certain maintenance costs in accordance with this lease agreement. In addition, the Foundation leases equipment 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 \$242,000 and \$260,000 for the years ended June 30, 2021 and 2020, respectively.

Future minimum lease payments, excluding common are maintenance costs, for operating leases at June 30, 2021 are as follows:

2022	\$	173,700
2023		173,000
2024		171,400
2025		173,400
2026		178,600
Thereafter (through 2040)		<u>2,916,900</u>
	\$	<u>3,787,000</u>

13. Lines of Credit and Long-Term Debt

Dayton History, a supporting organization of the Foundation, has a line of credit financing agreement with PNC Bank. The maximum borrowing amount under the line of credit is \$500,000. Interest is payable monthly at LIBOR plus 1.75% (1.85% and 1.91% at June 30, 2021 and 2020). There was no outstanding balance at June 30, 2021 or 2020. There was no interest incurred or accrued on the line of credit during the years ended June 30, 2021 or 2020. The agreement expires in January 2022, at which time all outstanding borrowings are due.

During 2019, Dayton History entered into a convertible line of credit agreement with PNC Bank. The maximum borrowing amount under the line of credit is \$4,497,631, and could be borrowed upon until February 2020, at which time the agreement converted to a term loan. Interest is payable monthly at LIBOR plus 1.75% (1.85% and 1.91% at June 30, 2021 and 2020). Principal repayments occur monthly as Dayton History receives pledge payments from donors. If no pledge payments are received in a given month, there is no required principal repayment for that month. The agreement matures in February 2024 and is secured by pledges receivable of Dayton History. Outstanding borrowings at June 30, 2021 and 2020 were \$0 and \$672,220, respectively. Interest expense on this line of credit was \$7,012 and \$41,437 for the years ended June 30, 2021 and 2020, respectively.

Effective May 25, 2021, Dayton History entered into a convertible line of credit agreement with PNC Bank. This agreement is to provide funding to help complete the Train project while Dayton History awaits cash flow from multi-year pledge agreements with donors for the construction. The maximum borrowing amount under this line of credit is \$5,840,000, and can be borrowed upon until May 2023, when the agreement will convert into two tranches of a term loan. Interest is payable monthly at Daily LIBOR plus 2.25% (2.35% at June 30, 2021). Principal repayments occur monthly as Dayton History receives pledge payments from donors. If no pledge payments are received in a given month, there is no required principal repayment for that month. The agreement matures in May 2028 and is secured by pledges receivable of Dayton History. There was no outstanding balance at June 30, 2021. There was no interest incurred on the line of credit during the year 2021.

The Dayton Foundation and Related Entities

Notes to Combined Financial Statements

June 30, 2021 and 2020

14. Refundable Advance

Dayton History, a supporting organization of the Foundation, applied for and received funding under the Paycheck Protection Program (PPP) as provided for by the CARES Act in April 2020, in the amount of \$501,000. The PPP allows for a portion of the loan (up to the full amount) to be forgiven based on qualifying expenses. Any unforgiven amount of the PPP loan will be required to be repaid over a two-year term with interest at 1%. Since the Organization intends to apply for forgiveness, the loan is considered a conditional contribution in accordance with FASB *ASC 958-605, Not-for-Profit Entities – Revenue Recognition*. During the year ended June 30, 2020, Dayton History incurred qualifying expenses of \$267,396 and that amount was recognized in other income on the combined statements of activities. The remaining balance of \$233,604 was recorded as a refundable advance on the combined statements of financial position as of June 30, 2020. During the year ended June 30, 2021, Dayton History incurred qualifying expenditures for the remaining balance of the advance. Dayton History applied for forgiveness during the year and was approved. The remaining \$233,604 was recognized in other income on the combined statements of activities for the year ended June 30, 2021.

15. 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, 2021. Significant transfers between fair value levels are determined at the end of the reporting period. There were no significant transfers in 2021.

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.

The Dayton Foundation and Related Entities

Notes to Combined Financial Statements

June 30, 2021 and 2020

15. Fair Value Measurements (Continued)

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

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, 2021 are as follows:

	Fair Value	Level 1	Level 2	Level 3
Equity securities	\$ 137,218,616	\$ 137,218,616	\$ 0	\$ 0
Fixed income securities	41,000,774	41,000,774	0	0
Mutual funds	488,472,420	488,472,420	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>\$ 700,872,053</u>	<u>\$ 666,691,810</u>	<u>\$ 16,145,248</u>	<u>\$ 18,034,995</u>

Fair values of assets measured on a recurring basis at June 30, 2020 are as follows:

	Fair Value	Level 1	Level 2	Level 3
Equity securities	\$ 108,842,017	\$ 108,842,017	\$ 0	\$ 0
Fixed income securities	62,638,390	62,638,390	0	0
Mutual funds	346,823,277	346,823,277	0	0
Alternative investments	6,588,979	0	0	6,588,979
Cash surrender value of life insurance policies	1,378,235	0	1,378,235	0
Partnership and LLC interests	10,526,531	0	0	10,526,531
Contributions receivable - split interest agreements	11,504,494	0	11,504,494	0
Total assets at fair value	<u>\$ 548,301,923</u>	<u>\$ 518,303,684</u>	<u>\$ 12,882,729</u>	<u>\$ 17,115,510</u>

The Dayton Foundation and Related Entities

Notes to Combined Financial Statements

June 30, 2021 and 2020

16. 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, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 407,845,070	\$ 7,094,942	\$ 414,940,012
Contributions	36,780,801	0	36,780,801
Investment income, net of fees	5,115,593	0	5,115,593
Net realized and unrealized appreciation	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>\$ 7,094,942</u>	<u>\$ 538,708,078</u>

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	\$ 7,094,942	\$ 7,094,942
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>7,094,942</u>	<u>538,708,078</u>
Other net assets:			
Supporting organizations, split interest agreements and other	<u>67,129,371</u>	<u>25,665,508</u>	<u>92,794,879</u>
Total net assets	<u>\$ 598,742,507</u>	<u>\$ 32,760,450</u>	<u>\$ 631,502,957</u>

The following is a summary of changes in endowment net assets for the year ended June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 396,391,441	\$ 7,101,990	\$ 403,493,431
Contributions	31,073,033	0	31,073,033
Investment income, net of fees	7,027,759	0	7,027,759
Net realized and unrealized depreciation	490,371	0	490,371
Interfund transfer income	15,559,150	0	15,559,150
Amounts appropriated for expenditure	(42,696,684)	(7,048)	(42,703,732)
Endowment net assets, end of year	<u>\$ 407,845,070</u>	<u>\$ 7,094,942</u>	<u>\$ 414,940,012</u>

The Dayton Foundation and Related Entities
Notes to Combined Financial Statements
June 30, 2021 and 2020

16. Endowment Funds (Continued)

The following table summarizes all Foundation net assets as of June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds:			
With restrictions	\$ 0	\$ 7,094,942	\$ 7,094,942
Without restrictions – donor advised/designated	406,786,422	0	406,786,422
Without restrictions – board designated	1,058,648	0	1,058,648
Total endowment funds	<u>407,845,070</u>	<u>7,094,942</u>	<u>414,940,012</u>
Other net assets:			
Supporting organizations, split interest agreements and other	<u>63,323,198</u>	<u>17,853,131</u>	<u>81,176,329</u>
Total net assets	<u>\$ 471,168,268</u>	<u>\$ 24,948,073</u>	<u>\$ 496,116,341</u>

17. 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, 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>

Activity for the year ended June 30, 2020 is as follows:

	Greater Dayton Disaster Relief Funds	Oregon District Tragedy Relief Funds	COVID-19 Response Funds	Total
Beginning net assets	\$ 584,825	\$ 0	\$ 0	\$ 584,825
Contributions	1,777,091	3,957,430	1,832,738	7,567,259
Grants	<u>(420,297)</u>	<u>(3,537,997)</u>	<u>(1,157,020)</u>	<u>(5,115,314)</u>
Ending net assets	<u>\$ 1,941,619</u>	<u>\$ 419,433</u>	<u>\$ 675,718</u>	<u>\$ 3,036,770</u>

The Dayton Foundation and Related Entities

Notes to Combined Financial Statements

June 30, 2021 and 2020

17. Local Disaster Relief Funds (Continued)

In addition, the Foundation is serving as the fiscal sponsor for the Miami Valley Long-Term Recovery Operations Group (MVLTRG), which is an alliance of nonprofits and financial institutions that have partnered to provide assistance to individuals impacted by the Memorial Day tornadoes in 2019. As the fiscal sponsor, the Foundation controls the distribution of funds from the Greater Dayton Disaster Relief Funds in support of recovery efforts, but does not have control over the financial assets of the members. The Foundation anticipates that the individual/household recovery effort will be completed by the end of 2021 with any remaining funds being applied to long-term community recovery efforts which are estimated to take five to ten years.

18. Net Assets

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

	2021	2020
Subject to expenditure for specified purpose:		
Dayton History	\$ 6,508,197	\$ 4,862,206
Learn to Earn	443,037	398,892
100 th anniversary celebration	304,734	469,176
	<u>7,255,968</u>	<u>5,730,274</u>
Subject to the passage of time:		
For periods after June 30, 2021	3,636,330	618,363
	<u>3,636,330</u>	<u>618,363</u>
Subject to a spending policy and appropriation:		
Investment of donor-restricted funds in perpetuity	7,094,942	7,094,942
Beneficial interests in lead and remainder trusts	14,773,210	11,504,494
	<u>21,868,152</u>	<u>18,599,436</u>
Total net assets with donor restrictions	<u>\$ 32,760,450</u>	<u>\$ 24,948,073</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:

	2021	2020
Purpose restrictions accomplished:		
Dayton History	\$ 5,243,535	\$ 9,263,305
Learn to Earn	383,417	148,701
100 th anniversary celebration	168,833	0
	<u>5,795,785</u>	<u>9,412,006</u>
Time restrictions expired:		
Passage of specified time	328,269	317,518
	<u>328,269</u>	<u>317,518</u>
Spending policy releases:		
Appropriations for expenditure	890,529	839,827
Total restrictions released	<u>\$ 7,014,583</u>	<u>\$ 10,569,351</u>

The Dayton Foundation and Related Entities

Notes to Combined Financial Statements

June 30, 2021 and 2020

18. Net Assets (Continued)

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

	2021	2020
Sinking fund for payment of CGA liabilities	\$ 9,240,161	\$ 7,110,152
Endowment	2,127,156	1,058,648
Local disaster relief funds	1,196,735	3,036,770
Dayton History	1,072,838	1,571,632
	<u>\$ 13,636,890</u>	<u>\$ 12,777,202</u>

19. Agent Liabilities

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

	2021	2020
Balance, beginning of year	\$ 136,918,181	\$ 140,678,214
Contributions	31,039,420	28,701,906
Net investment return	26,983,836	1,977,043
Grant expense	(25,248,430)	(34,394,340)
Program expense	(73,947)	(29,490)
Other expenses	(19,243)	(15,152)
Balance, end of year	<u>\$ 169,599,817</u>	<u>\$ 136,918,181</u>

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.

20. Other Income

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

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue of supporting organizations	\$ 3,442,750	\$ 0	\$ 3,442,750
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>\$ 3,809,088</u>	<u>\$ 274,203</u>	<u>\$ 4,083,291</u>

The Dayton Foundation and Related Entities

Notes to Combined Financial Statements

June 30, 2021 and 2020

20. Other Income (Continued)

Other income consisted of the following for the year ended June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue of supporting organizations	\$ 4,334,016	\$ 0	\$ 4,334,016
Administrative assessments on agency funds	348,098	0	348,098
Scholarship management fees	76,874	0	76,874
Conservation easement income	365,000	0	365,000
Change in value of split-interest agreements	179,000	2,079,327	2,258,327
Total other income	<u>\$ 5,302,988</u>	<u>\$ 2,079,327</u>	<u>\$ 7,382,315</u>

21. 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.

22. COVID-19 Pandemic

The COVID-19 pandemic is having a substantial impact on the economy and the normal operations of most businesses and organizations. The full impact of the pandemic continues to be uncertain as of the date of this report; however, the Foundation does not expect there to be any material adverse effects on its results of operations, financial condition, or liquidity for fiscal year 2022 or beyond.

23. Prior Period Changes

During the year it was determined that a component fund that had previously been reported as net assets with donor restrictions should actually be unrestricted. In addition, it was determined that the pledges receivable balance should be classified as time restricted. However, this classification excludes agency funds with pledges, as well as any pledges between Foundation funds. As a result, the following changes to prior year balances occurred as of June 30, 2020:

	Net Assets With Donor Restrictions	Net Assets Without Donor Restrictions	Contributions Receivable	Grants Payable, net
Original balance:	\$ 29,712,321	\$ 466,404,020	\$ 23,008,120	\$ 12,459,837
Component fund	(5,382,611)	5,382,611	0	1,706,677
Pledges receivable	618,363	(618,363)	(1,706,677)	0
Adjusted balance	<u>\$ 24,948,073</u>	<u>\$ 471,168,268</u>	<u>\$ 21,301,443</u>	<u>\$ 10,753,160</u>

24. Subsequent Events

Management evaluated the activity of the Foundation through December 2, 2021 (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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