



Certified Public Accountants

THE TOPEKA COMMUNITY FOUNDATION

FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

THE TOPEKA COMMUNITY FOUNDATION
Financial Statements
Years Ended December 31, 2022 and 2021

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Topeka Community Foundation

Opinion

We have audited the financial statements of The Topeka Community Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2022 and 2021, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022 and 2021, and the results of its operations and its 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 Auditors' 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.

Responsibilities of Management for the Financial Statements

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

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

An Independently Owned Member, RSM US Alliance

RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.

Auditors' 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 auditors' 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.

BT&Co, P.A.

September 25, 2023
Topeka, Kansas

THE TOPEKA COMMUNITY FOUNDATION
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2022 and 2021

	2022	2021
<u>ASSETS</u>		
Cash and cash equivalents	\$ 639,025	\$ 1,225,942
Short-term investments	4,468,440	4,986,694
Long-term investments	87,853,481	93,542,845
Cash surrender value of life insurance	253,338	285,811
Beneficial interest	319,940	417,644
Office equipment, net of accumulated depreciation of \$ 132,501 and \$ 128,060, respectively	11,237	12,827
Total assets	\$ 93,545,461	\$ 100,471,763
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Agency funds	\$ 21,080,378	\$ 23,988,426
Net assets:		
Without donor restrictions	40,354,553	40,055,245
With donor restrictions	32,110,530	36,428,092
Total net assets	72,465,083	76,483,337
Total liabilities and net assets	\$ 93,545,461	\$ 100,471,763

See accompanying notes to financial statements.

THE TOPEKA COMMUNITY FOUNDATION
STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Contributions	\$ 9,453,543	\$ 2,441,519	\$ 11,895,062
Administrative fee income	164,041	-	164,041
Return on investments, net	(4,806,517)	(4,222,726)	(9,029,243)
Change in beneficial interest	-	(97,704)	(97,704)
Net assets released from restrictions	2,450,767	(2,450,767)	-
	<u>7,261,834</u>	<u>(4,329,678)</u>	<u>2,932,156</u>
Total revenues, returns and other support			
Expenses:			
Program services:			
Grants made	5,392,599	-	5,392,599
Other fund activities	1,067,639	-	1,067,639
	<u>6,460,238</u>	<u>-</u>	<u>6,460,238</u>
Total program expenses			
Support services:			
Administration	354,126	-	354,126
Fundraising and development	118,042	-	118,042
	<u>472,168</u>	<u>-</u>	<u>472,168</u>
Total support expenses			
	<u>6,932,406</u>	<u>-</u>	<u>6,932,406</u>
Total expenses			
Transfers	(30,120)	12,116	(18,004)
Changes in net assets	299,308	(4,317,562)	(4,018,254)
Net assets, beginning of year	40,055,245	36,428,092	76,483,337
Net assets, end of year	<u>\$ 40,354,553</u>	<u>\$ 32,110,530</u>	<u>\$ 72,465,083</u>

See accompanying notes to financial statements.

THE TOPEKA COMMUNITY FOUNDATION
STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Contributions	\$ 7,295,759	\$ 1,230,755	\$ 8,526,514
Paycheck Protection Program (PPP) loan forgiveness	63,000	-	63,000
Administrative fee income	165,336	-	165,336
Return on investments, net	5,955,375	5,316,474	11,271,849
Change in beneficial interest	-	22,792	22,792
Net assets released from restrictions	2,263,361	(2,263,361)	-
	<u>15,742,831</u>	<u>4,306,660</u>	<u>20,049,491</u>
Expenses:			
Program services:			
Grants made	5,964,121	-	5,964,121
Other fund activities	918,276	-	918,276
	<u>6,882,397</u>	<u>-</u>	<u>6,882,397</u>
Support services:			
Administration	349,794	-	349,794
Fundraising and development	87,821	-	87,821
	<u>437,615</u>	<u>-</u>	<u>437,615</u>
Total expenses	<u>7,320,012</u>	<u>-</u>	<u>7,320,012</u>
Transfers	(44,334)	17,706	(26,628)
Changes in net assets	8,378,485	4,324,366	12,702,851
Net assets, beginning of year	<u>31,676,760</u>	<u>32,103,726</u>	<u>63,780,486</u>
Net assets, end of year	<u>\$ 40,055,245</u>	<u>\$ 36,428,092</u>	<u>\$ 76,483,337</u>

See accompanying notes to financial statements.

THE TOPEKA COMMUNITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

	Program Services		Management and General	Fundraising and Development	Total
	Grants	Other			
Grants disbursed:					
Human services	\$ 997,545	\$ -	\$ -	\$ -	\$ 997,545
Religion	889,696	-	-	-	889,696
Education	938,974	-	-	-	938,974
Health	809,006	-	-	-	809,006
Community development	593,097	-	-	-	593,097
Arts/Culture	269,535	-	-	-	269,535
Youth	431,316	-	-	-	431,316
Other grants	463,430	-	-	-	463,430
Other fund expenditures	-	802,041	-	-	802,041
Salaries	-	149,118	198,824	66,275	414,217
Employee benefits	-	17,280	23,040	7,680	48,000
Payroll taxes	-	11,285	15,047	5,016	31,348
Professional fees	-	26,581	35,441	11,814	73,836
Occupancy	-	24,974	33,298	11,099	69,371
Donor development	-	7,268	9,691	3,230	20,189
Insurance	-	4,301	5,735	1,912	11,948
Dues and subscriptions	-	2,298	3,064	1,021	6,383
C-Ste License & Training	-	10,080	13,440	4,480	28,000
Office expenses	-	1,967	2,622	874	5,463
Telephone	-	2,296	3,061	1,020	6,377
Maintenance agreements	-	1,604	2,138	713	4,455
Printing	-	1,308	1,743	581	3,632
Postage	-	1,479	1,971	657	4,107
Depreciation	-	1,599	2,132	711	4,442
Conferences and meetings	-	1,215	1,621	540	3,376
Other expenses	-	945	1,258	419	2,622
	<u>\$ 5,392,599</u>	<u>\$ 1,067,639</u>	<u>\$ 354,126</u>	<u>\$ 118,042</u>	<u>\$ 6,932,406</u>

See accompanying notes to financial statements.

THE TOPEKA COMMUNITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2021

	Program Services		Management and General	Fundraising and Development	Total
	Grants	Other			
Grants disbursed:					
Human services	\$ 1,013,901	\$ -	\$ -	\$ -	\$ 1,013,901
Religion	954,259	-	-	-	954,259
Education	834,977	-	-	-	834,977
Health	775,336	-	-	-	775,336
Community development	656,053	-	-	-	656,053
Arts/culture	536,771	-	-	-	536,771
Food/nutrition	357,847	-	-	-	357,847
Youth	355,912	-	-	-	355,912
Other	479,065	-	-	-	479,065
Other fund expenditures	-	666,497	-	-	666,497
Salaries	-	157,369	179,851	37,469	374,689
Employee benefits	-	13,493	24,288	7,196	44,977
Payroll taxes	-	8,507	15,312	4,537	28,356
Professional fees	-	22,926	41,266	12,227	76,419
Occupancy	-	20,811	37,460	11,099	69,370
Donor development	-	3,088	5,559	1,647	10,294
Insurance	-	3,496	6,294	1,865	11,655
Dues and subscriptions	-	1,731	3,116	923	5,770
C-Ste License & Training	-	12,600	22,680	6,720	42,000
Office expenses	-	1,869	3,364	997	6,230
Telephone	-	1,907	3,433	1,017	6,357
Maintenance agreements	-	1,307	2,353	697	4,357
Printing	-	824	1,484	440	2,748
Postage	-	328	590	175	1,093
Depreciation	-	1,022	1,840	545	3,407
Conferences and meetings	-	176	317	94	587
Other expenses	-	325	587	173	1,085
	<u>\$ 5,964,121</u>	<u>\$ 918,276</u>	<u>\$ 349,794</u>	<u>\$ 87,821</u>	<u>\$ 7,320,012</u>

See accompanying notes to financial statements.

THE TOPEKA COMMUNITY FOUNDATION
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Contributions received	\$ 11,895,062	\$ 8,526,514
Less contributions received with donor restrictions	(985,032)	(56,458)
Agency contributions received	1,239,469	1,335,339
Interest and dividends received, net of fees	2,837,229	2,623,657
Cash paid to employees and vendors	(737,763)	(689,393)
Direct grant expenses	(802,041)	(666,497)
Grants disbursed	(5,392,599)	(5,964,121)
Agency disbursements	(1,196,470)	(1,093,671)
Net cash from operating activities	6,857,855	4,015,370
Cash flows from investing activities:		
Investment purchases	(19,241,399)	(12,602,859)
Proceeds from sales of investments	10,815,701	9,274,414
Purchase of property and equipment	(4,106)	(7,533)
Net cash from investing activities	(8,429,804)	(3,335,978)
Cash flows from financing activities:		
Contributions received with donor restrictions	985,032	56,458
Net change in cash and cash equivalents	(586,917)	735,850
Cash and cash equivalents, beginning of year	1,225,942	490,092
Cash and cash equivalents, end of year	\$ 639,025	\$ 1,225,942

See accompanying notes to financial statements.

THE TOPEKA COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

1 - Organization

The Topeka Community Foundation (the Foundation) is a community-based nonprofit organization founded in 1983 to benefit the people of Topeka and Shawnee County by building and managing a permanent grant-making foundation. Charitable contributions are received from many individuals, families and organizations, and are pooled and invested together to provide a continuing resource for the community.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Financial Accounting Standards Board (FASB) has established the Accounting Standards Codification (ASC) as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with GAAP. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as net assets without donor restrictions and net assets with donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Short-term Investments

Short-term investments include certificates of deposit with commercial banks and credit unions and generally have maturities ranging from 12 to 24 months.

Long-term Investments

Investments consist principally of mutual funds and investment partnerships purchased through various investment managers and are stated at fair value based on quoted market prices or at estimated fair value as reported by fund managers. Investment income, including realized and unrealized gains and losses are included in return on investment in the statements of activities.

Investment securities are exposed to various risks, such as interest rate, market fluctuation and credit risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in risks in the near term would materially affect investments and the amounts reported in the statements of financial position.

Property and Equipment

Property and equipment are recorded at cost. Major improvements and renewals are capitalized, while ordinary maintenance and repairs are expensed. Management annually reviews fixed assets to determine whether carrying values have been impaired. Depreciation is provided on the straight-line basis over the estimated useful lives of the related assets.

THE TOPEKA COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Agency Funds

The Foundation recognizes a liability for funds received from and held for the sole benefit of other non-profit organizations.

Contributions and Bequests

The Foundation recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Contributions and bequests received are recorded as without donor restrictions or with donor restrictions, depending on the existence or nature of any restrictions.

Donor-restricted contributions and bequests are reported as increases in donor restricted net assets, depending on the nature of the restriction. Some donor-imposed restrictions are temporary in nature that may or will be met, either by actions of the Foundation and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates resources be maintained in perpetuity. As of December 31, 2022, the Foundation's net assets with donor restrictions are restricted for funding various health, education and community philanthropic programs specified by the donors.

Non-cash contributions are recorded at the estimated fair value at the time of donation.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses reported in the financial statements are attributed to more than one program or supporting function and require allocation based on the full-time employee equivalent method and management estimates of time and effort.

Statement of Cash Flows

For purposes of the statement of cash flows, all interest-bearing deposits at commercial banks and money market funds at commercial banks and brokerage houses, purchased with initial maturity dates of three months or less, are considered to be cash equivalents.

Income Taxes

The Foundation has been organized as a non-profit corporation under Section 501(c)(3) of the Internal Revenue Code. As such, revenues related to its exempt purposes are exempt from income taxes.

The Foundation's present accounting policy for the evaluation of uncertain tax positions is to review those positions on an annual basis. A liability would be recorded in the financial statements during the period which, based on all available evidence, management believes it is more likely than not that the tax

THE TOPEKA COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

position would not be sustained upon examination by taxing authorities and the liability would be incurred by the Foundation.

Recent Accounting Pronouncement

Leases

The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)*. The ASU and all subsequently issued clarifying ASUs replaced most existing lease guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and cash flows arising from leases. The Foundation adopted the new standard effective January 1, 2022, the first day of the Foundation’s fiscal year. The Foundation determined if an arrangement contained a lease at inception based on whether the Foundation has the right to control the asset during the contract period and other facts and circumstances.

The adoption of FASB ASC 842 did not have a material impact on the Foundation’s results of operations or cash flows and there was no change to net assets due to this change. As such, no additional amounts or disclosures are included in the financial statements.

2 - Cash and Cash Equivalents

The Foundation’s policy is to maintain deposits with various high-quality financial institutions. Cash balances at commercial banks are insured by the Federal Deposit Insurance Corporation; however, balances may occasionally exceed the insured amount.

Cash and cash equivalents as of December 31 are as follows:

	2022	2021
Deposits with commercial banks	\$ 308,491	\$ 751,927
Money market funds	330,534	474,015
Total cash and cash equivalents	\$ 639,025	\$ 1,225,942

3 - Investments and Fair Value Measurements

Assets recorded at fair value are categorized based upon the level of observability associated with the inputs used to measure their fair value. Fair value is defined as the amount that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The availability of observable inputs is affected by a variety of factors, including the type of asset and the transparency of market transactions. To the extent that fair value is based on inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment.

THE TOPEKA COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

- Level 1 – Inputs are unadjusted, quoted prices in active markets for identical assets at the measurement date.
- Level 2 – Inputs are other than quoted prices in active markets that are observable for the asset, either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 – Inputs are unobservable and significant to the asset and include situations where there is little, if any, market activity.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants used to make valuation decisions, including assumptions about risk. Inputs may include market price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. The classification of a financial asset within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. However, the determination of what constitutes “observable” requires significant judgment of management. Management considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by multiple, independent sources that are actively involved in the relevant market. The categorization of a fund within the hierarchy is based upon the pricing transparency of that fund and does not necessarily correspond to management’s perceived risk of that fund.

A description of the valuation methodologies used for investments measured at fair value, are as follows:

Actively Traded Investments (exchange traded funds, mutual funds and stocks) are valued at the last reported sales price on the day of valuation.

Investments Reported at Net Asset Value are valued at fair value based on the applicable percentage ownership of the underlying funds’ net assets as of the measurement date.

The following tables set forth carrying amounts and estimated fair values for financial instruments measured on a recurring basis at December 31:

	2022			
	Total	Level 1	Level 2	Level 3
Investments - actively traded:				
Equities - domestic	\$ 36,811,144	\$ 36,811,144	\$ -	\$ -
Equities - international	15,730,995	15,730,995	-	-
Equities - energy/natural resources	6,893,555	6,893,555	-	-
Real estate	5,034,115	5,034,115	-	-
Fixed income	20,198,529	20,198,529	-	-
Other	37,908	37,908	-	-
Total actively traded	84,706,246	<u>\$ 84,706,246</u>	<u>\$ -</u>	<u>\$ -</u>
Investments at net asset value:				
Equities - private ^(a)	<u>3,147,235</u>			
Total investments	<u>\$ 87,853,481</u>			

THE TOPEKA COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

	2021			
	Total	Level 1	Level 2	Level 3
Investments - actively traded:				
Equities - domestic	\$ 46,224,227	\$ 46,224,227	\$ -	\$ -
Equities - international	13,974,087	13,974,087	-	-
Equities - energy/natural resources	6,834,908	6,834,908	-	-
Real estate	5,955,081	5,955,081	-	-
Fixed income	15,524,446	15,524,446	-	-
Other	74,877	74,877		
Total actively traded	88,587,626	\$ 88,587,626	\$ -	\$ -
Investments at net asset value:				
Equities - private ^(a)	4,955,219			
Total investments	\$ 93,542,845			

(a) In accordance with Subtopic 820-10, certain investments that are measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of financial position.

Investments at Net Asset Value

The Foundation invests in four venture capital partnerships. Interest in venture capital partnerships are based on valuations per share provided by the general partners of the respective partnership as of December 31, 2022 and 2021 adjusted for cash receipts, cash disbursements, and securities distributions through December 31, 2022 and 2021. These investments have redemption restrictions that limit the liquidity of the investment portfolio. As of December 31, 2022 and 2021, the Foundation held investments in these partnerships totaling \$ 2,965,013 and \$ 4,753,207, respectively and these are included in the Investments at Net Asset Value reported in the above table.

The Foundation invests in various other investments totaling \$ 182,222 and \$ 202,012, respectively that are classified as Investments at Net Asset Value based on the net asset valuations provided to the Foundation. These investments include private equity funds, fixed income and other alternative investments. The fair values of these investments have been estimated using the net asset value per share of the investments as provided by the audited financial statements provided by the managers of the investment funds. Some investments have redemption restrictions which may limit the liquidity of the investment portfolio.

THE TOPEKA COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fair Value of Investments that Use Net Asset Value (NAV)

The following tables set forth additional disclosures of investments whose fair value is estimated using NAV per share as of December 31, 2022:

Investment	2022			
	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Libra	\$ 28,610	None	Daily	None
Morgan Creek BRIC Plus ^(a)	153,612	None	Daily	None
Morgan Creek Partners II ^(b)	351,225	\$ 75,000	None	None
Morgan Creek Partners III ^(b)	746,099	240,000	None	None
Morgan Creek Partners IV ^(b)	617,020	75,000	None	None
Morgan Creek Partners V ^(b)	1,250,669	90,000	None	None
Total	<u>\$ 3,147,235</u>	<u>\$ 480,000</u>		

The following tables set forth additional disclosures of investments whose fair value is estimated using NAV per share as of December 31, 2021:

Investment	2021			
	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Libra	\$ 29,900	None	Daily	None
Morgan Creek BRIC Plus ^(a)	172,112	None	Daily	None
Morgan Creek Partners II ^(b)	422,858	\$ 75,000	None	None
Morgan Creek Partners III ^(b)	1,559,615	240,000	None	None
Morgan Creek Partners IV ^(b)	1,131,634	75,000	None	None
Morgan Creek Partners V ^(b)	1,639,100	90,000	None	None
Total	<u>\$ 4,955,219</u>	<u>\$ 480,000</u>		

(a) This investment's objective is to seek capital appreciation with moderate risk using Morningstar's Aggressive Target Risk Index, capital appreciation and current income using Morningstar's Moderate Target Risk Index, and current income, with capital appreciation as a secondary goal using Morningstar's Conservative Target Risk Index.

(b) This investment's objective is to seek capital appreciation by investing in private equity funds engaged in investing in buyouts, venture and growth capital, real estate, energy and natural resources and other investments including but not limited to distressed debt and secondary interests.

THE TOPEKA COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Beneficial Interest in Trusts

The beneficial interest in trusts represents trust arrangements in which the Foundation does not exercise control over the trust assets. The Foundation's interest in the trust is recorded at the present value of the estimated future cash flows from each trust, \$ 319,940 and \$ 417,644 at December 31, 2022 and 2021, respectively. Beneficial interest in trusts are classified as Level 3 assets. The underlying assets in these trusts consist of cash and marketable debt and equity securities. A discount rate of 5% was used in determining the present value of the estimated future cash flows for the trusts. Changes in the value of the trust have been reported in the statement of activities in net assets with donor restrictions.

For the years ended December 31, the changes in Level 3 fair value measurements are as follows:

	<u>2022</u>	<u>2021</u>
Beginning fair value	\$ 417,644	\$ 394,852
Change in beneficial interest	<u>(97,704)</u>	<u>22,792</u>
Ending fair value	<u>\$ 319,940</u>	<u>\$ 417,644</u>

Return on Investment

Components of return on investments, are as follows for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 2,395,171	\$ 2,171,602
Realized and unrealized (loss) gains	(11,194,574)	9,312,508
Investment expense	<u>(229,840)</u>	<u>(212,261)</u>
Total	<u>\$ (9,029,243)</u>	<u>\$ 11,271,849</u>

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4 - Agency Funds

The following summarizes the Foundation's agency fund activity during 2022 and 2021. Agency activity is recorded in the Foundation's liability accounts.

	<u>2022</u>	<u>2021</u>
Value of agency funds, beginning of year	\$ 23,988,426	\$ 20,063,737
Contributions	1,239,469	1,335,339
Net investment return (loss)	(2,805,010)	3,821,729
Distributions	(1,196,470)	(1,093,671)
Expense allocation for administration	(164,041)	(165,336)
Classification changes and transfers	18,004	26,628
	<u>21,080,378</u>	<u>23,988,426</u>
Value of agency funds, end of year	<u>\$ 21,080,378</u>	<u>\$ 23,988,426</u>

5 - Net Assets

Net assets without donor restrictions at December 31 consist of the following:

	<u>2022</u>	<u>2021</u>
Funds designated for donor advised grants available for distribution upon recommendation by the donor	\$ 37,247,939	\$ 36,358,016
Family funds donations available for grants at Board discretion within the donor's field of interest	1,886,965	2,359,833
Funds for which the Board has designated a specific purpose	1,219,649	1,337,396
	<u>\$ 40,354,553</u>	<u>\$ 40,055,245</u>

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Net assets with donor restrictions at December 31 consist of the following:

	2022	2021
Purpose restrictions:		
Funds restricted to a variety of specific purposes designated by the donor	\$ 4,073,641	\$ 4,273,934
Scholarship funds designated by donors for students meeting predetermined qualifications	3,059,787	3,349,522
Funds from beneficial interest in charitable remainder trusts (Note 3)	319,940	417,644
Net assets with donor restrictions subject to endowment spending policy and appropriations:		
Funds for which income can be expended at the discretion of the Board, and principal is to be invested in perpetuity	292,200	292,200
Funds for which income is to be expended for purposes designated by the donor, and principal is to be invested in perpetuity	25,523,094	28,232,506
Net underwater status of funds invested in perpetuity	(1,158,132)	(137,714)
	\$ 32,110,530	\$ 36,428,092

6 - Endowment Funds

The Foundation's endowment funds have been established for a variety of purposes to provide income in support of certain designated activities. Endowments include both Board and donor-designated funds, and are classified and reported in net assets based on the existence or absence of donor-imposed restrictions.

The State of Kansas has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which provides guidance and authority to charitable organizations regarding the management and investment of endowment funds.

The Board of Directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Foundation generally retains in perpetuity (a) the original value of the gifts donated to permanent endowments, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor restricted amounts not

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retained in perpetuity are subject to appropriation for expenditure by the Foundation. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the funds
- The purpose of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Changes in endowment net assets as of December 31 are as follows:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 4,630,094	\$ 30,427,205	\$ 35,057,299
Investment return:			
Net appreciation/depreciation (realized and unrealized)	(579,873)	(3,878,923)	(4,458,796)
Contributions	56,195	928,837	985,032
Transfers to (from) endowment funds	(32,495)	(24,599)	(57,094)
Appropriations for expenditure	(85,000)	(863,385)	(948,385)
Endowment net assets, end of year	<u>\$ 3,988,921</u>	<u>\$ 26,589,135</u>	<u>\$ 30,578,056</u>
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 3,980,730	\$ 26,871,880	\$ 30,852,610
Investment return:			
Net appreciation/depreciation (realized and unrealized)	721,219	4,372,905	5,094,124
Contributions	15,111	41,347	56,458
Transfers to (from) endowment funds	(28,019)	(103,944)	(131,963)
Appropriations for expenditure	(58,947)	(754,983)	(813,930)
Endowment net assets, end of year	<u>\$ 4,630,094</u>	<u>\$ 30,427,205</u>	<u>\$ 35,057,299</u>

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The Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has donor restricted endowments with a total original corpus of \$ 12,405,720 and \$ 1,724,273 that are underwater by \$ 1,834,682 and \$ 643,449 as of December 31, 2022 and 2021, respectively. These deficiencies result from unfavorable market fluctuations and continued appropriation for certain programs as deemed prudent by the Board of Directors.

Endowment net assets included board designated net assets of \$ 1,214,260 and \$ 1,331,614 at December 31, 2022 and 2021, respectively.

The Foundation has adopted investment and spending policies for endowment assets that provide for a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment funds are pooled with other investment funds held by the Foundation. Investment gains and losses are allocated in proportion to the endowment funds' portion of the investment pool. The Foundation investment policy includes both a growth component and an income component. The long-term investment objective of the growth component is to earn a rate of return, net of all fees, in excess of commonly used endowment benchmarks over rolling five and ten-year periods. The income component objective is to earn a competitive short-term interest rate. The spending policy allows for a percentage distribution based on the average three-year September 30 balance. The percent for 2022 and 2021 was 4.5%.

On a case-by-case basis, the Foundation's policy is to appropriate for expenditure of the endowment earnings in accordance with the donor restrictions and/or as approved by the Board of Directors. The Board designated unrestricted endowment assets represent a fund established to support the operations of the Foundation.

7 - Liquidity and Availability

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of the statement of financial position date are as follows as of December 31:

	2022	2021
Cash and cash equivalents	\$ 639,025	\$ 1,225,942
Short-term investments (maturing within one year)	2,614,746	2,904,418
Investments (less illiquid assets)	84,706,246	88,587,558
	87,960,017	92,717,918
Less:		
Agency funds	(21,080,378)	(23,988,426)
Restricted by donors with purpose restrictions	(32,110,530)	(36,428,092)
	(53,190,908)	(60,416,518)
Amounts unavailable to management without Board's approval:		
Board designated for administrative reserve and foundation leadership	(1,219,649)	(1,337,396)
Total financial assets available within one year	\$ 33,549,460	\$ 30,964,004

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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 become due. The Foundation invests cash in excess of daily requirements in short-term investments and money market funds. An operating reserve has been established with surplus cash from the 2019, 2020, 2021 and 2022 operating budgets. A line of credit, in the amount of \$ 350,000, was established in 2019 and renewed in February 2021. The line was not renewed in February 2022. Additionally, the Foundation has board designated endowments that, while the Foundation does not intend to spend from other than the purposes identified, could be made available for current operations if necessary.

9 - Pension Plan

The Foundation matches each employee's IRA contributions up to 3% of the participant's salary. All employees are eligible to participate in the plan. During 2022 and 2021, the Foundation's matching IRA contributions were \$ 11,296 and \$ 11,240, respectively.

10 - Line of Credit

As of February 2021, the Foundation had a multiple advance, open-ended, line of credit available with Community Bank for up to \$ 350,000 with an interest rate of 4.75% and a maturity date of February 2022. No amounts were drawn on the line of credit at December 31, 2021. The line was not renewed in February 2022.

11 - Classification Changes and Transfers

Management has reclassified certain fund balances in the amounts of (\$ 18,004) and (\$ 26,628) during the years ended December 31, 2022 and 2021, respectively. The effect of these reclassifications is to increase (decrease) net assets and decrease (increase) agency funds liability. These classifications and transfers were made to reflect changes in the restrictions and nature of the funds held by the Foundation.

12 - Risks and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and, on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Foundation operates. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to, amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the pandemic.

It is unknown how long the adverse conditions associated with the pandemic will last and what the complete financial effect will be to the Foundation. Accordingly, while management cannot quantify the

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financial and other impacts to the Foundation at December 31, 2022, management believes that a material impact on the Foundation's financial position and the results of future operations is reasonably possible.

In April 2020, the Foundation applied for and received \$ 63,000 from the Paycheck Protection Program (PPP), made available through the CARES Act. The Foundation recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Foundation has recognized all of the PPP funds as revenue for the year ended December 31, 2021 based on satisfying criteria for forgiveness of the loan. The loan was fully forgiven in April 2021.

13 - Subsequent Events

The Foundation has evaluated subsequent events through the date of the Independent Auditors' Report, the date which the financial statements were available to be issued.