



**THE  
PORTLAND  
FOUNDATION**

**THE PORTLAND FOUNDATION  
AND AFFILIATE**

**COMBINED FINANCIAL STATEMENTS**

**For the Years Ended December 31, 2022  
and December 31, 2021**

# THE PORTLAND FOUNDATION AND AFFILIATE

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Board of Trustees  
The Portland Foundation  
Portland, Indiana 47371

## INDEPENDENT AUDITOR'S REPORT

### **Opinion**

We have audited the accompanying combined financial statements of The Portland Foundation (a non-profit organization organized as a trust) and The Portland Foundation, Inc. (affiliate), which comprise the combined statements of financial position as of December 31, 2022 and 2021, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of The Portland Foundation and affiliate as of December 31, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the 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 Portland Foundation and affiliate's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Portland Foundation and affiliate's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Portland Foundation and affiliate's ability to continue as a going concern for a reasonable period of time.

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

*Bollenbacher & Associates, LLC*

Portland, Indiana  
August 9, 2023

The Portland Foundation and Affiliate  
Combined Statements of Financial Position  
December 31, 2022 and December 31, 2021

	<u>Assets</u>	
	<u>12/31/2022</u>	<u>12/31/2021</u>
<u>Current Assets:</u>		
Cash, cash equivalents, and restricted cash		
Without donor restrictions	\$ 534,386	\$ 469,618
With donor restrictions	<u>41,654</u>	<u>41,654</u>
	576,040	511,272
Investments; at fair value - Assets held for others	337,907	746,998
Investments; at fair value - With donor restrictions	<u>4,883,342</u>	<u>14,351,304</u>
 Total current assets	 <u>5,797,289</u>	 <u>15,609,574</u>
<u>Property and Equipment; at cost</u>		
Computer hardware	8,245	11,708
Computer software	2,370	2,370
Leasehold improvements	351,385	351,385
Office furniture and fixtures	<u>3,504</u>	<u>3,504</u>
	365,504	368,967
<u>Less: Accumulated depreciation</u>	<u>(265,300)</u>	<u>(269,890)</u>
	100,204	99,077
Land - Freedom Park	<u>220,423</u>	<u>220,423</u>
 Total property and equipment	 <u>320,627</u>	 <u>319,500</u>
<u>Noncurrent Assets:</u>		
Investments; at fair value - Assets held for others	1,353,081	1,346,581
Investments; at fair value - With donor restrictions	34,064,827	33,477,340
Leased right of use asset	16,065	-
Early Learning Center	44,590	-
Paintings - With donor restrictions	<u>3,800</u>	<u>3,800</u>
 Total noncurrent assets	 <u>35,482,363</u>	 <u>34,827,721</u>
 Total assets	 <u>\$41,600,279</u>	 <u>\$50,756,795</u>

- See Accompanying Notes -

The Portland Foundation and Affiliate  
Combined Statements of Financial Position  
December 31, 2022 and December 31, 2021

<u>Liabilities and Net Assets</u>		
	<u>12/31/2022</u>	<u>12/31/2021</u>
<u>Current Liabilities:</u>		
Short-term lease liability	\$ 16,065	\$ -
Current portion of non-current liability	<u>55,913</u>	<u>62,035</u>
Total current liabilities	<u>71,978</u>	<u>62,035</u>
<u>Non-Current Liabilities:</u>		
Liabilities for assets held for others	1,690,988	2,093,579
<u>Less: Amount to be disbursed within one year</u>	<u>(55,913)</u>	<u>(62,035)</u>
Total non-current liabilities	<u>1,635,075</u>	<u>2,031,544</u>
Total liabilities	<u>1,707,053</u>	<u>2,093,579</u>
<u>Net Assets:</u>		
Without donor restrictions	899,603	789,118
With donor restrictions:		
Time-restricted for future periods	4,924,996	14,392,958
Perpetual in nature	<u>34,068,627</u>	<u>33,481,140</u>
Total with donor restrictions	<u>38,993,623</u>	<u>47,874,098</u>
Total net assets	<u>39,893,226</u>	<u>48,663,216</u>
Total liabilities and net assets	<u>\$41,600,279</u>	<u>\$50,756,795</u>

- See Accompanying Notes -

The Portland Foundation and AffiliateCombined Statement of ActivitiesFor the Year Ended December 31, 2022

	Without Donor Restriction	With Donor Restrictions		Total With Donor Restrictions	Total
		Temporarily Restricted	Permanently Restricted		
<b><u>Revenues, Gains, and Other Support:</u></b>					
Contributions	\$ 470	\$ 8,089	\$ 593,987	\$ 602,076	\$ 602,546
Interest and dividends	-	1,126,470	-	1,126,470	1,126,470
Realized and unrealized gains and (losses) from investments, net	-	(8,758,043)	-	(8,758,043)	(8,758,043)
	470	(7,623,484)	593,987	(7,029,497)	(7,029,027)
Less: Contributions to assets held for others	-	-	(6,500)	(6,500)	(6,500)
Plus: Investment income from assets held for others	-	343,571	-	343,571	343,571
	470	(7,279,913)	587,487	(6,692,426)	(6,691,956)
Net assets released from restrictions	<u>2,188,049</u>	<u>(2,188,049)</u>	<u>-</u>	<u>(2,188,049)</u>	<u>-</u>
Total revenues, gains, and other support	<u>2,188,519</u>	<u>(9,467,962)</u>	<u>587,487</u>	<u>(8,880,475)</u>	<u>(6,691,956)</u>
<b><u>Grants, Scholarships, and Other Expenses:</u></b>					
Grants	1,217,426	-	-	-	1,217,426
Scholarships	387,335	-	-	-	387,335
Investment management fees	47,440	-	-	-	47,440
Trustee fees	158,860	-	-	-	158,860
Functional expenses - Per attached schedule	332,493	-	-	-	332,493
	2,143,554	-	-	-	2,143,554
Less: Disbursements from assets held for others	(65,520)	-	-	-	(65,520)
Total distributions and other expenses	<u>2,078,034</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,078,034</u>
<b><u>Change in Net Assets</u></b>	<u>110,485</u>	<u>(9,467,962)</u>	<u>587,487</u>	<u>(8,880,475)</u>	<u>(8,769,990)</u>
<b><u>Net Assets - Beginning</u></b>	<u>789,118</u>	<u>14,392,958</u>	<u>33,481,140</u>	<u>47,874,098</u>	<u>48,663,216</u>
<b><u>Net Assets - Ending</u></b>	<u>\$ 899,603</u>	<u>\$ 4,924,996</u>	<u>\$ 34,068,627</u>	<u>\$38,993,623</u>	<u>\$39,893,226</u>

The Portland Foundation and Affiliate

Combined Statement of Activities

For the Year Ended December 31, 2021

	<u>With Donor Restrictions</u>				<u>Total</u>
	<u>Without Donor Restriction</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total With Donor Restrictions</u>	
<b><u>Revenues, Gains, and Other Support:</u></b>					
Contributions	\$ 4,538	\$ 264,212	\$ 2,381,344	\$ 2,645,556	\$ 2,650,094
Interest and dividends	-	1,159,832	-	1,159,832	1,159,832
Realized and unrealized gains and (losses) from investments, net	-	5,813,070	-	5,813,070	5,813,070
	4,538	7,237,114	2,381,344	9,618,458	9,622,996
Less: Contributions to assets held for others	-	-	(575)	(575)	(575)
Less: Investment income from assets held for others	-	(268,020)	-	(268,020)	(268,020)
	4,538	6,969,094	2,380,769	9,349,863	9,354,401
Net assets released from restrictions	<u>2,132,526</u>	<u>(2,132,526)</u>	<u>-</u>	<u>(2,132,526)</u>	<u>-</u>
Total revenues, gains, and other support	<u>2,137,064</u>	<u>4,836,568</u>	<u>2,380,769</u>	<u>7,217,337</u>	<u>9,354,401</u>
<b><u>Grants, Scholarships, and Other Expenses:</u></b>					
Grants	1,119,449	-	-	-	1,119,449
Scholarships	348,599	-	-	-	348,599
Investment management fees	45,880	-	-	-	45,880
Trustee fees	168,155	-	-	-	168,155
Functional expenses - Per attached schedule	342,174	-	-	-	342,174
	2,024,257	-	-	-	2,024,257
Less: Disbursements from assets held for others	<u>(46,605)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(46,605)</u>
Total distributions and other expenses	<u>1,977,652</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,977,652</u>
<b><u>Change in Net Assets</u></b>	<u>159,412</u>	<u>4,836,568</u>	<u>2,380,769</u>	<u>7,217,337</u>	<u>7,376,749</u>
<b><u>Net Assets - Beginning</u></b>	<u>629,706</u>	<u>9,556,390</u>	<u>31,100,371</u>	<u>40,656,761</u>	<u>41,286,467</u>
<b><u>Net Assets - Ending</u></b>	<u>\$ 789,118</u>	<u>\$14,392,958</u>	<u>\$33,481,140</u>	<u>\$47,874,098</u>	<u>\$48,663,216</u>

- See Accompanying Notes -



The Portland Foundation and Affiliate

Combined Statement of Functional Expenses

For the Year Ended December 31, 2022

Salaries and Related Expenses:

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Director's salary	\$ 67,738	\$ 67,737	\$ -	\$ 135,475
Other salaries and wages	44,802	33,030	-	77,832
Payroll taxes	8,041	7,097	-	15,138
Employee benefits	6,835	6,835	-	13,670
Directors' and officers' insurance	-	853	-	853
Travel	-	1,194	-	1,194
	<u>127,416</u>	<u>116,746</u>	<u>-</u>	<u>244,162</u>
Total salaries and related expenses				

Other Expenses:

Advertising	-	-	-	-
Annual meeting	-	-	275	275
Dues and subscriptions	6,980	233	-	7,213
Insurance	-	1,190	-	1,190
Internet	578	578	-	1,156
Legal and accounting	-	9,150	-	9,150
Lilly Community Scholarship	8,979	-	-	8,979
Miscellaneous	18	-	-	18
Office supplies	-	3,691	-	3,691
Postage	-	1,735	-	1,735
Printing and promotion	2,246	-	5,891	8,137
Rent	-	32,400	-	32,400
Repairs and maintenance	-	6,447	-	6,447
Telephone	-	3,122	-	3,122
Training	-	-	-	-
Utilities	-	1,549	-	1,549
	<u>18,801</u>	<u>60,095</u>	<u>6,166</u>	<u>85,062</u>
Total other expenses				

<u>Depreciation of property and equipment</u>	<u>-</u>	<u>3,269</u>	<u>-</u>	<u>3,269</u>
<u>Total expenses</u>	<u>\$ 146,217</u>	<u>\$ 180,110</u>	<u>\$ 6,166</u>	<u>\$ 332,493</u>

- See Accompanying Notes -

The Portland Foundation and Affiliate

Combined Statement of Functional Expenses

For the Year Ended December 31, 2021

Salaries and Related Expenses:

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Director's salary	\$ 63,754	\$ 63,754	\$ -	\$ 127,508
Other salaries and wages	45,644	31,060	-	76,704
Payroll taxes	8,005	6,861	-	14,866
Employee benefits	6,806	7,023	-	13,829
Directors' and officers' insurance	-	803	-	803
Travel	-	947	-	947
	<u>124,209</u>	<u>110,448</u>	<u>-</u>	<u>234,657</u>
Total salaries and related expenses				

Other Expenses:

Advertising	-	1,543	-	1,543
Annual meeting	-	-	100	100
Dues and subscriptions	4,835	2,668	-	7,503
Insurance	-	1,281	-	1,281
Internet	291	290	-	581
Legal and accounting	-	8,450	-	8,450
Lilly Community Scholarship	3,726	-	-	3,726
Miscellaneous	156	-	-	156
Office supplies	-	8,100	-	8,100
Postage	-	1,570	-	1,570
Printing and promotion	3,124	-	5,262	8,386
Rent	-	32,400	-	32,400
Repairs and maintenance	-	16,677	-	16,677
Telephone	-	3,206	-	3,206
Training	-	9,529	-	9,529
Utilities	-	1,563	-	1,563
	<u>12,132</u>	<u>87,277</u>	<u>5,362</u>	<u>104,771</u>
Total other expenses				

<u>Depreciation of property and equipment</u>	<u>-</u>	<u>2,746</u>	<u>-</u>	<u>2,746</u>
<u>Total expenses</u>	<u>\$ 136,341</u>	<u>\$ 200,471</u>	<u>\$ 5,362</u>	<u>\$ 342,174</u>

- See Accompanying Notes -

The Portland Foundation and AffiliateCombined Statements of Cash FlowsFor the Years Ended December 31, 2022 and December 31, 2021

	<u>12/31/2022</u>	<u>12/31/2021</u>
<b><u>Cash Flows from Operating Activities:</u></b>		
Change in net assets	<u>\$(8,769,990)</u>	<u>\$ 7,376,749</u>
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	3,269	2,746
Realized and unrealized (gains) and losses from investments, net	8,758,043	(5,813,070)
(Increase) decrease in assets:		
Operating lease asset	31,448	-
Increase (decrease) in liabilities:		
Liability for assets held for others	(402,591)	221,990
Accrued liabilities	-	(3,383)
Operating lease liability	(31,448)	-
Contributions - With donor restrictions	(602,076)	(2,645,556)
Interest and dividends - With donor restrictions	<u>(1,126,470)</u>	<u>(1,159,832)</u>
Total adjustments	<u>6,630,175</u>	<u>(9,397,105)</u>
Net cash used by operating activities	<u>(2,139,815)</u>	<u>(2,020,356)</u>
<b><u>Cash Flows from Investing Activities:</u></b>		
Proceeds - Sale of investments	18,430,771	12,585,179
Payments - Purchase of investments	(17,905,747)	(14,211,435)
Payments - Purchase of Early Learning Center	(44,590)	-
Payments - Purchase of property and equipment	<u>(4,396)</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>476,038</u>	<u>(1,626,256)</u>
<b><u>Cash Flows from Financing Activities:</u></b>		
Proceeds - Contributions - With donor restrictions	602,076	2,645,556
Proceeds - Interest and dividends - With donor restrictions	<u>1,126,470</u>	<u>1,159,832</u>
Net cash provided by financing activities	<u>1,728,546</u>	<u>3,805,388</u>

- See Accompanying Notes -

The Portland Foundation and AffiliateCombined Statements of Cash FlowsFor the Years Ended December 31, 2022 and December 31, 2021(Continued)

	<u>12/31/2022</u>	<u>12/31/2021</u>
Net change in cash, cash equivalents, and restricted cash	64,769	158,776
Cash, cash equivalents, and restricted cash - Beginning	<u>511,272</u>	<u>352,496</u>
Cash, cash equivalents, and restricted cash - Ending	<u>\$ 576,041</u>	<u>\$ 511,272</u>

- See Accompanying Notes -

The Portland Foundation and Affiliate

Notes to the Financial Statements

December 31, 2022 and December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**NATURE OF ACTIVITIES** - The Portland Foundation (organized as a trust) and The Portland Foundation, Inc. (affiliate) (the Foundation) receive gifts from individuals, foundations, and organizations and place them into individual funds that match the giving priorities of the donors. The majority of the gifts are endowment gifts which are preserved into perpetuity, the income of which is returned to the Jay County community through grants and scholarships.

**BASIS OF ACCOUNTING** - The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**COMBINED FINANCIAL STATEMENTS** - The Portland Foundation, Inc. (affiliate) is under the common control of The Portland Foundation, and is reported as one economic entity with the Foundation. As such, inter-organizational revenue and expenses are eliminated in preparing the combined financial statements.

**BASIS OF PRESENTATION** - The Foundation presents its financial statements in accordance with U.S. generally accepted accounting principles (US GAAP), which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications.

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and board of directors.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

**ESTIMATES** - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The Portland Foundation and AffiliateNotes to the Financial StatementsDecember 31, 2022 and December 31, 2021NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**REVENUE RECOGNITION** - Revenue from sales is recognized under Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), when performance obligations under the terms of a contract with the customer have been satisfied and control has transferred to the customer. Revenue is measured based on the consideration specified in each contract and excludes any sales incentives.

Contributions, including grants, that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received with donor restrictions that are met in the same period are reported as unrestricted support and increase net assets without donor restrictions.

**CASH AND CASH EQUIVALENTS** - For the purpose of the statement of cash flows, the Foundation considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents. The money market funds within the brokerage accounts are not considered to be cash equivalents.

**CASH EQUIVALENTS RESTRICTED WITH DONOR RESTRICTIONS** - Cash equivalents restricted by donors are not available for operating purposes.

**RECEIVABLES AND UNCOLLECTIBLES** - Accounts and pledge receivables are recorded at cost at the time of their occurrence and adjusted to fair value through the allowance for doubtful accounts at year end by the Foundation determining the amount that may be uncollectible. The Foundation does not charge interest or finance charges for past due accounts. When an account is totally uncollectible, the Foundation writes off the receivable and reduces the allowance for doubtful accounts. The Foundation usually determines when an account or pledge is totally uncollectible by estimating whether any payments will ever be received on that account or pledge. As of December 31, 2022 and 2021, there were no pledge receivables, and accordingly, no allowance for doubtful accounts.

**INVESTMENTS** - Investments are measured and reported at fair value. Changes in fair value are included in the statement of activities. Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are recorded in the statement of activities in the period in which the securities are sold. Interest and dividends are recognized as earned.

The Portland Foundation and AffiliateNotes to the Financial StatementsDecember 31, 2022 and December 31, 2021NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**PROPERTY AND DEPRECIATION** - Property and equipment owned by the Foundation are carried at cost or, in the case of donated property, at fair-market value determined at the date of gift less accumulated depreciation. Depreciation is recorded on the straight-line method over estimated useful lives of the assets.

Expenditures for maintenance and repairs and certain small elements of renewals are charged to expense as incurred, while additions and betterments are capitalized. The cost and accumulated depreciation of property sold or otherwise disposed of are removed from the accounts, and any gain or loss thereon is credited or charged to income. Depreciation expense totaled \$3,269 and \$2,746 for the years ended December 31, 2022 and 2021, respectively.

**INCOME TAX STATUS** - The Foundation and affiliate are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. In the years ended December 31, 2022 and 2021, the Foundation incurred no unrelated business income. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Management evaluates all significant tax positions as required by accounting principles generally accepted in the United States of America. As of December 31, 2022, the Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that materially impact the financial statements or related disclosures. The Foundation's information returns are subject to examination, generally for three years after the filing date.

**GRANTS AND SCHOLARSHIPS** - Grants and scholarships are made from available income and principal in accordance with the designations by the donors and approved by the Board of Directors and are recorded at the date the grant or scholarship is approved.

**ASSETS HELD FOR OTHERS** - The Foundation has reported liabilities for assets held for others in conformity with FASB *Accounting Standards Codification 958, Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*.

The Foundation is required to report as liabilities any amounts received from a donor that specifies itself or its affiliates as the beneficiary of the transferred assets, and any activity attributed to these amounts is recorded as an increase or decrease in the liabilities. Accordingly, the Foundation has reported \$1,690,988 and \$2,093,579 at December 31, 2022 and 2021, respectively, as liabilities for assets held for others on the statements of financial position.

The Portland Foundation and Affiliate

Notes to the Financial Statements

December 31, 2022 and December 31, 2021

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Additionally, the Foundation has reported on the statement of activities a reduction in contributions of \$6,500 and \$575, and a reduction in disbursements of \$65,520 and \$46,605 for the years ended December 31, 2022 and 2021, respectively, for the activity attributed to the assets held for others. Furthermore, the Foundation reported on the statement of activities an increase in investment income of \$343,571 and decrease in investment income of \$268,020 for the years ended December 31, 2022 and 2021, respectively.

**FUNCTIONAL ALLOCATION OF EXPENSES** - The costs of providing the various programs and other activities have been summarized on a functional basis on the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. Program usage studies are conducted annually.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Internet	Program usage
Printing and promotion	Program usage

**NEW ACCOUNTING PRONOUNCEMENT** - The Foundation adopted the Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, with a date of initial application of January 1, 2022. The standard requires the recognition of leases on the statement of financial position and disclose key information about leasing arrangements. The Foundation determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent.

The Foundation has elected the optional transition method to apply the transition provisions from the effective date of adoption, which requires the Foundation to recognize a cumulative-effect adjustment to the opening balance of net assets as of the adoption date of the standard, with no changes to the prior period balances. As a result, the current period is reported under ASC 842 and the comparative period under ASC 840.

The Foundation has elected the practical expedient transition package to not reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases.



The Portland Foundation and Affiliate

Notes to the Financial Statements

December 31, 2022 and December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

We have elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The risk-free rate as of the adoption date will be applied to for existing leases of the adoption date, based on the remaining lease terms.

The Foundation does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

As a result of implementing ASU No. 2016-02, The Foundation recognized right-of-use assets of \$47,513 and lease liabilities totaling \$47,513 in its statements of financial position as of January 1, 2022. The Foundation recognized a cumulative-effect adjustment of \$0 in its statement of activities as of January 1, 2022. The adoption does not have a material impact on amounts reported in the financial statements for the years ended December 31, 2022 and 2021.

**NEW ACCOUNTING PRONOUNCEMENT** - On January 1, 2022, the Foundation adopted the Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* as prescribed by the Financial Accounting Standards Board (FASB) using the retrospective method of adoption. The ASU requires the presentation of contributed nonfinancial assets as a separate line item in the statement of activities and provide additional disclosures about contributions of nonfinancial assets to provide transparency about the measurement and use of contributed nonfinancial assets recognized by the Foundation. ASU No. 2020-07 was prescribed by the FASB and has been applied retrospectively to all years presented. No prior period results were restated and there was no cumulative-effect adjustment to net assets as of January 1, 2022.

NOTE 2 - CASH AND CASH EQUIVALENTS

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the amounts shown in the statements of cash flows:

	<u>2022</u>	<u>2021</u>
Cash, cash equivalents, and restricted cash:		
Without donor restrictions	\$ 534,386	\$ 469,618
With donor restrictions	<u>41,654</u>	<u>41,654</u>
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	<u>\$ 576,040</u>	<u>\$ 511,272</u>

The Portland Foundation and AffiliateNotes to the Financial StatementsDecember 31, 2022 and December 31, 2021NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2022:

	<u>Cost</u>	<u>Accumulated Depreciation</u>
Land - Freedom Park	\$ 220,423	\$ -
Leasehold improvements	<u>351,385</u>	<u>255,053</u>
Total land and leasehold improvements	<u>571,808</u>	<u>255,053</u>
Equipment:		
Computer hardware	8,245	4,373
Computer software	2,370	2,370
Office furniture and fixtures	<u>3,504</u>	<u>3,504</u>
Total equipment	<u>14,119</u>	<u>10,247</u>
Total property and equipment	<u>\$ 585,927</u>	<u>\$ 265,300</u>

Property and equipment consisted of the following at December 31, 2021:

	<u>Cost</u>	<u>Accumulated Depreciation</u>
Land - Freedom Park	\$ 220,423	\$ -
Leasehold improvements	<u>351,385</u>	<u>252,308</u>
Total land and leasehold improvements	<u>571,808</u>	<u>252,308</u>
Equipment:		
Computer hardware	11,708	11,708
Computer software	2,370	2,370
Office furniture and fixtures	<u>3,504</u>	<u>3,504</u>
Total equipment	<u>17,582</u>	<u>17,582</u>
Total property and equipment	<u>\$ 589,390</u>	<u>\$ 269,890</u>

NOTE 4 - NONCURRENT ASSETS - PAINTINGS

The Foundation is the owner of paintings that have been donated to the Foundation. The donations are stated at the estimated fair-market value.

The Portland Foundation and AffiliateNotes to the Financial StatementsDecember 31, 2022 and December 31, 2021NOTE 5 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash, equity, and other investments. The Foundation generally places its investments with financial institutions and attempts to limit its credit exposure to any one financial institution. Cash deposits at each financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000 at December 31, 2022 and 2021, respectively. At December 31, 2022 and 2021, the Foundation had \$326,040 and \$261,272, respectively, in uninsured cash deposits. At December 31, 2022, the Foundation had \$40,639,157 invested in three different brokerage accounts. At December 31, 2021, the Foundation had \$49,922,223 invested in three different brokerage accounts. The Foundation maintains a continually managed investment strategy to diversify the risk of these investments; however, they are subject to normal market risk. The Foundation does not require any collateral to support its financial instruments.

NOTE 6 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	<u>2022</u>	<u>2021</u>
Cash, cash equivalents, and restricted cash		
Without donor restrictions	\$ 534,386	\$ 469,618
Total	<u>\$ 534,386</u>	<u>\$ 469,618</u>

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Foundation has various sources of liquidity at its disposal, including cash and investments. The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while striving to maximize the investment of its available funds.

The Portland Foundation and AffiliateNotes to the Financial StatementsDecember 31, 2022 and December 31, 2021NOTE 7 - INVESTMENTS

At December 31, 2022, the Foundation maintained the following investment portfolio:

	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>	<u>Carrying Value (Market)</u>
Money market funds	\$ 1,002,684	\$ -	\$ 1,002,684
Mutual funds	34,898,911	1,395,233	36,294,144
Other investments	3,532,513	(186,384)	3,346,129
Total	<u>\$ 39,434,108</u>	<u>\$ 1,208,849</u>	<u>\$ 40,642,957</u>

The above funds are included on the statement of financial position at fair value, under the captions "Investments; at fair value - With donor restrictions and Investments; at fair value - Assets held for others."

Investment income earned on these investments during the year ended December 31, 2022, consisted of the following:

Interest and dividends	\$ 1,126,470
Realized and unrealized gains (losses) on investments, net	<u>(8,758,043)</u>
Total	<u>\$ (7,631,573)</u>

The above income is included on the statement of activities.

At December 31, 2021, the Foundation maintained the following investment portfolio:

	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>	<u>Carrying Value (Market)</u>
Money market funds	\$ 1,382,756	\$ -	\$ 1,382,756
Mutual funds	34,199,395	10,288,744	44,488,139
Other investments	3,527,191	527,937	4,055,128
Total	<u>\$ 39,109,342</u>	<u>\$ 10,816,681</u>	<u>\$ 49,926,023</u>

The above funds are included on the statement of financial position at market value, under the captions "Investments; at market - With donor restrictions and Investments; at market - Assets held for others."

Investment income earned on these investments during the year ended December 31, 2021, consisted of the following:

Interest and dividends	\$ 1,159,832
Realized and unrealized gains (losses) on investments, net	<u>5,813,070</u>
Total	<u>\$ 6,972,902</u>

The above income is included on the statement of activities.

The Portland Foundation and AffiliateNotes to the Financial StatementsDecember 31, 2022 and December 31, 2021NOTE 8 - RETIREMENT PLAN

The Foundation set up a retirement plan during 2008 for employees. The contribution is determined annually by the Board. The expense of the retirement plan for the years ended December 31, 2022 and December 31, 2021, totaled \$13,000 and \$13,325, respectively.

NOTE 9 - CAFETERIA PLAN

As of January 1, 2017, the Foundation adopted a Section 125 cafeteria plan. This plan allows employees to elect to receive certain employee benefits with pre-tax dollars.

NOTE 10 - MAJOR FUNDING SOURCES

Significant amounts of income were recorded from the following sources during the year ended December 31, 2022:

<u>Contributor</u>	<u>Amount</u>	<u>% of Total Contributions</u>
Julie Forcum	\$ 75,000	12%
DMH Family Farms	\$ 61,096	10%

Significant amounts of income were recorded from the following sources during the year ended December 31, 2021:

<u>Contributor</u>	<u>Amount</u>	<u>% of Total Contributions</u>
Indiana University Health Jay, Inc.	\$ 1,381,115	52%
Robert Study	\$ 465,837	18%

NOTE 11 - PRINTING AND PROMOTIONAL AND ADVERTISING EXPENSES

For the years ended December 31, 2022 and December 31, 2021, printing and promotional expenses in the amount of \$8,137 and \$8,386, respectively, and advertising expenses in the amount of \$0 and \$1,543, respectively, were incurred by the Foundation to promote its programs among the Jay County community.

The Portland Foundation and AffiliateNotes to the Financial StatementsDecember 31, 2022 and December 31, 2021NOTE 12 - LEASES

The Foundation leases office space under long-term, non-cancelable finance lease agreements. The lease expires during June 2023. The Foundation includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised.

The weighted-average discount rate is based on the discount rate implicit in the lease. We have elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. We have applied the risk-free rate option to the building and vehicle classes of assets.

We have elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

We elected the practical expedient to transition package to not reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases.

Total right-of-use assets and lease liabilities at December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
<u>Lease Assets - Classification in Statement of Financial Position</u>		
Operating right-of-use assets	\$ 16,065	\$ -
Finance right-of-use assets	-	-
Total leased right-of-use assets	<u>\$ 16,065</u>	<u>\$ -</u>
<u>Lease Liabilities - Classification in Statement of Financial Position</u>		
Operating lease liabilities	\$ 16,065	\$ -
Finance lease liabilities	-	-
Total lease liabilities	<u>\$ 16,065</u>	<u>\$ -</u>

Total lease costs for the years ended December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Operating lease cost	\$ 32,400	\$ -
Finance lease cost:		
Interest expense	-	-
Amortization of right-of-use assets	-	-

The Portland Foundation and AffiliateNotes to the Financial StatementsDecember 31, 2022 and December 31, 2021NOTE 12 - LEASES (continued)

The following table summarizes the supplemental cash flow information for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 32,400	\$ -
Operating cash flows from finance leases	-	-
Financing cash flows from finance leases	-	-

The following summarizes the weighted-average remaining lease term and weight-average discount rate:

	<u>2022</u>	<u>2021</u>
Weighted-average remaining lease term in years:		
Operating leases	0.50	-
Finance leases	-	-
Weighted-average discount rate:		
Operating leases	2.87%	-
Finance leases	-	-

The future minimum lease payments under noncancelable operating and finance leases with terms greater than one year are listed below as of December 31, 2022:

	<u>Operating</u>	<u>Finance</u>
2023	\$ 16,200	\$ -
2024	-	-
2025	-	-
2026	-	-
2027	-	-
Thereafter	-	-
Total lease payments	<u>16,200</u>	<u>-</u>
Less interest	-	-
Present value of lease liabilities	<u>\$ 16,200</u>	<u>\$ -</u>

The Portland Foundation and AffiliateNotes to the Financial StatementsDecember 31, 2022 and December 31, 2021NOTE 13 - NET ASSETS

Net assets with donor restrictions were as follows for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Time Restricted		
Restricted for future periods	\$ 4,924,996	\$ 14,392,958
Perpetual	34,068,627	33,481,140
Total	<u>\$ 38,993,623</u>	<u>\$ 47,874,098</u>

Net assets without donor restrictions for the years ended December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Undesignated	<u>\$ 899,603</u>	<u>\$ 789,118</u>

Net assets released from net assets with donor restrictions are as follows:

	<u>2022</u>	<u>2021</u>
Satisfaction of Purpose Restrictions		
Restricted for future periods	\$ 2,188,049	\$ 2,132,526
Total	<u>\$ 2,188,049</u>	<u>\$ 2,132,526</u>

NOTE 14 - RELATED PARTIES

Several board members of the Foundation also serve as board members of other organizations that receive grants from the Foundation. Additionally, there are board members employed at other organizations that receive grants from the Foundation.

Furthermore, for the years ending December 31, 2022 and December 31, 2021, the Foundation leases office space from an organization where a related party serves as the Executive Director. Rent expense for the year ending December 31, 2022 and December 31, 2021 totaled \$32,400 and \$32,400, respectively.

In addition, the Foundation maintained investments at a brokerage firm for which a related party worked as the financial advisor of the investments. The value of these investments totaled \$262,352 and \$322,084, respectively, at December 31, 2022 and December 31, 2021.



The Portland Foundation and AffiliateNotes to the Financial StatementsDecember 31, 2022 and December 31, 2021NOTE 14 - RELATED PARTIES (continued)

Income earned on these investments during 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 6,693	\$ 6,695
Realized gains (losses) on sales of investments	2,974	27,045
Unrealized gains (losses) on investments	<u>(55,592)</u>	<u>1,213</u>
Total	<u>\$ (45,925)</u>	<u>\$ 34,953</u>

The above income is included on the statement of activities.

NOTE 15 - FAIR VALUES OF FINANCIAL INSTRUMENTS

FASB *Accounting Standards Codification 820, Fair Value Measurements* defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This standard also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Quotes prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices as quoted prices for similar assets or liabilities; quotes prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The estimated fair values of the Foundation's financial instruments at December 31, 2022, none of which are held for trading purposes, are as follows:

The Portland Foundation and AffiliateNotes to the Financial StatementsDecember 31, 2022 and December 31, 2021NOTE 15 - FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial Assets:</u>				
Money market funds	\$ 1,002,684	\$ -	\$ -	\$ 1,002,684
Mutual funds	36,294,144	-	-	36,294,144
Alternative investments	3,346,129	-	-	3,346,129
Total assets at fair value	<u>\$ 40,642,957</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,642,957</u>

The estimated fair values of the Foundation's financial instruments at December 31, 2021, none of which are held for trading purposes, are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial Assets:</u>				
Money market funds	\$ 1,382,756	\$ -	\$ -	\$ 1,382,756
Mutual funds	44,488,139	-	-	44,488,139
Alternative investments	4,055,128	-	-	4,055,128
Total assets at fair value	<u>\$ 49,926,023</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,926,023</u>

NOTE 16 - UNDERWATER ENDOWMENT FUNDS

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. At December 31, 2022, the Foundation had 26 funds with original gift values of \$4,419,457, fair values of \$4,229,730, and deficiencies of \$189,727 reported in net assets with donor restrictions. At December 31, 2021, the Foundation had 1 fund with original gift values of \$10,888, fair values of \$5,109, and deficiencies of \$5,779 reported in net assets with donor restrictions. The deficiencies resulted from unfavorable market fluctuations that occurred during the year and continued appropriation for certain purposes was deemed prudent by the Board of Directors.

The Portland Foundation and Affiliate

Notes to the Financial Statements

December 31, 2022 and December 31, 2021

NOTE 17 - ENDOWMENT FUND

Change in endowment net assets for the year ended December 31, 2022:

	<u>With Donor Restrictions</u>			<u>Total</u>
	<u>Assets Held for Others</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Endowment net assets, beginning of year	\$ 2,093,579	\$ 14,392,958	\$ 33,477,340	\$ 49,963,877
Investment return:				
Interest, dividends, capital gains (losses) (realized and unrealized)	(343,571)	(7,288,002)	-	(7,631,573)
Contributions	6,500	8,089	587,487	602,076
Appropriation of endowment assets for expenditure	(65,520)	(2,188,049)	-	(2,253,569)
Endowment net assets, end of year	<u>\$ 1,690,988</u>	<u>\$ 4,924,996</u>	<u>\$ 34,064,827</u>	<u>\$ 40,680,811</u>

Change in endowment net assets for the year ended December 31, 2021:

	<u>With Donor Restrictions</u>			<u>Total</u>
	<u>Assets Held for Others</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Endowment net assets, beginning of year	\$ 1,871,589	\$ 9,556,390	\$ 31,096,571	\$ 42,524,550
Investment return:				
Interest, dividends, capital gains (losses) (realized and unrealized)	268,020	6,704,882	-	6,972,902
Contributions	575	264,212	2,380,769	2,645,556
Appropriation of endowment assets for expenditure	(46,605)	(2,132,526)	-	(2,179,131)
Endowment net assets, end of year	<u>\$ 2,093,579</u>	<u>\$ 14,392,958</u>	<u>\$ 33,477,340</u>	<u>\$ 49,963,877</u>

The Portland Foundation and AffiliateNotes to the Financial StatementsDecember 31, 2022 and December 31, 2021NOTE 17 - ENDOWMENT FUND (continued)

In 1996, the Foundation adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions, because those assets are time restricted until the Board of Directors appropriates such amounts for expenditure. Most of those assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Directors has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. The Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the funds are that required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

NOTE 18 - INVESTMENT AND SPENDING POLICIES

The Foundation has adopted investment and spending policies for endowment assets with an objective to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the board, the endowment assets are invested in a manner intended to produce positive results while assuming a moderate level of investment risk. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investments are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

The Foundation has a policy of appropriating for distribution each year a discretionary amount, of 4%, based on its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 19 - RISKS AND UNCERTAINTIES

The Foundation invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, credit, and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near-term and such changes could materially affect amounts reported.

The Portland Foundation and AffiliateNotes to the Financial StatementsDecember 31, 2022 and December 31, 2021NOTE 20 - CHARITABLE GIFT ANNUITIES AND CHARITABLE REMAINDER UNITRUSTS

The Foundation is the beneficiary of several charitable gift annuities and charitable remainder unitrusts. Currently, the owners of these annuities and unitrusts are receiving benefits. The amount the Foundation will receive is uncertain. Accordingly, these funds are not reported as assets to the Foundation. During the year ending December 31, 2021, the Foundation received distributions from 13 charitable gift annuities totaling \$415,837.

The fair market value of these funds are as follows:

	<u>2022</u>	<u>2021</u>
Charitable gift annuities	\$ 98,947	\$ 140,565
Charitable remainder unitrusts	<u>1,049,076</u>	<u>1,026,428</u>
Total	<u>\$ 1,148,023</u>	<u>\$ 1,166,993</u>

NOTE 21 - CONTRIBUTED NONFINANCIAL ASSETS

The Foundation receives donated services from members of the community and volunteers related to program operations, special events, and fund-raising campaigns. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. The Foundation receives a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects. No amounts have been recognized in the statements of activities for these fundraising and special projects services because the criteria for recognition have not been satisfied.

NOTE 22 - EARLY LEARNING CENTER

In September 2022, the Foundation purchased a building with the potential to lease to an organization for the purpose of operating an early learning center. The facility was not in service for the year ending December 31, 2022.

NOTE 23 - SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions that occurred between January 1, 2023 and August 9, 2023, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements. Subsequent to year end, The Dunkirk Foundation merged into the Foundation.

August 9, 2023

To the Board of Trustees  
The Portland Foundation

We have audited the combined financial statements of The Portland Foundation (organized as a trust) and The Portland Foundation, Inc. (affiliate) for the year ended December 31, 2022, and have issued our report thereon dated August 9, 2023. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated January 1, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the combined financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the combined financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the combined financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of The Portland Foundation and affiliate solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding significant control deficiencies and other matters noted during our audit in a separate letter to you dated August 9, 2023.

Board of Trustees  
The Portland Foundation  
August 9, 2023  
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### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

### **Significant Risks Identified**

We have identified the following significant risks:

- Management override of controls is a presumed risk under audit standards

### **Qualitative Aspects of the Entity's Significant Accounting Practices**

#### *Significant Accounting Practices*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by The Portland Foundation and affiliate is included in Note 1 to the combined financial statements. As described in Note 1, in 2022 the Foundation changed accounting policies by adopting Accounting Standards Update (ASU) No. 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. No prior period results were restated and there was no cumulative-effect adjustment to net assets as of January 1, 2022.

As described in Note 1, in 2022 the Organization changed accounting policies by adopting Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). No prior period results were restated and there was no cumulative-effect adjustment to net assets as of January 1, 2022. No matters have come to our attention that would require us, under professional standards, to inform you about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### *Significant Accounting Estimates*

Accounting estimates are an integral part of the combined financial statements prepared by management and are based on management's current judgements. Those judgements are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the combined financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgements.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Corrected and Uncorrected Misstatements**

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the combined financial statements as a whole. Management has corrected all such misstatements. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period combined financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the combined financial statements currently under audit.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to The Portland Foundation and affiliate's combined financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated August 9, 2023.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings or Issues**

In the normal course of our professional association with The Portland Foundation and affiliate, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as The Portland Foundation and affiliate's auditors.



Board of Trustees  
The Portland Foundation  
August 9, 2023  
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This report is intended solely for the information and use of the Board of Trustees and management of The Portland Foundation and affiliate and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Bollenbacher & Associates, LLC*

Bollenbacher & Associates, LLC  
Certified Public Accountants

To the Board of Trustees  
The Portland Foundation

In planning and performing our audit of the combined financial statements of The Portland Foundation (organized as a trust) and The Portland Foundation, Inc. (affiliate) as of and for the year ended December 31, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered The Portland Foundation's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- Reasonably possible. The chance of the future event or events occurring is more than remote but less than likely.
- Probable. The future event or events are likely to occur.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, the Board of Trustees, and others within the Foundation, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Bollenbacher & Associates, LLC*

Portland, Indiana  
August 9, 2023