



KNOX COUNTY FOUNDATION

INDEPENDENT AUDITORS' REPORT &
FINANCIAL STATEMENTS

DECEMBER 31, 2022 & 2021



Rea & associates

www.reacpa.com

Knox County Foundation

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Knox County Foundation
Mt. Vernon, Ohio

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Knox County Foundation (the Foundation), which comprise the statements of assets, liabilities and net assets – modified cash basis as of December 31, 2022 and 2021, the related statements of activities – modified cash basis, and functional expenses – modified cash basis for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022 and 2021, and the changes in its net assets for the years then ended in accordance with the modified cash basis of accounting described in Note 2.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2022 the Foundation prepared its financial statements on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The financial statements for 2021 have been restated to reflect the modified cash basis of accounting adopted in 2022. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2022 the Foundation prepared unconsolidated financial statements. The financial statements for 2021 have been restated to reflect the change to not consolidate in 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for the period of one year from the date of this report, or within one year after the date that the financial statements are available to be issued, when applicable.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying statements of activities – by fund type are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Rea & Associates, Inc.

Rea & Associates, Inc.
Millersburg, Ohio
October 17, 2023

Knox County Foundation

Statements of Assets, Liabilities and Net Assets - Modified Cash Basis

December 31, 2022 and 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
Current assets		
Cash and cash equivalents	\$ 2,018,801	\$ 1,574,484
Other receivables	-	5,163
Investments, at fair value		
Marketable equity securities	47,038,241	57,723,150
Mutual funds, index funds & ETFs	15,912,987	28,381,713
Marketable debt securities	19,247,679	11,542,625
Marketable certificates of deposit	565,652	735,477
Investment in Commonfund partnership	3,020,774	3,374,245
Total current investments	85,785,333	101,757,210
Total current assets	87,804,134	103,336,857
Noncurrent assets		
Net real estate & structures	828,527	551,286
Noncurrent Investments		
Investment in Commonfund partnerships	297,583	524,711
Total noncurrent investments	297,583	524,711
Total noncurrent assets	1,126,110	1,075,997
Total Assets	\$ 88,930,244	\$ 104,412,854
<u>LIABILITIES & NET ASSETS</u>		
Current liabilities		
Payroll tax payable	\$ 355	\$ 1,839
Assets held as agency funds	14,984,025	17,032,530
Total current liabilities	14,984,380	17,034,369
Net assets		
Without donor restrictions	25,280,924	29,330,557
With donor restrictions	48,664,940	58,047,928
Total net assets	73,945,864	87,378,485
Total Liabilities & Net Assets	\$ 88,930,244	\$ 104,412,854

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

Knox County Foundation
Statements of Activities - Modified Cash Basis
For the years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenues, Gains and Other Support		
Contributions & grants		
Endowed	\$ 1,393,318	\$ 1,927,132
Non-endowed	<u>1,794,644</u>	<u>2,265,308</u>
	3,187,962	4,192,440
Investment (loss) income		
Dividends & interest	1,547,063	1,597,797
Realized & unrealized (losses) gains	<u>(13,388,041)</u>	<u>11,267,450</u>
Net investment (loss) income	(11,840,978)	12,865,247
Administrative fee charged to agency funds	138,577	122,799
Miscellaneous revenues	<u>-</u>	<u>72,184</u>
Total Revenues, Gains and Other Support	(8,514,439)	17,252,670
Expenses:		
Program services - grants & scholarships	3,244,714	4,028,543
Program services - other	1,189,897	1,165,013
Management & general	342,964	333,636
Fundraising	<u>140,607</u>	<u>123,385</u>
Total Expenses	<u>4,918,182</u>	<u>5,650,577</u>
Change in net assets	<u>(13,432,621)</u>	<u>11,602,093</u>
Net assets, beginning of year	<u>87,378,485</u>	<u>75,776,392</u>
Net assets, end of year	<u><u>\$ 73,945,864</u></u>	<u><u>\$ 87,378,485</u></u>

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

Knox County Foundation
Statement of Functional Expenses - Modified Cash Basis
For the year ended December 31, 2022

	Program Services		Management		
	Grants	Other	& General	Fundraising	Total
Grants, Scholarships & Initiatives					
Grants awarded - donor directed	\$ 1,414,622	\$ -	\$ -	\$ -	\$ 1,414,622
Grants awarded - Foundation directed	694,703	-	-	-	694,703
Scholarships awarded	1,045,163	-	-	-	1,045,163
Revitalization & development programs	-	677,786	-	-	677,786
Economic initiative programs	-	407,244	-	-	407,244
Other program expenses	-	4,764	-	-	4,764
Total	3,154,488	1,089,794	-	-	4,244,282
Operating Expenses					
Salaries	65,875	80,130	100,001	84,286	330,292
Employee taxes & benefits	13,963	16,984	21,197	17,865	70,009
Investment advisory fees	-	-	143,412	-	143,412
Software & information systems	10,388	-	25,961	8,184	44,533
Donor & development events	-	-	-	30,272	30,272
Professional fees	-	701	17,078	-	17,779
Other admin costs	-	2,288	35,315	-	37,603
Total	90,226	100,103	342,964	140,607	673,900
Total Expenses	\$ 3,244,714	\$ 1,189,897	\$ 342,964	\$ 140,607	\$ 4,918,182

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

Knox County Foundation
Statement of Functional Expenses - Modified Cash Basis
For the year ended December 31, 2021

	Program Services		Management		
	Grants	Other	& General	Fundraising	Total
Grants, Scholarships & Initiatives					
Grants awarded - donor directed	\$ 2,233,948	\$ -	\$ -	\$ -	\$ 2,233,948
Grants awarded - Foundation directed	710,357	-	-	-	710,357
Scholarships awarded	999,593	-	-	-	999,593
Revitalization & development programs	-	904,315	-	-	904,315
Economic initiative programs	-	162,971	-	-	162,971
Other program expenses	-	1,593	-	-	1,593
Total	3,943,898	1,068,879	-	-	5,012,777
Operating Expenses					
Salaries	61,738	79,259	94,001	78,286	313,284
Employee taxes & benefits	13,145	16,875	20,014	16,668	66,702
Investment advisory fees	-	-	147,785	-	147,785
Software & information systems	9,762	-	21,477	6,776	38,015
Donor & development events	-	-	-	21,655	21,655
Professional fees	-	-	17,625	-	17,625
Other admin costs	-	-	32,734	-	32,734
Total	84,645	96,134	333,636	123,385	637,800
Total Expenses	\$ 4,028,543	\$ 1,165,013	\$ 333,636	\$ 123,385	\$ 5,650,577

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

Knox County Foundation
Notes to the Financial Statements
For the years ended December 31, 2022 and 2021

NOTE 1 – DESCRIPTION OF THE FOUNDATION

The Knox County Foundation (the “Foundation”) is a publicly supported, nonprofit organization established to enhance the quality of life in Knox County through its responsible stewardship of individual philanthropic funds. The Foundation offers several types of funds that enable donors to identify funding opportunities aligned with their values and charitable interests including:

Donor Advised Funds: Donor Advised funds allow donors to recommend grant recipients, subject to the Foundation’s approval, to target issues the donor cares about most.

Designated Funds: Designated funds allow donors to establish a designated fund to support the charitable work of a specific non-profit organization. Also considered designated funds, field of interest funds allow donors to address needs in an important area of community life including arts & humanities, community improvement, education, health & wellness, human & social services, and youth enrichment.

Scholarship Funds: Scholarship funds allow donors to invest in the community’s future by assisting postgraduate students with their financial needs.

Community Impact & Field of Interest Funds: Unrestricted funds allow the Foundation to act strategically to improve the community by responding to the most pressing needs, today and tomorrow. Field of interest funds allow donors to identify an area of interest while allowing the Foundation to determine the most effective manner of distributing funds.

Organizational Funds: Non-profit organizations can establish an agency endowment fund and designate itself the beneficiary of the fund to establish a future stream of income, in addition to principal, from investments managed by the Foundation’s professional advisors. Organizational funds provide non-profit organizations a flexible option that allows for a more diversified portfolio that balances market risk and return.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting principles and practices of the Foundation are set forth to facilitate the understanding of data presented in the financial statements.

Retroactive Change in Accounting Method

In prior years, the Foundation reported in accordance with accounting principles generally accepted in the United States of America (US GAAP). During the year ended December 31, 2022, the Foundation retroactively changed its method of accounting to the modified cash basis. The financial statements for the year ended December 31, 2021, have been retroactively restated for this change.

Retroactive Change in Reporting Entity

In prior years, the Foundation consolidated the supporting organizations within the financial statements in accordance with US GAAP. During the year ended December 31, 2022, the Foundation retroactively changed the reporting entity to exclude the supporting organization and solely report Knox County Foundation. The financial statements for the year ended December 31, 2021, have been retroactively restated for this change.

Basis of Presentation

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than US GAAP. The Foundation records revenue when received and expenses when paid. Fixed assets are capitalized when purchased or donated, but depreciation is not recorded while the asset is held by the Foundation. The original cost is written off when the asset is sold or disposed of by the Foundation. In addition, supporting organizations, as defined per US GAAP where the Foundation maintains effective control of the organization, are not consolidated with the Foundation’s audited financial statements.

Use of Estimates

The preparation of the financial statements in conformity with the modified cash basis method of accounting requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Knox County Foundation
Notes to the Financial Statements
For the years ended December 31, 2022 and 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash & Cash Equivalents

Cash consists of short-term, highly liquid investments which are readily convertible into cash within ninety days of purchase. At various times during the year, amounts on deposit at financial institutions may be in excess of federally insured limits. The Foundation does not believe it is exposed to any significant credit risk on uninsured amounts.

Building, Leasehold Improvements & Equipment

Purchased property and equity are stated at cost. Property and equipment received as donations and bequests are stated at estimated fair values at the date of receipt by the Foundation. Property and equipment are not depreciated; however, such assets are written off when they are no longer used by, or of no further value to, the Foundation. The Foundation capitalized all fixed asset purchases over \$10,000.

Revenue Recognition

All contributions are recorded as received, not when pledged by the donor. Contributions received are recorded as with or without restrictions, depending on the existence and/or nature of any donor restrictions and variance power per the transfer agreement. Noncash contributions are recorded at the fair market value at date of receipt. Real estate and nonmarketable securities contributed to the Foundation are recorded at appraised value on the date of the gift.

Concentrations – Credit Risk

The Foundation invests in various investment securities, including U.S. government securities, corporate debt instruments, corporate stocks, mutual and index funds and various alternative investments. Investment securities, in general, are subject to various risks such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements. The Foundation has established guidelines relative to diversification and maturities that target certain safety and liquidity risk levels. The guidelines are periodically reviewed and modified to take advantage of trends in yields and interest rates.

Concentration - Major Contributors

For the years ended December 31, 2022 and 2021, 57% and 51% of contributions received by the Foundation, excluding contributions to agency endowment funds, were received from the three largest donors, respectively. Significant donors will vary depending upon estate and other non-recurring gifts received annually.

Assets Held for Agency Funds

The Foundation's method of accounting conforms with the provisions of FASB ASC 958-605-50 *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. This provision establishes standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both to another entity that is specified by the donor. Under this provision, if a not-for-profit organization establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as agency funds.

The Foundation maintains variance power and legal ownership of agency funds and as such continues to report the funds as assets of the Foundation. However, in conformity with FASB ASC 958-605-50, a liability has been established for the fair value of the funds.

Endowment Investment and Spending Policies

The Foundation has adopted investment and spending policies 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 investment and spending policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective varies by investment pool.

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through 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 (approximately 70%) to achieve its long-term return objectives within prudent risk parameters. Actual rates of return may vary from the long-term return objective.

Knox County Foundation
Notes to the Financial Statements
For the years ended December 31, 2022 and 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment Investment and Spending Policies (Continued)

The spending policy determines the amount of money annually distributed from the Foundation's various endowed funds for grant making and administration. On an annual basis, the Board of Directors reviews and approves the spending policy rate. The spending policy is to distribute an amount equal to 5.5% of the fund's market value based on a rolling average from the trailing twelve quarters for 2022 and 2021. Included in the calculation for available distributions is an assessed support fee to endowed funds of 1% to allocate operational and investment expenses. This is 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.

Income Taxes

Per a determination letter dated May 6, 2019, the Foundation and its supporting organizations are exempt from federal income tax under IRC Section 501 (c)(3) except to the extent of unrelated business taxable income. Accordingly, no provision for federal income taxes has been made in the financial statements.

The Foundation is required to file information tax returns with the Internal Revenue Service.

Date of Management Review

The Foundation has evaluated subsequent events through October 17, 2023, the date which the financial statements were available to be issued. Management is not aware of any events that have occurred subsequent to the Statement of Assets, Liabilities, and Net Assets – modified cash basis date that would require adjustment to, or disclosure in, the financial statements.

NOTE 3 – INVESTMENTS & FAIR VALUE DISCLOSURES

The Foundation maintains investment pool accounts for its funds. Realized and unrealized gains, investment income and related expenses, and administrative expenses are allocated monthly to the individual funds based on the relationship of the market value of the fund to the total market value of the investment pool accounts.

Investments are classified in the Statement of Assets, Liabilities and Net Assets – Modified Cash Basis based upon liquidity of the investments and the Foundation's intentions regarding holding period. Certificates of deposit with the intent to hold to maturity are recorded at cost. Marketable certificates of deposit held for investment purposes are valued at fair market value.

Commonfund investments are classified as current or noncurrent assets based upon restrictions imposed by the investment manager. Investment in the Commonfund Multi-Strategy Equity Investors LLC, a limited liability company that invests in a broad spectrum of equity strategies, is reported as a current asset. Investments in the Commonfund Private Equity Partners, which invests in private equity strategies, are recorded as noncurrent assets due to restrictions in the redemption of partnership interests.

The Foundation's method of accounting for investments conforms with the provisions of FASB ASC 820-10-50-2 for financial assets measured at fair value on a recurring basis. This standard clarifies the definition of fair value for financial reporting, establishes a hierarchical disclosure framework for measuring fair value, and requires additional disclosures about the use of fair value measurements. The standard prioritizes the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value measurements is defined as follows:

Level 1 – Valuation is based on observable inputs using quoted prices in active markets for identical assets that are accessible at the measurement date.

Level 2- Valuation is based on inputs from sources other than quoted prices in active markets that are either directly or indirectly observable as of the reporting date. This may include quoted prices for similar assets in an active market, quoted prices for similar assets in a market that is not as active; or valuation methods using modes, interest rates and yield curves as observable inputs.

Knox County Foundation
Notes to the Financial Statements
For the years ended December 31, 2022 and 2021

NOTE 3 – INVESTMENTS & FAIR VALUE DISCLOSURES (CONTINUED)

Level 3 – Valuation is based on unobservable inputs for the asset where there is little or no market activity for the investment and significant judgment or estimates are required.

Level 1 investments include marketable securities, exchange traded funds and cash equivalents that are carried at fair value based on observable quoted market prices in active markets; and mutual funds that are valued based on the net asset value per share computed by the fund manager and validated by a sufficient level of observable activity.

Level 2 investments include bank issued certificates of deposit that are fully FDIC insured and valued using maturity and interest rates as observable inputs, bonds other than U.S. Treasury securities (including U.S. agencies, corporate, municipal and foreign) that are valued using matrix pricing or market corroborated pricing and inputs such as yield curves and indices. Level 3 investments include nonmarketable investments in privately-held securities that are illiquid. Also included are investments in partnerships where valuation is determined through consideration of information provided by the Commonfund investment managers. Factors included in the determination of fair market value of these partnerships include estimates of fair market value assets held and corresponding liabilities and estimates of liquidation value.

The following table presents the investments carried at fair value on the Statement of Financial Position as of December 31, 2022:

Fair Value Measurement Input	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
Investments				
Certificates of deposit	-0-	565,652	-0-	565,652
U.S. & foreign equities	47,038,241	-0-	-0-	47,038,241
Mutual/index funds & EFTs	15,912,987	-0-	-0-	15,912,987
Corporate & govt. bonds	-0-	19,247,679	-0-	19,247,679
Alternative investments				
Commonfund partnerships	-0-	-0-	3,318,357	3,318,357
Total Assets	\$ 62,951,228	\$ 19,813,331	\$ 3,318,357	\$ 86,082,916

The following table presents the investments carried at fair value on the Statement of Financial Position as of December 31, 2021:

Fair Value Measurement Input	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
Investments				
Certificates of deposit	-0-	735,477	-0-	735,477
U.S. & foreign equities	57,723,150	-0-	-0-	57,723,150
Mutual/index funds & EFTs	28,381,713	-0-	-0-	28,381,713
Corporate & govt. bonds	-0-	11,542,625	-0-	11,542,625
Alternative investments				
Commonfund partnerships	-0-	-0-	3,898,956	3,898,956
Total Assets	\$ 86,104,863	\$ 12,278,102	\$ 3,898,956	\$ 102,281,921

The following table includes a roll-forward of the amounts in the Statement of Financial Position for the year ended December 31, 2022 (including the change in fair value) for investments classified within Level 3 of the fair value hierarchy:

Commonfund partnerships:

Balance at January 1, 2021	\$ 3,377,515
Net purchases	-0-
Unrealized gains	521,441
Balance at December 31, 2021	\$ 3,898,956
Net purchases	2,500
Unrealized losses	(583,099)
Balance at December 31, 2022	\$ 3,318,357

Knox County Foundation
Notes to the Financial Statements
For the years ended December 31, 2022 and 2021

NOTE 4 – INVESTMENTS IN ENTITIES THAT CALCULATE NET ASSET VALUE PER SHARE

The following table presents information about significant unobservable inputs related to material categories of Level 3 financial assets at December 31, 2022:

	<u>Fair Value</u>	<u>Valuation Techniques</u>	<u>Unobservable Inputs</u>	<u>Range</u>
Commonfund partnerships:		Estimated	Comparable	
Institutional Multi-Strategy Equity	\$ 3,020,774	valuation of	Transactions;	N/A
Private Equity Partners VII, LP	\$ 297,583	underlying assets	Cash flows	Undetermined

The following table presents the unfunded commitments and redemption requirements for investments in entities that calculate fair value using net asset value per share or its equivalent:

	<u>Note</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Notice</u>
<u>Alternative Investments</u>				
Commonfund				
Institutional Multi-Strategy Equity Investors, LLC	(A)	\$ 3,020,774	\$ -0-	Monthly
Private Equity Partners VII, LP	(B)	297,583	67,500	Illiquid
Total		<u>\$ 3,318,357</u>	<u>\$ 67,500</u>	

(A) Institutional Multi-Strategy Equity Investors, LLC – This investment seeks exposure to global equity markets with a primary focus in the U.S. equity market. The Foundation may redeem its investments monthly with five business days notice.

(B) Private Equity Partners VII, LP – This investment focuses primarily in private limited partnerships that include holdings of securities, warrants and other options that are generally not actively traded. Due to the nature of the underlying investments within the limited partnerships, redemptions or transfers are strictly limited and the investment is considered illiquid.

NOTE 5 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Foundation's financial assets as of the statement of assets, liabilities and net assets date, reduced by amounts not available for general use with one year of December 31, 2022 because of contractual or donor-imposed restrictions or internal designations. Amounts not available include assets set aside by the Foundation for growth and sustainability of the Foundation that could be drawn upon if the Board of Directors approves the action. The Foundation's financial assets within one year of the statement of financial position date for general expenditure are as follows:

Financial assets:	
Cash & cash equivalents	2,018,801
Investments, at fair value	85,785,333
Non-current investments	297,583
	<u>\$ 88,101,717</u>
Less those unavailable for general expenditures with one year, due to:	
Assets held for the benefit of others – agency funds	14,984,025
Restrictions by donor for purpose or period of time	59,322,894
Board designated endowment funds	10,582,232
	<u>\$ 84,889,151</u>
Financial assets available for general expenditures within one year	<u>\$ 3,212,566</u>

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its grants, general expenditures, liabilities and other obligations become due. The Foundation invests cash in excess of short-term requirements in cash equivalents, money market funds and other liquid investments.

Knox County Foundation
Notes to the Financial Statements
For the years ended December 31, 2022 and 2021

NOTE 6 – REAL ESTATE

During 2019 and 2020, the Foundation was gifted two parking lots on Gay Street located in the Mount Vernon downtown district area. Per the gift agreement, the parking lots must be held by the Foundation for a period of at least 25 years and suitably maintained for public parking. As part of the gift, the donor also created two funds to be held at the Foundation to provide support for operational costs and major repair and replacement costs for the donated parking lots.

During 2020, the Foundation was gifted two retail spaces in the Mount Vernon downtown district area. The retail spaces, located on the first floor at the Lofts of Mount Vernon on 212 and 214 South Main Street, were renovated by the Foundation and leased for purposes to promote the downtown Mount Vernon area. At the time of the gift the two units were valued at \$129,750 and \$126,000. Subsequent renovations costs of \$333,104 were capitalized for the two units.

During 2021, the Foundation purchased three retail spaces in the Lofts of Mount Vernon located in the Mount Vernon downtown district area. Similar to the gifted retail spaces, these units located at 206 and 210 Main Street as well as 12 E. Gambier Street were renovated by the Foundation and leased for purposes to promote the downtown Mount Vernon Area.

	2022	2021
Parking Lots – Downtown Mount Vernon	99,770	99,770
Retail Buildings – Lofts of Mount Vernon	728,757	451,516
Net real estate & structures, end of year	\$ 828,527	\$ 551,286

NOTE 7 – ASSETS HELD AS AGENCY FUNDS

At December 31, 2022, the Foundation held 65 agency endowment funds with a combined fair market value of \$14,984,932. All activity associated with income and expenses for these funds is excluded from the audited financials and the fair market value of assets associated with the agency endowment funds have been classified as an agency fund liability on the Statement of Assets, Liabilities and Net Assets – Modified Cash Basis. The following table summarizes the financial activity in such funds.

	2022	2021
Agency Fund balances, beginning of year	\$ 17,032,530	\$ 11,979,071
Amounts raised in contributions or transferred in	1,030,673	3,354,168
Amounts contributed from other endowment funds	180,322	358,368
Investment income including unrealized gains (losses)	(2,398,851)	2,268,085
Grants distributed to agency	(704,475)	(782,130)
Expenses allocated	(156,174)	(145,032)
Agency Fund balances, end of year	\$ 14,984,025	\$ 17,032,530

NOTE 8 – RETIREMENT PLAN

In 2016, the Foundation created a Section 401(k) defined contribution retirement plan where employer contributions are based upon specified percentages of salary for all eligible employees. Contributions by the Foundation to the Section 401(k) plan were \$19,388 and \$16,658 in 2022 and 2021, respectively.

NOTE 9 – SUPPORTING ORGANIZATIONS

The Foundation has multiple supporting organizations whose financial activity is not combined with the audited financial statements of the Knox County Foundation. The Foundation appoints a majority of the members of the governing board of these non-profit entities and maintains effective control of the supporting organizations. While these non-profit organizations qualify as supporting organizations under Section 509(a)(3) of the Internal Revenue Code, they are distinct entities from the Foundation separately incorporated and having received an IRS tax exempt letter of determination specific to its own operations and purpose.

Knox County Foundation
Notes to the Financial Statements
For the years ended December 31, 2022 and 2021

NOTE 9 – SUPPORTING ORGANIZATIONS (CONTINUED)

Schnormeier Gardens Foundation

The Schnormeier Gardens Foundation was established to support the operations and maintenance of the Schnormeier Gardens. The Schnormeier Gardens comprise 75 acres of Asian-inspired curated trees, flowers, water features and structures. During 2022 and 2021, the Foundation provided no direct financial support to the supporting organization.

Camp Cornish Foundation

The Camp Cornish Foundation was established to support the operations and maintenance of Camp Cornish. Camp Cornish includes 15 acres of forested land, Cornish Lodge, a river and a primitive camping area. The grounds are available to local troops of the Girl Scouts and Boy Scouts. During 2022 and 2021, the Foundation provided \$2,042 and \$4,600 of direct financial support, respectively, to the supporting organization.

Mount Vernon Arts Consortium, Inc.

Mount Vernon Arts Consortium was established to provide arts and entertainment opportunities in Mount Vernon focusing at three primary locations, Ariel-Foundation Park, Knox Memorial and The Woodward Opera House. The Consortium provides operating support for the three venues as well as attracting entertainment options for the residents of Knox County and its tourists. During 2022 and 2021, the Foundation provided \$1,000 and \$200,000 of direct financial support, respectively, to the supporting organization.

Knox Development Partnership, Inc.

Knox Development Partnership was established to assist the Foundation in the acquisition and development of critical economic and culturally significant properties and projects within Knox County, Ohio. The Foundation, along with other non-profit organizations and governmental entities, provides financial support for the purchase and renovation of identified projects to stimulate economic development in key corridors of the community. During 2022 and 2021, the Foundation provided \$475,000 and \$-0- of direct financial support, respectively, to the supporting organization.

NOTE 10 – SPLIT INTEREST GIFTS

In 2014, the Foundation received an irrevocable remainder beneficiary interest in a charitable remainder trust whose maturity is based on the life expectancy of the income beneficiaries. As of 2022 and 2021, the fair market value of the assets held in trust total \$1,495,647 and \$1,563,382, respectively. During 2022 and 2021, the Foundation received \$12,444 and \$4,887 in assessed fees to cover investment and operational costs, respectively.

Knox County Foundation
Statement of Activities - By Fund Type (Modified Cash Basis)
For the year ended December 31, 2022

	Foundation Directed Funds		Donor Directed Funds				
	Community Impact	Field of Interest	Donor Advised	Designated	Scholarship	Operating	Total
Contributions, Gains and Other Support							
Contributions & grants							
Endowed	\$ 125,000	20,000	229,887	386,115	632,316	-	\$ 1,393,318
Non-endowed	1,089,220	218,292	479,853	-	7,279	-	1,794,644
	1,214,220	238,292	709,740	386,115	639,595	-	3,187,962
Investment income							
Dividends & interest	332,092	164,885	229,433	283,264	525,477	11,912	1,547,063
Realized & unrealized gains (losses)	(2,896,496)	(1,324,217)	(1,916,931)	(2,483,542)	(4,648,234)	(118,621)	(13,388,041)
Net investment income	(2,564,404)	(1,159,332)	(1,687,498)	(2,200,278)	(4,122,757)	(106,709)	(11,840,978)
Administrative fee charged to agency funds & trusts						138,577	138,577
Miscellaneous revenues	-	-	-	-	-	-	-
Total Revenues, Gains & Other Support	(1,350,184)	(921,040)	(977,758)	(1,814,163)	(3,483,162)	31,868	(8,514,439)
Grants, Scholarships & Initiatives							
Grants awarded - Donor directed	-	-	776,034	626,869	11,719	-	1,414,622
Grants awarded - Foundation directed	401,605	279,259	-	-	-	13,839	694,703
Scholarships awarded	29,054	-	14,000	-	1,002,109	-	1,045,163
Revitalization & development programs	-	182,816	-	-	-	494,970	677,786
Economic initiative programs	70,000	337,244	-	-	-	-	407,244
Other program expenses	1,390	-	1,715	1,000	-	659	4,764
Total	502,049	799,319	791,749	627,869	1,013,828	509,468	4,244,282
Operating Expenses							
Salaries	-	5,625	-	-	-	324,667	330,292
Employee taxes & benefits	-	430	-	-	-	69,579	70,009
Investment advisory fees	31,234	12,910	22,094	26,442	49,511	1,221	143,412
Software & information systems	-	-	-	-	-	44,533	44,533
Donor & development events	2,116	-	-	-	6,826	21,330	30,272
Professional fees	-	701	-	-	-	17,078	17,779
Other admin costs	15	2,303	230	45	352	34,658	37,603
Total	33,365	21,969	22,324	26,487	56,689	513,066	673,900
Total Expenses	535,414	821,288	814,073	654,356	1,070,517	1,022,534	4,918,182
Revenues in excess/(deficit) of expenses	(1,885,598)	(1,742,328)	(1,791,831)	(2,468,519)	(4,553,679)	(990,666)	(13,432,621)
Interfund Activity:							
Administrative fee charged to funds	(125,466)	(67,685)	(84,324)	(114,157)	(214,392)	606,024	-
New Philanthropy matching	75,000	20,000	(205,881)	72,891	37,990	-	-
Donor fund reclassification	17,672	-	(17,672)	-	-	-	-
Other internal transfers & grants	(179,936)	223,350	(87,750)	33,036	11,300	-	-
Net interfund activity	(212,730)	175,665	(395,627)	(8,230)	(165,102)	606,024	-
Change in fund balances	(2,098,328)	(1,566,663)	(2,187,458)	(2,476,749)	(4,718,781)	(384,642)	(13,432,621)
Beginning fund balances							
Permanently endowed funds	6,460,358	3,957,596	5,249,348	12,263,615	11,973,567	-	39,904,484
Temporarily restricted donor funds	-	-	7,426,409	3,567,698	17,567,291	-	28,561,398
Unrestricted Foundation funds	11,727,827	6,138,819	-	-	-	1,045,957	18,912,603
	18,188,185	10,096,415	12,675,757	15,831,313	29,540,858	1,045,957	87,378,485
Change in fund balances							
Permanently endowed contributions & transfers	200,000	40,000	390,686	459,006	670,306	-	1,759,998
Temporarily restricted donor funds	-	-	(2,578,144)	(2,935,755)	(5,389,087)	-	(10,902,986)
Unrestricted Foundation funds	(2,298,328)	(1,606,663)	-	-	-	(384,642)	(4,289,633)
	(2,098,328)	(1,566,663)	(2,187,458)	(2,476,749)	(4,718,781)	(384,642)	(13,432,621)
Ending fund balances							
Permanently endowed funds	6,660,358	3,997,596	5,640,034	12,722,621	12,643,873	-	41,664,482
Temporarily restricted donor funds	-	-	4,848,265	631,943	12,178,204	-	17,658,412
Unrestricted Foundation funds	9,429,499	4,532,156	-	-	-	661,315	14,622,970
	\$ 16,089,857	8,529,752	10,488,299	13,354,564	24,822,077	661,315	\$ 73,945,864

Knox County Foundation
Statement of Activities - By Fund Type (Modified Cash Basis)
For the year ended December 31, 2021

	Foundation Directed Funds		Donor Directed Funds				
	Community Impact	Field of Interest	Donor Advised	Designated	Scholarship	Operating	Total
Contributions, Gains and Other Support							
Contributions & grants							
Endowed	\$ 162,966	1,565	260,789	887,923	613,889	-	\$ 1,927,132
Non-endowed	262,560	320,434	1,571,464	1,000	109,850		2,265,308
	425,526	321,999	1,832,253	888,923	723,739	-	4,192,440
Investment income							
Dividends & interest	339,826	175,909	239,470	292,449	538,692	11,451	1,597,797
Realized & unrealized gains (losses)	2,270,215	1,245,528	1,718,816	2,086,692	3,842,450	103,749	11,267,450
Net investment income	2,610,041	1,421,437	1,958,286	2,379,141	4,381,142	115,200	12,865,247
Administrative fee charged to agency funds & trusts						122,799	122,799
Miscellaneous revenues	4	1,806	3	4	10,699	59,668	72,184
Total Revenues, Gains & Other Support	3,035,571	1,745,242	3,790,542	3,268,068	5,115,580	297,667	17,252,670
Grants, Scholarships & Initiatives							
Grants awarded - Donor directed			1,615,956	556,794	61,198	-	2,233,948
Grants awarded - Foundation directed	484,584	217,124				8,649	710,357
Scholarships awarded	39,585		35,500		924,508		999,593
Revitalization & development programs		885,348	774			18,193	904,315
Economic initiative programs	60,000	102,971					162,971
Other program expenses	1,390					203	1,593
Total	585,559	1,205,443	1,652,230	556,794	985,706	27,045	5,012,777
Operating Expenses							
Salaries	-	8,775	-	-	-	304,509	313,284
Employee taxes & benefits	-	791	-	-	-	65,911	66,702
Investment advisory fees	31,886	14,020	22,807	27,386	50,503	1,183	147,785
Software & information systems	-	-	-	-	-	38,015	38,015
Donor & development events	-	-	-	-	8,901	12,754	21,655
Professional fees	-	1,232	-	-	-	16,393	17,625
Other admin costs	20	1,747	324	26	278	30,339	32,734
Total	31,906	26,565	23,131	27,412	59,682	469,104	637,800
Total Expenses	617,465	1,232,008	1,675,361	584,206	1,045,388	496,149	5,650,577
Revenues in excess/(deficit) of expenses	2,418,106	513,234	2,115,181	2,683,862	4,070,192	(198,482)	11,602,093
Interfund Activity:							
Administrative fee charged to funds	(134,543)	(76,104)	(97,686)	(120,589)	(224,731)	653,653	-
New Philanthropy matching	97,500	-	(331,990)	125,252	109,238	-	-
Other internal transfers & grants	41,639	270,889	(888,191)	121,677	453,986	-	-
Net interfund activity	4,596	194,785	(1,317,867)	126,340	338,493	653,653	-
Change in fund balances	2,422,702	708,019	797,314	2,810,202	4,408,685	455,171	11,602,093
Beginning fund balances							
Permanently endowed funds	6,064,256	3,956,031	4,849,590	11,250,440	11,250,440	-	37,370,757
Temporarily restricted donor funds	-	-	7,028,853	1,770,671	13,881,733	-	22,681,257
Unrestricted Foundation funds	9,701,227	5,432,365	-	-	-	590,786	15,724,378
	15,765,483	9,388,396	11,878,443	13,021,111	25,132,173	590,786	75,776,392
Change in fund balances							
Permanently endowed contributions & transfers	396,102	1,565	399,758	1,013,175	723,127	-	2,533,727
Temporarily restricted donor funds	-	-	397,556	1,797,027	3,685,558	-	5,880,141
Unrestricted Foundation funds	2,026,600	706,454	-	-	-	455,171	3,188,225
	2,422,702	708,019	797,314	2,810,202	4,408,685	455,171	11,602,093
Ending fund balances							
Permanently endowed funds	6,460,358	3,957,596	5,249,348	12,263,615	11,973,567	-	39,904,484
Temporarily restricted donor funds	-	-	7,426,409	3,567,698	17,567,291	-	28,561,398
Unrestricted Foundation funds	11,727,827	6,138,819	-	-	-	1,045,957	18,912,603
	\$ 18,188,185	10,096,415	12,675,757	15,831,313	29,540,858	1,045,957	\$ 87,378,485