The Dayton Foundation and Related Entities

Combined Financial Statements

June 30, 2024 and 2023

FLAGEL HUBER FLAGEL
Certified Public Accountants | Business Advisors

The Dayton Foundation and Related Entities

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June 30, 2024 and 2023

Independent Auditor's Report

To the Trustees and Governing Board of
The Dayton Foundation

Opinion

We have audited the accompanying combined financial statements of The Dayton Foundation (a nonprofit organization) and related entities, which comprise the combined statements of financial position as of June 30, 2024, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of The Dayton Foundation and related entities as of June 30, 2024, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of The Dayton Foundation and related entities and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Combined Financial Statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Dayton Foundation and related entities' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Dayton Foundation and related entities' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Flagel Huber Flagel

Certified Public Accountants

Dayton, Ohio

December 4, 2024

The Dayton Foundation and Related Entities

Combined Statements of Financial Position

June 30, 2024 and 2023

	2024	2023
Assets		
Cash, cash equivalents, and restricted cash	$ 66,322,773	$ 60,712,192
Contributions receivable	30,855,814	32,801,235
Student loans receivable, net	207,580	176,650
Other receivables and prepaids	944,637	760,526
Notes receivable, net	152,000	556,241
Investments, at fair value	1,063,802,183	987,241,700
Property and equipment, net	1,059,756	1,126,303
Right-of-use lease assets	2,575,727	2,746,619
Total Assets	$ 1,165,920,470	$ 1,086,121,466
Liabilities and Net Assets		
Grants payable, net	$ 40,176,321	$ 36,833,167
Accounts payable and accrued liabilities	946,543	1,068,692
Life income annuities payable	2,220,061	2,356,108
Agent liabilities	180,025,846	170,258,183
Operating lease liabilities	2,667,343	2,795,122
Total Liabilities	226,036,114	213,311,272
Net Assets		
Without donor restrictions	917,180,388	853,841,277
With donor restrictions	22,703,968	18,968,917
Total Net Assets	939,884,356	872,810,194
Total Liabilities and Net Assets	$ 1,165,920,470	$ 1,086,121,466

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

The Dayton Foundation and Related Entities

Combined Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
Support and Revenue				
Contributions	$ 35,685,626	$ 5,702,476	$ 41,388,102	$ 57,975,290
Net investment return	112,960,616	0	112,960,616	85,839,980
Other income (losses)	977,696	(510,044)	467,652	1,078,114
	149,623,938	5,192,432	154,816,370	144,893,384
Net assets released from restriction	1,457,381	(1,457,381)	0	0
	151,081,319	3,735,051	154,816,370	144,893,384
Grants and Expenses				
Program services	83,046,020	0	83,046,020	104,538,143
Management and general	4,224,036	0	4,224,036	3,745,693
Fundraising	472,152	0	472,152	468,027
	87,742,208	0	87,742,208	108,751,863
Change in Net Assets	63,339,111	3,735,051	67,074,162	36,141,521
Net Assets - beginning of year	853,841,277	18,968,917	872,810,194	836,668,673
Net Assets - end of year	$ 917,180,388	$ 22,703,968	$ 939,884,356	$ 872,810,194

The Dayton Foundation and Related Entities

Combined Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	$ 57,660,290	$ 315,000	$ 57,975,290
Net investment return	85,839,980	0	85,839,980
Other income (losses)	1,179,542	(101,428)	1,078,114
	144,679,812	213,572	144,893,384
Net assets released from restriction	1,360,322	(1,360,322)	0
	146,040,134	(1,146,750)	144,893,384
Grants and Expenses			
Program services	104,538,143	0	104,538,143
Management and general	3,745,693	0	3,745,693
Fundraising	468,027	0	468,027
	108,751,863	0	108,751,863
Change in Net Assets	37,288,271	(1,146,750)	36,141,521
Net Assets - beginning of year	816,553,006	20,115,667	836,668,673
Net Assets - end of year	$ 853,841,277	$ 18,968,917	$ 872,810,194

The Dayton Foundation and Related Entities

Combined Statements of Functional Expenses

For the Years Ended June 30, 2024 and 2023

	2024			
	Program Services	**Management and General**	**Fundraising**	**Total**
Grants and Expenses				
Grants	$ 74,929,285	$ 0	$ 0	$ 74,929,285
Salaries, taxes, and benefits	5,085,419	2,294,654	310,496	7,690,569
Professional fees and consulting	1,228,942	382,109	1,279	1,612,330
Legal	23,049	42,499	296	65,844
Office and occupancy	239,822	414,674	33,780	688,276
Information technology	47,258	279,730	129	327,117
Equipment and supplies	64,324	115,641	5,331	185,296
Travel expense	88,040	14,808	2,731	105,579
Depreciation	0	65,017	1,530	66,547
Advertising	5,989	2,042	45,541	53,572
Conferences, conventions and meetings	96,013	130,520	15,617	242,150
Insurance	24,288	160,763	0	185,051
Events	216,690	27,843	10,695	255,228
Other expenses - OCPAT	783,757	0	0	783,757
Other expenses	213,144	293,736	44,727	551,607
Total Grants and Expenses	$ 83,046,020	$ 4,224,036	$ 472,152	$ 87,742,208

	2023			
	Program Services	**Management and General**	**Fundraising**	**Total**
Grants and Expenses				
Grants	$ 97,694,934	$ 0	$ 0	$ 97,694,934
Salaries, taxes, and benefits	4,143,647	2,022,560	287,286	6,453,493
Professional fees and consulting	1,193,709	360,117	317	1,554,143
Legal	32,431	24,758	228	57,417
Office and occupancy	102,698	457,605	37,829	598,132
Information technology	40,732	270,672	625	312,029
Equipment and supplies	57,888	82,228	6,377	146,493
Travel and expense	91,429	14,650	4,045	110,124
Depreciation	0	63,297	489	63,786
Advertising	12,383	4,474	41,917	58,774
Conferences, conventions and meetings	46,655	95,294	29,652	171,601
Insurance	8,420	104,211	258	112,889
Events	183,797	35,372	9,517	228,686
Other expenses - OCPAT	588,052	0	0	588,052
Other expenses	341,368	210,455	49,487	601,310
Total Grants and Expenses	$ 104,538,143	$ 3,745,693	$ 468,027	$ 108,751,863

The Dayton Foundation and Related Entities

Combined Statements of Cash Flows

For the Years Ended June 30, 2024 and 2023

	2024	2023
Cash Flows From Operating Activities:		
Change in net assets	$ 67,074,162	$ 36,141,521
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	66,547	63,786
Cash surrender value of life insurance policies	28,776	(1,633)
Realized and unrealized (gains) losses on investments, net	(92,003,468)	(67,095,007)
Noncash rent expense	170,892	166,978
Changes in assets and liabilities:		
Contributions and student loans receivable, net	1,914,491	(12,146,356)
Other receivables and prepaids	(184,111)	(207,628)
Grants payable, net	3,343,154	18,941,962
Accounts payable and accrued liabilities	(122,149)	(14,538)
Life income annuities payable	(136,047)	(471,645)
Agent liabilities	9,767,663	(10,636,205)
Operating lease liabilities	(127,779)	(118,475)
Net Cash Used in Operating Activities	(10,207,869)	(35,377,240)
Cash Flows From Investing Activities:		
Proceeds from (purchases of) investments, net	15,414,209	(3,222,091)
Collections on notes receivable	404,241	1,188,283
Purchases of property and equipment	0	(235,299)
Net Cash Provided by (Used in) Investing Activities	15,818,450	(2,269,107)
Change in Cash, Cash Equivalents, and Restricted Cash	5,610,581	(37,646,347)
Cash, Cash Equivalents, and Restricted Cash - beginning of year	60,712,192	98,358,539
Cash, Cash Equivalents, and Restricted Cash - end of year	$ 66,322,773	$ 60,712,192

Noncash Investing and Financing Activities

	2024	2023
Acquisition of operating lease right-of-use assets through the assumption of operating lease liabilities	$ 0	$ 2,913,597

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:

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

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

Effective December 31, 2022, the remaining funds in Dayton Foundation Charitable Accounts, Inc. (DFCA) were converted into new funds within the Dayton Foundation, Inc. and DFCA was terminated as a separate legal entity.

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.

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.

2. Summary of Significant Accounting Policies (Continued)

Net Asset Classifications and Endowments

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

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

Net assets without donor restrictions:

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

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.

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, 2024 and 2023 consist of the following:

	2024	2023
Cash	$ 65,468,511	$ 60,349,146
Cash - with donor restrictions	854,262	363,046
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	$ 66,322,773	$ 60,712,192

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.

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, 2024 and 2023.

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.

Majority ownership investments in limited partnerships and 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. Minority ownership investments in limited liability companies are recorded at the actual cost of the investment, adjusted for cash receipts, cash disbursements, and any pro-rata income or loss. Because these investments are not readily marketable, the estimated fair value is subject to uncertainty and therefore may differ from the value that would have been used had a readily available market existed for these investments, and the difference could be material.

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

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

Revenue Recognition

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

The Foundation recognizes revenue from financial management and administrative services at a point in time when services are completed. As of June 30, 2024 and 2023, no receivables or deferred revenue related to these amounts have been recorded. Revenue is recorded on the combined statements of activities as other income, see Note 16 for detail of amounts.

2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

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

Contributions with Donor Restrictions and Donated Services

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

Property and Equipment

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

Impairment of Long-Lived Assets

The Foundation reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value. No impairment losses were recognized during the years ended June 30, 2024 and 2023.

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.

2. Summary of Significant Accounting Policies (Continued)

Lease Commitments

The Foundation applies FASB ASC 842, *Leases*, which among other things, requires the recognition of right-of-use lease assets and lease liabilities on the combined statements of financial position for finance and operating leases, along with the disclosure of key information about leasing arrangements. The Foundation determines if an arrangement contains a lease at inception based on whether the Foundation has the right to control the asset during the contract period and other facts and circumstances. In adopting the lease standard, the Foundation elected to use a transition method under which existing leases were measured and capitalized as of the date of adoption, July 1, 2022, in lieu of applying the standard retrospectively to July 1, 2021.

Additionally, as part of implementation, the Foundation elected the following practical expedients related to the adoption of this new standard in for year ended June 30, 2023:

1. An entity need not reassess whether any expired or existing contracts are or contain leases.
2. An entity need not reassess the lease classification for any expired or existing leases.
3. An entity need not reassess initial direct costs for any existing leases.

The standard requires that leases with a lease term of more than 12 months be classified as either finance or operating leases. Leases are classified as finance leases when the Foundation expects to consume a major part of the economic benefits of the leased assets over the remaining lease term. Conversely, the Foundation is not expected to consume a major part of the economic benefits of assets classified as operating leases. The lease classification affects both the pattern and presentation of expense recognized in the combined statements of activities and changes in net assets, the categorization of assets and liabilities in the combined statements of financial position, and classification of cash flows in the combined statements of cash flows.

Total lease cost consists of two components; amortization expense related to the write-off of right-of-use assets, and interest expense from lease obligations.

Lease obligations are measured and recorded at the present value of future lease payments using a discount rate. Because the Foundation generally does not have access to the rate implicit in each lease, the Foundation has elected to measure its lease obligations using a risk-free rate of return as the discount rate, which is permitted for non-public entities. The Foundation elected to use the US Treasury rate at the lease commencement date for the computation of its lease obligation, determined by using a period comparable with that of the lease term.

Right-of-use assets are generally measured and recorded at the sum of the lease obligation, any initial direct costs to consummate the lease, and any lease payments made on or before the commencement date. The Foundation has elected the practical expedient to account for lease and non-lease components as a single combined lease component.

2. Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, certain receivables and prepaids, accounts payable, accrued liabilities and the line of credit approximate fair value because of the short maturity of these instruments. Investments are carried at fair value. The annuities and unitrusts payable are reported at fair value based on life expectancy of the annuitants or beneficiaries and the present value of the expected cash flows using a discount rate. Grants payable are reported at net present value. Agent liabilities are reported at fair value based on the fair value of the underlying investments.

Endowment Investment and Spending Policies

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

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

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

Functional Expense Allocation

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

2. Summary of Significant Accounting Policies (Continued)

Accounting for Uncertainty in Income Taxes

The Foundation determines the recognition of uncertain tax positions, if applicable, that may subject the organization to unrelated business income tax by applying a more-likely-than-not recognition threshold and determines the measurement of uncertain tax positions considering the amounts and probabilities of the outcomes that could be realized upon ultimate settlement with tax authorities. Based on its review, management does not believe the Foundation has taken any material uncertain tax positions, including any positions that would place the Foundation's exempt status in jeopardy or result in a material income tax liability as of June 30, 2024.

The Foundation's Form 990, *Return of Organization Exempt from Income Tax,* for the years ended June 30, 2021 through 2023 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.

Adoption of New Accounting Standard

Accounting Standards Update 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, modifies the measurement of expected credit losses on certain financial instruments and was effective for the Foundation beginning July 1, 2023. Currently, the Foundation's receivables that fall under this guidance are student loans and notes receivable. The adoption of this standard did not have a material impact on the Foundation's combined financial statements.

3. Liquidity and Availability

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

The majority of the financial assets available within one year of June 30, 2024 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.

3. Liquidity and Availability (Continued)

The following reflects the Foundation's financial assets reduced by amounts not available for general use because of contractual or donor-imposed restrictions, or board designations, within one year of June 30, 2024:

Cash and cash equivalents	$ 66,322,773
Contributions receivable	30,855,814
Student loans receivable, net	207,580
Other receivables	818,189
Note receivable, net	152,000
Investments, at fair value	1,063,802,183
Total financial assets at June 30, 2024	1,162,158,539
Less those unavailable for general expenditures within one year, due to:	
Donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	(22,703,968)
Partnership and LLC interests	(2,108,381)
Board designated net assets	(7,259,756)
Contractual obligations:	
Agent liabilities	(180,025,846)
Long-term portion of contributions receivable without donor restrictions	(4,576,826)
Long-term portion of note and student loans receivable	(165,928)
Financial assets available to meet cash needs for grants, general expenditures, and other obligations within one year	$ 945,317,834

4. Investments

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

	2024	%	2023	%
Equity securities	$ 346,592,915	32.6	$ 323,748,518	32.8
Fixed income securities	90,464,880	8.5	70,559,866	7.1
Mutual funds	593,644,821	55.8	565,700,562	57.4
Alternative investments	29,653,855	2.8	23,683,024	2.4
CSV of life insurance policies	1,337,331	0.1	1,366,107	0.1
Partnership and LLC interests	2,108,381	0.2	2,183,623	0.2
	$ 1,063,802,183	100.0	$ 987,241,700	100.0

Investment return consists of the following for the years ended June 30:

	2024	2023
Interest and dividends	$ 24,843,623	22,390,906
Investment fees	(3,886,475)	(3,645,933)
Realized and unrealized gains	92,003,468	67,095,007
	$ 112,960,616	85,839,980

5. Contributions Receivable

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

	2024	2023
Less than one year	$ 12,397,365	$ 17,629,203
One to five years	10,466,318	8,318,179
Greater than five years	7,992,131	6,853,853
	$ 30,855,814	$ 32,801,235

The balance at June 30, 2024 and 2023 includes charitable lead and remainder trusts totaling $14,157,362 and $10,727,042, 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 5.6% and 4.2% at June 30, 2024 and 2023, respectively. The total amount of the discount at June 30, 2024 and 2023 was $6,496,295 and $3,919,317, 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, 2024 and 2023 was $13,414 and $16,343, respectively.

The Foundation provides for losses on uncollectible contributions receivable using the allowance method. As of June 30, 2024 and 2023, no allowance was considered necessary.

6. Notes Receivable

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

	2024	2023
Notes receivable	$ 1,554,416	$ 1,958,657
Less: loan loss reserve	(1,402,416)	(1,402,416)
	$ 152,000	$ 556,241

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, 2024 and 2023 was $152,000 and $225,000, respectively.

A component fund within the Foundation loaned money to a local non-profit. The Foundation did not establish a loan loss reserve based on information regarding the likelihood of repayment of the note. The total amount of the note at June 30, 2024 and 2023 was $0 and $331,241, 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 medical plan, group life insurance, disability, dependent daycare, medical reimbursement and tax deferred annuity plans (retirement). The Foundation made contributions of approximately $429,000 and $365,000 to this plan for the years ended June 30, 2024 and 2023, respectively.

8. Property and Equipment

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

	2024	2023
Land	$ 691,460	$ 691,460
Land - Greener Pastures	177,449	177,449
Equipment - Learn to Earn Dayton	213,217	213,217
Equipment and leasehold improvements	794,232	797,196
Total cost	1,876,358	1,879,322
Less accumulated depreciation	(816,602)	(753,019)
Net property and equipment	$ 1,059,756	$ 1,126,303

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, 2024 and 2023 was $66,547 and $63,786, respectively.

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:

	2024	2023
Less than one year	$ 25,324,488	$ 24,732,054
One to five years	16,840,116	13,316,431
Greater than five years	30,000	44,000
Total grants payable	42,194,604	38,092,485
Less: Discount on long-term grants	(2,018,283)	(1,259,318)
Net grants payable	$ 40,176,321	$ 36,833,167

Grants to be paid in more than one year are discounted using the applicable federal rate (AFR) which was 5.6% and 4.2% at June 30, 2024 and 2023, respectively.

10. Life Income Annuities Payable

The Foundation solicits charitable gift annuities (CGAs). 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, 2024 and 2023, liabilities of $2,220,061 and $2,356,108, respectively, represent the value of the actuarially determined future payments, discounted to present value at the rate of 6% (which approximates the estimated average rate of return on investments). Funds designated by the Foundation's Governing Board for the payment of this liability totaled $5,805,761 and $5,536,332 at June 30, 2024 and 2023, respectively. These "self-insured" annuity contracts, all of which were entered into prior to June 30, 2006, are recorded as general obligations of the Foundation.

For all life income annuities entered into after June 30, 2006 (and a few contracts entered into prior to that date), the Foundation has purchased annuity contracts from various insurance companies to provide the payments to recipients over their remaining lifetimes. The cumulative total cost of active insured annuities purchased was $4,709,795 at June 30, 2024 and 2023. Although the liability for these purchased annuities is not recorded on the books of the Foundation, the Foundation could be ultimately liable for payment if an insurance company was to default on the payments to the annuitants. However, management currently believes the possibility of default by an insurance company is remote.

11. Lease Commitments

The Foundation leases office space, office equipment, and a vehicle under operating leases with terms expiring through 2039. Two office space leases each include two five-year renewal options. There are no renewal options on any of the other lease agreements. Only lease options that the Foundation believes it is reasonably certain to exercise are included in the measurement of the lease assets and liabilities.

The lease agreements do not include any material residual value guarantees or restrictive covenants. The Foundation uses the risk-free rate at each lease commencement date as the discount rate for each lease.

The components of operating lease expenses that are included in expenses in the statement of functional expenses for the years ended June 30, 2024 and 2023 were as follows:

	2024	2023
Operating lease expense	$ 261,186	$ 261,186

The following summarizes the cash flow, weighted average lease term, and discount rate information related to operating leases for the years ended June 30:

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	$ 218,074	$ 212,683
Noncash transactions:		
Right of use assets obtained in exchange for new operating lease liabilities	$ 0	$ 2,913,597
Weighted-average remaining lease term in years for operating leases	14.81	15.62
Weighted-average discount rate for operating leases	3.33%	3.32%

11. Lease Commitments (Continued)

The maturities of operating lease liabilities as of June 30, 2024 are as follows:

2025	$ 209,578
2026	191,795
2027	197,153
2028	202,671
2029	208,355
Thereafter	2,427,481
Total undiscounted cash flows	3,437,033
Less: present value discount	(769,690)
Total lease liabilities	$ 2,667,343

12. Fair Value Measurements

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

The three levels of inputs used to measure fair value are as follows:

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

The following is a description of the valuation methodologies the Foundation used for assets measured at fair value. There have been no changes from the prior year in the methodologies used at June 30, 2024. Significant transfers between fair value levels are determined at the end of the reporting period. There were no significant transfers in 2024.

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.

12. 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, 2024 are as follows:

	Fair Value	Level 1	Level 2	Level 3
Equity securities	$ 346,592,914	$ 346,592,914	$ 0	$ 0
Fixed income securities	90,464,880	90,464,880	0	0
Mutual funds	593,644,821	593,644,821	0	0
Alternative investments	29,653,855	0	0	29,653,855
Cash surrender value of life insurance policies	1,337,332	0	1,337,332	0
Partnership and LLC interests	2,108,381	0	0	2,108,381
Contributions receivable - split interest agreements	14,157,362	0	14,157,362	0
Total assets at fair value	$ 1,077,959,545	$ 1,030,702,615	$ 15,494,694	$ 31,762,236

Fair values of assets measured on a recurring basis at June 30, 2023 are as follows:

	Fair Value	Level 1	Level 2	Level 3
Equity securities	$ 323,748,518	$ 323,748,518	$ 0	$ 0
Fixed income securities	70,559,866	70,559,866	0	0
Mutual funds	565,700,562	565,700,562	0	0
Alternative investments	23,683,024	0	0	23,683,024
Cash surrender value of life insurance policies	1,366,107	0	1,366,107	0
Partnership and LLC interests	2,183,623	0	0	2,183,623
Contributions receivable - split interest agreements	10,727,044	0	10,727,044	0
Total assets at fair value	$ 997,968,744	$ 960,008,946	$ 12,093,151	$ 25,866,647

13. Endowment Funds

The following is a summary of changes in endowment net assets (as defined in Note 2 on page 9) for the year ended June 30, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 813,783,673	$ 6,778,638	$ 820,562,311
Contributions	26,046,710	0	26,046,710
Investment income, net of fees	17,288,135	0	17,288,135
Net realized and unrealize appreciation	89,540,819	0	89,540,819
Interfund transfer income	11,211,019	0	11,211,019
Amounts appropriated for expenditure	(85,736,244)	0	(85,736,244)
Endowment net assets, end of year	$ 872,134,112	$ 6,778,638	$ 878,912,750

The following table summarizes all Foundation net assets as of June 30, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds:			
With restrictions	$ 0	$ 6,778,638	$ 6,778,638
Without restrictions – donor advised/designated	870,683,117	0	870,683,117
Without restrictions – board designated	1,450,995	0	1,450,995
Total endowment funds	872,134,112	6,778,638	878,912,750
Other net assets:			
Supporting organizations, split interest agreements and other	45,046,276	15,925,330	60,971,606
Total net assets	$ 917,180,388	$ 22,703,968	$ 939,884,356

The following is a summary of changes in endowment net assets for the year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 783,188,749	$ 6,778,638	$ 789,967,387
Contributions	39,507,786	0	39,507,786
Investment income, net of fees	16,501,573	0	16,501,573
Net realized and unrealized appreciation	66,157,576	0	66,157,576
Interfund transfer income	14,869,032	0	14,869,032
Amounts appropriated for expenditure	(106,441,043)	0	(106,441,043)
Endowment net assets, end of year	$ 813,783,673	$ 6,778,638	$ 820,562,311

13. Endowment Funds (Continued)

The following table summarizes all Foundation net assets as of June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds:			
With restrictions	$ 0	$ 6,778,638	$ 6,778,638
Without restrictions – donor advised/designated	812,484,791	0	812,484,791
Without restrictions – board designated	1,298,882	0	1,298,882
Total endowment funds	813,783,673	6,778,638	820,562,311
Other net assets:			
Supporting organizations, split interest agreements and other	40,057,604	12,190,279	52,247,883
Total net assets	$ 853,841,277	$ 18,968,917	$ 872,810,194

14. Net Assets

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

	2024	2023
Subject to expenditure for specified purpose:		
Learn to Earn	$ 1,006,262	$ 463,046
Subject to the passage of time:		
For periods after June 30, 2024	761,706	1,000,191
Subject to a spending policy and appropriation:		
Investment of donor-restricted funds in perpetuity	6,778,638	6,778,638
Beneficial interests in lead and remainder trusts	14,157,362	10,727,042
	20,936,000	17,505,680
Total net assets with donor restrictions	$ 22,703,968	$ 18,968,917

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:

	2024	2023
Purpose restrictions accomplished:		
Learn to Earn	$ 391,530	$ 100,000
100th anniversary celebration	0	45,977
	391,530	145,977
Time restrictions expired:		
Passage of specified time	238,485	425,611
Spending policy releases:		
Appropriations for expenditure	827,366	788,734
Total restrictions released	$ 1,457,381	$ 1,360,322

14. Net Assets (Continued)

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

	2024	2023
Sinking fund for payment of CGA liabilities	$ 5,805,761	$ 5,536,332
Endowment	1,450,995	1,298,882
Local disaster relief funds	3,000	60,742
	$ 7,259,756	$ 6,895,956

15. Agent Liabilities

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

	2024	2023
Balance, beginning of year	$ 170,258,183	$ 180,894,388
Contributions	32,335,640	27,759,420
Net investment return	14,791,077	10,718,167
Grant expense	(37,325,751)	(49,082,465)
Program expense	(10,107)	(8,512)
Other expenses	(23,196)	(22,815)
Balance, end of year	$ 180,025,846	$ 170,258,183

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.

16. Other Income

Other income consisted of the following for the year ended June 30, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue of supporting organizations	$ 318,536	$ 0	$ 318,382
Administrative assessments on agency funds	467,157	0	467,157
Scholarship management fees	74,889	0	74,889
Change in value of split-interest agreements	117,114	(510,044)	(392,930)
Total other income	$ 977,696	$ (510,044)	$ 467,652

16. Other Income (Continued)

Other income consisted of the following for the year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue of supporting organizations	$ 270,341	$ 0	$ 270,341
Administrative assessments on agency funds	510,804	0	510,804
Scholarship management fees	72,208	0	72,208
Change in value of split-interest agreements	326,189	(101,428)	224,761
Total other income	$ 1,179,542	$ (101,428)	$ 1,078,114

17. 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.

18. Interfund Promissory Note

The Dayton Foundation has an informal borrowing arrangement with The Dayton Foundation Depository. The borrowing arrangement provides for no interest accumulation and a discretionary repayment plan. The balance was $0 and $546,318 as of June 30, 2024 and 2023, respectively. The effect of this note has been eliminated in these combined financial statements.

19. Subsequent Events

Management evaluated the activity of the Foundation through December 4, 2024 (the date the combined financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the combined financial statements or disclosure in the notes to the combined 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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