



CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

The Greater Cincinnati Foundation

Consolidated Financial Statements

Years Ended December 31, 2023 and 2022

with Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Governing Board of
The Greater Cincinnati Foundation:

Opinion

We have audited the accompanying consolidated financial statements of The Greater Cincinnati Foundation (a not-for-profit organization), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Greater Cincinnati Foundation as of December 31, 2023 and 2022, and the changes in its net assets 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of The Greater Cincinnati 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Greater Cincinnati 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Greater Cincinnati 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.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
May 23, 2024

The Greater Cincinnati Foundation
Consolidated Statements of Financial Position
December 31, 2023 and 2022

	2023	2022
Assets:		
Cash and cash equivalents	\$ 103,403,524	53,457,390
Contributions receivable	14,499,244	14,092,349
Accrued interest receivable	505,804	549,344
Investments at fair value	881,108,494	767,633,054
Investments, other:		
Annuities	456,550	482,514
Program related investments, net of allowance for credit losses of \$422,500 and \$624,900, respectively	14,162,620	12,697,502
Total investments, other	14,619,170	13,180,016
Total investments	895,727,664	780,813,070
Property and equipment, net	1,090,598	1,181,608
Operating lease right-of-use asset	1,529,970	1,710,085
Other assets	7,873,068	6,954,847
Total assets	\$ 1,024,629,872	858,758,693
Liabilities and net assets:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 469,114	635,221
Grants payable	1,979,135	5,489,607
Assets held on behalf of others	4,273,430	3,626,743
Other liabilities	2,564,254	2,411,059
Operating lease liability	1,710,662	1,887,261
Total liabilities	10,996,595	14,049,891
Net assets:		
Without donor restrictions	943,022,033	780,745,423
With donor restrictions	70,611,244	63,963,379
Total net assets	1,013,633,277	844,708,802
Total liabilities and net assets	\$ 1,024,629,872	858,758,693

See accompanying notes to the consolidated financial statements.

The Greater Cincinnati Foundation
Consolidated Statement of Activities
Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Contributions	\$ 238,382,913	4,703,318	243,086,231
Net investment return	75,693,874	5,166,735	80,860,609
Change in value of perpetual trusts	(35,418)	550,992	515,574
Other	350,046	302,301	652,347
Net assets released from restrictions	4,075,481	(4,075,481)	-
 Total revenues	 318,466,896	 6,647,865	 325,114,761
Expenses:			
Charitable and philanthropic programs	149,305,715	-	149,305,715
Management and general	4,799,435	-	4,799,435
Fundraising	2,085,136	-	2,085,136
Total expenses	156,190,286	-	156,190,286
 Change in net assets	 162,276,610	 6,647,865	 168,924,475
 Net assets at beginning of the year	 780,745,423	 63,963,379	 844,708,802
 Net assets at end of the year	 \$ 943,022,033	 70,611,244	 1,013,633,277

See accompanying notes to the consolidated financial statements.

The Greater Cincinnati Foundation
Consolidated Statement of Activities
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Contributions	\$ 85,680,195	4,432,909	90,113,104
Net investment return	(76,340,687)	(6,282,093)	(82,622,780)
Change in value of perpetual trusts	456,343	(1,489,930)	(1,033,587)
Other	461,212	-	461,212
Bad debt loss	5,842,575	(5,842,575)	-
Net assets released from restrictions	10,162,850	(10,162,850)	-
Total revenues	26,262,488	(19,344,539)	6,917,949
Expenses:			
Charitable and philanthropic programs	115,103,306	-	115,103,306
Management and general	3,875,367	-	3,875,367
Fundraising	1,819,627	-	1,819,627
Total expenses	120,798,300	-	120,798,300
Change in net assets	(94,535,812)	(19,344,539)	(113,880,351)
Net assets at beginning of the year	875,281,235	83,307,918	958,589,153
Net assets at end of the year	\$ 780,745,423	63,963,379	844,708,802

See accompanying notes to the consolidated financial statements.

The Greater Cincinnati Foundation
Consolidated Statement of Functional Expenses
Year Ended December 31, 2023

	Charitable and Philanthropic Programs	Management and General	Fundraising	Total
Payroll, taxes and benefits \$	2,829,116	2,760,113	1,311,054	6,900,283
Grants to others	144,675,228	-	-	144,675,228
Professional fees	580,168	580,585	263,969	1,424,722
Advertising and promotion	248,541	242,472	115,175	606,188
Office expenses	52,746	51,459	24,443	128,648
Information technology	155,130	147,248	70,350	372,728
Occupancy	214,653	209,418	99,473	523,544
Depreciation	206,461	162,860	77,359	446,680
Insurance	29,635	36,430	13,733	79,798
Taxes	-	385,142	-	385,142
Other	314,037	223,708	109,580	647,325
Total expenses	\$ <u>149,305,715</u>	<u>4,799,435</u>	<u>2,085,136</u>	<u>156,190,286</u>

See accompanying notes to the consolidated financial statements.

The Greater Cincinnati Foundation
Consolidated Statement of Functional Expenses
Year Ended December 31, 2022

	Charitable and Philanthropic Programs	Management and General	Fundraising	Total
Payroll, taxes and benefits \$	2,614,725	2,550,951	1,211,702	6,377,378
Grants to others	110,870,284	-	-	110,870,284
Professional fees	535,512	395,780	171,945	1,103,237
Advertising and promotion	169,252	165,976	77,461	412,689
Office expenses	44,669	43,579	20,700	108,948
Information technology	144,551	140,209	65,865	350,625
Occupancy	210,274	205,146	97,444	512,864
Depreciation	205,687	162,107	77,001	444,795
Insurance	24,105	31,034	11,170	66,309
Other	284,247	180,585	86,339	551,171
Total expenses	\$ <u>115,103,306</u>	<u>3,875,367</u>	<u>1,819,627</u>	<u>120,798,300</u>

See accompanying notes to the consolidated financial statements.

The Greater Cincinnati Foundation
Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 168,924,475	(113,880,351)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Net realized and unrealized (gain) loss on investments	(60,662,640)	98,907,470
Change in value of perpetual trusts	(515,574)	1,033,587
Depreciation	446,680	444,795
Amortization of operating lease right-of-use asset	180,115	178,126
Credit loss	-	5,842,575
Effects of change in operating assets and liabilities:		
Receivable and other assets	(1,281,576)	7,822,741
Accounts payable and accrued liabilities	(166,107)	104,726
Grants payable	(3,510,472)	(2,330,163)
Assets held on behalf of others	646,687	502,766
Other liabilities	153,195	(675,585)
Operating lease liability	<u>(176,599)</u>	<u>(169,427)</u>
Net cash provided (used) by operating activities	<u>104,038,184</u>	<u>(2,218,740)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(355,670)	(370,816)
Proceeds from sale of investments	153,447,064	166,210,770
Purchase of investments	<u>(207,183,444)</u>	<u>(169,927,627)</u>
Net cash used by investing activities	<u>(54,092,050)</u>	<u>(4,087,673)</u>
Net change in cash and cash equivalents	49,946,134	(6,306,413)
Cash and cash equivalents at beginning of year	<u>53,457,390</u>	<u>59,763,803</u>
Cash and cash equivalents at end of year	\$ <u>103,403,524</u>	<u>53,457,390</u>
Supplemental Disclosure:		
Income taxes paid	\$ <u>385,142</u>	<u>24,197</u>

See accompanying notes to the consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following accounting principles and practices of The Greater Cincinnati Foundation (“GCF”) are set forth to facilitate the understanding of data presented in the consolidated financial statements.

Organization

The consolidated financial statements of GCF include the accounts of The Greater Cincinnati Foundation, HealthPath Foundation of Ohio (“HealthPath Foundation”) and Public Health Fund of Ohio (“Public Health Fund”). All significant inter - organizational balances and transactions have been eliminated for purposes of this presentation.

As the region’s leading community foundation, Greater Cincinnati Foundation connects people with purpose in an eight-county region including Hamilton, Warren, Butler and Clermont counties in Ohio, Campbell, Boone and Kenton counties in Kentucky and Dearborn in Indiana. GCF is leading the charge toward a more vibrant and equitable Greater Cincinnati for everyone – now, and for generations to come.

- As a trusted philanthropic partner, GCF inspires current and future generations to invest in a more vibrant and prosperous Greater Cincinnati for all.
- As a grant maker, GCF awards millions of dollars inspired by our donors each year to organizations regionally and beyond.
- As a community leader, GCF is bringing together donors, not-for-profits, and changemakers to tackle impactful initiatives.

GCF believes the greatest change happens when people come together – in partnership, collaboration and generosity.

HealthPath Foundation of Ohio is a supporting organization of GCF whose mission is improving the health of Ohio’s communities, primarily in a 36-county region with a current emphasis on oral health, age friendly communities and healthy Ohioans. The majority of HealthPath Foundation’s Board of Trustees is appointed by GCF’s Governing Board.

Public Health Fund of Ohio is a supporting organization established during 2020 with irrevocable contributions from the Ohio Department of Health. The funds are to be used exclusively for charitable purposes and managed as an endowment fund as defined in Ohio Revised Code Section 1715.51 to 1715.59. Distributions from the fund will be used to promote public health awareness and educational campaigns; offer innovative public-private approaches to our state’s most pressing needs; incubate programs at the local level that can be scalable; and foster evidence-informed approaches in local programming. The majority of Public Health Fund of Ohio’s Board of Directors is appointed by GCF’s Governing Board.

Consolidated financial statement presentation

The consolidated financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP).

Net assets, revenues, gains and losses are classified based on the absence or existence of donor-imposed restrictions as follows:

- *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 GCF. These net assets may be used at the discretion of GCF's management and the Governing Board.
- *Net asset with donor restrictions:* Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions that are likely to be met by the actions of GCF or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity and only the related investment income is without donor restriction. GCF did not have any net assets with perpetual restrictions at December 31, 2023 and 2022.

Net asset classifications

GCF applies the Financial Accounting Standards Board ("FASB") guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). This guidance also improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA. The State of Ohio adopted UPMIFA effective June 1, 2009. The Governing Board, with the advice of legal counsel, has determined that the majority of GCF's net assets do not meet the definition of endowment under UPMIFA. While not an UPMIFA-defined endowment, GCF intends many of its funds to be perpetual and manages them accordingly. Further reference to "endowment" or "endowed assets" in these notes relates to those intentions of GCF.

GCF is governed subject to its Articles of Incorporation and Bylaws and further by its adopted investment policy as well as individual gift instruments and agreements. Although GCF seeks to build endowed assets, GCF has the ability, as stated in its Articles of Incorporation, to distribute all or any part of its net income, principal, or property, in accordance with determination made by GCF's Governing Board for the purposes set forth in its restated Articles of Incorporation. As a result of the ability to distribute corpus, all contributions not classified with donor restrictions are classified as without donor restrictions for consolidated financial statement purposes.

Estimates

The preparation of consolidated financial statements in conformity with 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.

Income taxes

GCF, HealthPath Foundation and Public Health Fund are not-for-profit entities exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. GCF, HealthPath Foundation and Public Health Fund have been classified as organizations other than a private foundation. GCF is subject to unrelated business income tax on a portion of its income. Income tax expense for the years ended December 31, 2023 and 2022 was \$385,142 and \$24,197, respectively. Management believes HealthPath Foundation and Public Health Fund did not receive revenue subject to unrelated business income regulations.

GCF's income tax filings are subject to audit by various taxing authorities. GCF's policy with regards to interest and penalties is to recognize interest through interest expense and penalties through other expense. In evaluating GCF's tax provision and tax-exempt status, interpretations and tax planning strategies were considered. GCF believes its estimates are appropriate based on the current facts and circumstances.

Cash and cash equivalents

GCF considers money market funds and all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Concentration of credit risk

GCF maintains its cash in deposit accounts, which, at times, may exceed federally insured limits. GCF has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Investments

Investments in common stocks, bond and demand notes, collective investments and mutual funds are carried at fair value. When available, fair value is determined by quoted market prices in an active market. In situations in which quoted market prices are not available, GCF uses appraised value, net asset value (or its equivalent), or other observable inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, benchmark securities, bids, offers and reference data market research publications. GCF also invests in real estate investments and private equity and hedge funds, which are primarily held through limited partnerships or fund of funds. The estimated fair values of these limited partnership investments are based on valuations provided by the external investment managers or general partners, adjusted for cash receipts, disbursements and significant known valuation changes. GCF believes the carrying values of these investments are a reasonable estimate of fair value. Because these investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material (See note 3).

GCF maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts. The amounts held for others are also a component of the pooled investment fund and reflect the funds held by GCF for the benefit of outside parties. Net changes in fair value of investments and realized gains (losses) on investments disposed are accumulated with interest and dividends received net of investment expenses and are reported in the consolidated statements of activities as net investment return.

Program related investments and allowance for credit losses

GCF has program related investments in local entities. These investments include both loans that bear interest at rates from 1% to 3.25% at December 31, 2023 and 2022 and in limited ownership interests of various companies accounted for on the cost basis. These amounts are expected to be returned to GCF at a later date. An allowance for credit losses is an estimate based upon loss history from similar loan funds utilized by other third parties, facts about the current financial condition of the debtor, forecasts of future operating results based upon current trends and macroeconomic factors. Credit quality is monitored through the timing of payments compared to payment terms and known facts regarding the financial condition of debtors.

Annuities

GCF has investments in various annuity contracts that are recorded at contract value.

Risks and uncertainties

Investment securities are exposed 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 risks and values of investment securities will occur in the near term and, that such changes could materially affect the amounts reported in the consolidated statements of financial position.

Property and equipment

Property and equipment are stated at historic cost, or at fair value if donated or impaired, less accumulated depreciation. GCF maintains a capitalization threshold of \$10,000 as a group addition with individual items exceeding \$500 and individual additions over \$3,000. Depreciation is determined using the straight-line method based upon the estimated useful lives of the related assets.

Contributions

GCF reports contributions as support without donor restrictions, except for additions to assets held on behalf of others, which are reported as a liability. The Bylaws of GCF include a variance provision and powers modification, giving the Governing Board the power to vary the use of a fund if a restriction is expressed by a donor. Based on these provisions, all contributions received by GCF are reported as support without donor restrictions when an unconditional promise to give is received. Contributions receivable are reported as support with donor restrictions until paid, unless received and paid in the same period. Contributions are recorded at fair value at the date of donation.

A restriction expires when the stipulated time period has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. GCF records contributions, investment and endowment income with donor restrictions that are met in the same period as net assets without donor restrictions in the accompanying consolidated statements of activities.

Unconditional contributions are recorded when the promise to give is received. Grant revenue is recorded when the grant is awarded, unless conditional by nature. Conditional grants are generally received to reimburse eligible expenses. Reimbursement-type grant revenue is recorded as revenues without donor restrictions when the related eligible costs are incurred. Conditional promises to give are not material to the financial statements at December 31, 2023. Cash received under reimbursable grants in advance of the eligible expenses being incurred is recorded as refundable advances. Revenues from sources other than contributions are reported as increases in net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions.

Functional expense allocations

The consolidated financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of GCF. Program operating expenses primarily pertain to the charitable and philanthropic grants GCF provides. Expenses are directly applied when applicable and are otherwise allocated to programs or support services. Expenses have been allocated based upon estimated head counts for each function with the exception of grants to others. These expenses have been classified based upon the actual direct expenditures for natural classes. All fundraising costs are charged to fundraising expenses and thus, there are no joint costs.

Advertising and promotion costs

Advertising and promotion costs are expensed as incurred.

Reclassifications

Certain items from 2022 have been reclassified to conform to current year presentation, which resulted in no impact to net assets or the reported results of activities.

Subsequent events

GCF evaluates events and transactions occurring subsequent to the date of the consolidated financial statements for matters requiring recognition or disclosure in the consolidated financial statements. The accompanying consolidated financial statements consider events through May 23, 2024, the date on which the consolidated financial statements were available to be issued.

2. CONTRIBUTIONS RECEIVABLE:

GCF has received unconditional promises to give that are reported at their net present value. Amounts due greater than one year are discounted at an annual rate between 0.93% - 4.04% to recognize the present value of future cash flows in the year the promise was made. Management believes all amounts due are fully collectible. The following table summarizes the contributions receivable as of December 31:

	<u>2023</u>	<u>2022</u>
Due within one year	\$ 2,772,338	2,566,803
Due within two to five years	8,638,190	9,397,444
Due over five years	4,308,922	3,091,751
Less discount	<u>(1,220,206)</u>	<u>(963,649)</u>
Balance at end of the year	\$ <u>14,499,244</u>	<u>14,092,349</u>

3. FAIR VALUE MEASUREMENTS:

Generally accepted accounting principles defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It 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 as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that GCF has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these items does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

Valuation policy, techniques, inputs, and process

The Chief Financial Officer (“CFO”), under the supervision of GCF’s Investment Committee, determines the fair value measurement policies and procedures in consultation with Fund Evaluation Group, LLC. These policies and procedures are reassessed at least annually to determine if the current valuation techniques are still appropriate. At that time, the unobservable inputs used in fair value measurements are evaluated and adjusted, as necessary, based on current market conditions and other third-party information. In determining the reasonableness of the methodology, the CFO and the Investment Committee evaluate a variety of factors including a review of existing agreements, economic conditions, and industry and market developments.

The carrying amounts of financial instruments including cash and cash equivalents, other receivables, accounts payable, and short-term debt approximated fair value as of December 31, 2023 and 2022.

Level 1 assets are valued using fair value methods and assumptions on investments consisting of money market funds, mutual funds, equity and debt securities and are based on the Level 1 market approach.

Level 3 investments consist of beneficial interest in perpetual and remainder trusts. GCF calculates the fair value of its beneficial interests in perpetual and remainder trusts based on the fair value of the underlying assets in the trusts as determined by the third-party trustees multiplied by GCF’s percentage of ownership. The third-party trustees control the investments in the Trust and makes all management and investment decisions. The trust assets are valued at quoted market prices for stocks, bonds, mutual and exchange traded funds.

GCF, as the beneficiary, does not have authority to manage these investments; however, the applicable trustee banks follow Ohio Trust Code for prudent asset management and diversification. The value of the beneficial interest in perpetual and remainder trusts will increase or decrease with an increase or decrease in the value of the underlying assets.

GAAP allows for the use of a practical expedient for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. The practical expedient used by GCF to value alternative investments is the net asset value (NAV) per share, or its equivalent. Because some of these investments are not readily marketable, their estimated value is subject to uncertainty and therefore may be different from the value that would have been used had a ready market for such investments existed. The net asset values provided by fund administrators consider variables such as the financial performance of underlying investments, recent sales prices of underlying investments and other pertinent information. In addition, actual market exchanges at year-end provide additional observable market inputs of the exit price. GCF, relying on the work of its investment consultants, reviews valuations and assumptions provided by fund administrators for reasonableness and believes that the carrying amounts of these financial instruments are reasonable estimates of fair value. GCF has additional funding commitments related to the alternative investments in the amount of \$29,299,438 and \$31,614,904 as of December 31, 2023 and 2022, respectively.

GCF has a total of twenty-two alternative investment funds. Five of these investments allow for redemption amounts invested with notification of 10 - 65 calendar days prior to the last business day of each quarter. The other investments do not allow for redemptions.

The following tables present the assets as of December 31, 2023 and 2022 that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy.

	December 31, <u>2023</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Investments:				
Collective investment and mutual funds	\$ 431,126,371	431,126,371	-	-
Bonds and demand notes	97,962,419	97,962,419	-	-
Common stocks	167,062,221	167,062,221	-	-
Beneficial interest in perpetual and remainder trusts	<u>7,511,401</u>	-	-	<u>7,511,401</u>
Total assets in the fair value hierarchy	703,662,412	<u>696,151,011</u>	-	<u>7,511,401</u>
Investments measured at net asset value	<u>177,446,082</u>			
Investments at fair value	\$ <u>881,108,494</u>			

	December 31, <u>2022</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Investments:				
Collective investment and mutual funds	\$ 374,764,594	374,764,594	-	-
Bonds and demand notes	84,535,904	84,535,904	-	-
Common stocks	103,581,702	103,581,702	-	-
Beneficial interest in perpetual and remainder trusts	<u>6,886,634</u>	<u>-</u>	<u>-</u>	<u>6,886,634</u>
 Total assets in the fair value hierarchy	 569,768,834	 <u>562,882,200</u>	 <u>-</u>	 <u>6,886,634</u>
 Investments measured at net asset value	 <u>197,864,220</u>			
 Investments at fair value	 \$ <u>767,633,054</u>			

4. PROGRAM RELATED INVESTMENTS:

GCF has program related investments as part of its Impact Investing program. Under the program, GCF has made strategic loans and equity investments in certain organizations within the Greater Cincinnati area that will further advance the strategic objectives of GCF.

Total program related investments are summarized as follows at December 31:

	<u>2023</u>	<u>2022</u>
Gross loans receivable	\$ 11,391,691	10,154,056
Less provision for credit losses	<u>(422,500)</u>	<u>(624,900)</u>
Net loans receivable	10,969,191	9,529,156
Equity positions	<u>3,193,429</u>	<u>3,168,346</u>
 Balance at end of the year	 \$ <u>14,162,620</u>	 <u>12,697,502</u>

Loans receivable portion of program related investments

The program related investment loans are originated by GCF which utilizes an evaluation process for each loan under consideration. The process is facilitated by an outside consultant, which completes the due diligence on each loan. Once that process is complete, GCF utilizes a loan review committee, made up of GCF staff, GCF Board members and community volunteers with experience in the lending process, to review the loan package. All loans are originated based on the same underwriting criteria and are considered one asset class. The loan loss assumptions used to determine the allowance for credit losses are based on the loss history from similar loan funds utilized by other third parties. During 2021, GCF adopted a revised policy incorporating a more risk-based approach to calculate the loan loss reserve.

The loans currently bear interest at 1%-3.25% and are due at various times through October 2032. The source of funds for these investments is from GCF's endowment and certain donor-advised funds. All loans are current, accruing and performing as of December 31, 2023 and thus no loans have been placed on nonaccrual status. All loans were collectively evaluated for impairment. There were no individually impaired loans nor were any loans charged off during 2023 and 2022.

Activity in the allowance for credit losses is as follows for 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Balance at beginning of the year	\$ 624,900	757,600
Recovery of credit losses	<u>(202,400)</u>	<u>(132,700)</u>
Balance at end of the year	\$ <u>422,500</u>	<u>624,900</u>

Equity portion of program related investments

GCF has also taken equity positions in various local public-private seed-stage investors whose mission is to strengthen the regional economy by driving talent and capital into scalable companies in the Greater Cincinnati area. These investments are recorded at GCF's original cost to invest less any distributions and impairment. Management has determined no impairment exists for these investments at December 31, 2023 and 2022.

5. OTHER ASSETS:

Other assets consist primarily of property and insurance policies for which GCF has been named beneficiary and owner. Insurance policies have been valued at the present value of their expected future cash flows with a liability recognized (included in other liabilities) for the amount that will be paid to other organizations upon the death of the donor.

6. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 685,731	685,731
Software	1,048,232	942,206
Equipment	542,500	588,426
Furniture	<u>338,227</u>	<u>200,771</u>
	2,614,690	2,417,134
Less accumulated depreciation	<u>(1,524,092)</u>	<u>(1,235,526)</u>
	\$ <u>1,090,598</u>	<u>1,181,608</u>

7. GRANTS PAYABLE:

Grants payable in the accompanying consolidated statements of financial position are approved for payment and are due as follows at December 31:

	<u>2023</u>	<u>2022</u>
Due within one year	\$ 1,496,635	4,704,607
Due within two to five years	<u>482,500</u>	<u>785,000</u>
	<u>\$ 1,979,135</u>	<u>5,489,607</u>

GCF has deemed no discount necessary as of December 31, 2023 and 2022.

8. LEASE OBLIGATION:

During 2019, GCF entered into a lease for a new facility which commenced on August 1, 2019 and will terminate in July 2034. The lease includes rent escalation provisions based on an annual inflation adjustment of 2.25% from a monthly base rent of \$18,190. Based on an estimated discount rate of 3.0%, GCF recognized an operating lease right of use asset and related liability of \$2,436,531 at the lease inception. The lease provides the option to renew for two five-year periods at then market rates. Due to the changing needs of the community GCF serves, it is unknown at this time if the renewal options will be exercised. GCF has elected to implement the practical expedient of not separating lease components from nonlease components. During 2023 and 2022, GCF charged \$62,452 and \$69,624, respectively, to interest expense under this lease and straight-line rent expense of \$239,051. GCF made cash payments of \$235,535 and \$230,356 for the year in the years ended December 31, 2023 and 2022, respectively.

Future minimum payments due under this lease are as follows at December 31:

2024	\$	240,835
2025		246,254
2026		251,795
2027		257,460
2028		263,253
Thereafter		<u>873,347</u>
		2,132,944
Less imputed interest		<u>(422,282)</u>
		<u>\$ 1,710,662</u>

9. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are restricted for the following purposes at December 31:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for a specific purpose:		
Purpose restrictions	\$ 5,640,264	5,411,737
Healthcare needs of indigent Ohio citizens	33,165,480	29,804,485
Other health programs	<u>2,362,400</u>	<u>908,665</u>
	41,168,144	36,124,887
Subject to the passage of time:		
Contributions receivable	14,499,244	14,092,349
Subject to spending policy and appropriation:		
Beneficial interest in perpetual and remainder trusts	7,511,401	6,886,634
Public Health Fund	<u>7,432,455</u>	<u>6,859,509</u>
Total net assets with donor restrictions	\$ <u>70,611,244</u>	<u>63,963,379</u>

10. NET ASSETS RELEASED FROM RESTRICTION:

In 2023 and 2022, respectively, \$4,075,481 and \$10,162,850 of net assets, were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

11. ENDOWMENTS:

GCF has adopted investment and spending policies for board-designated endowment assets. Endowment net asset composition by type of fund is as follows at December 31:

	<u>2023</u>	<u>2022</u>
Endowment Funds:		
Agency	\$ 4,273,430	3,626,743
General purpose	146,335,760	133,903,929
Field of interest	115,122,630	99,560,353
Scholarship	50,347,316	48,609,768
All other designated	<u>217,253,082</u>	<u>174,208,870</u>
Total endowment funds	\$ <u>533,332,218</u>	<u>459,909,663</u>
Non-endowment funds:		
Donor advised	\$ <u>444,773,178</u>	<u>354,085,988</u>

Changes in endowment net assets are as follows for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Endowment Funds:		
Endowment net assets-beginning of year	\$ 459,909,663	497,473,982
Net investment returns	41,944,436	(46,139,264)
Contributions	20,158,465	23,794,842
Amounts appropriated for expenditure	(22,650,012)	(16,831,689)
Other changes	<u>33,969,666</u>	<u>1,611,792</u>
Change in endowment net assets	<u>73,422,555</u>	<u>(37,564,319)</u>
Total endowment funds	<u>\$ 533,332,218</u>	<u>459,909,663</u>

Return objectives and risk parameters

GCF has adopted investment and spending policies for endowment assets that attempt to preserve the long-term, real purchasing power of assets while providing a relatively predictable and growing stream of annual distributions in support of GCF. The return objective shall be accomplished using a balanced portfolio comprised of equity, fixed income, hedge funds and private capital assets. The performance objectives will be measured against appropriate industry benchmarks such as the Alerian North American Energy Index, HFRX Absolute Return, Thomson One All Private Capital Index, Thomson One Priv. Natural Resource Index, Thomson One Private Real Estate Index, S&P 500 Index, Russell Midcap Index, Russell 2000 Index, MSCI EAFE Index, MSCI Emerging Markets Index, Bloomberg U.S. Aggregate Index, Bloomberg U.S. TIPS Index, Bloomberg Commodity Index, HFRI FOF: Conservative Index, HFRI FOF: Strategic Index, and S&P Developed BMI Property Index. The current long-term return objective is to return 4.75% plus inflation. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives

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

For assets carried at net asset value, the following investment strategies apply: the investment objective for absolute return funds is long-term capital appreciation with less volatile and/or uncorrelated returns. Absolute return funds include non-traditional investment strategies where most of the underlying securities may or may not be traded on public exchanges. This asset class includes a variety of active strategies, including arbitrage, event-driven, market neutral, long-short equity and distressed investing. The investment objective for hedged equity is long-term capital appreciation with lower than market volatility. Hedged equity funds include non-traditional investment strategies where most of the underlying securities are traded on public exchanges. Managers in this class can be long or short in equity positions and utilize options, futures and other derivatives.

Spending policy and how the investment objectives relate to spending policy

GCF has a policy of appropriating for distribution a maximum target amount of the fair value (which is the original contribution plus all recorded dividends and interest and all appreciation realized on the funds' investments) of the funds that fall under the auspices of the Ohio Institutional Trust Funds Act (Act) of 1999. Such Act, with certain limitations, provides for GCF to apply its policy whereby the annual distribution is to be based on a percent (which is currently 4.75%) of the average market value of the invested contributions over a prior number of periods (which is currently determined on a rolling twenty-quarter average). In establishing this policy, GCF considered the long-term expected return on its endowment. Accordingly, this spending policy should, over time, protect the inflation-adjusted value of the endowment and, consequently, allow inflation-adjusted spending to occur into the distant future. This is consistent with GCF's objective to maintain the purchasing power of the endowment assets held into perpetuity or for a specified term as well as to provide additional real growth through new contributions and investment return.

12. ASSETS HELD ON BEHALF OF OTHERS:

Assets held on behalf of others at December 31, 2023 and 2022 of \$4,273,430 and \$3,626,743, respectively, recognized in the accompanying consolidated statements of financial position are for endowments held by GCF on behalf of Cincinnati, Ohio and surrounding area not-for-profit agencies.

13. OTHER LIABILITIES:

Other liabilities are primarily for charitable gift annuity and pooled income fund payments which GCF is expected to pay during the life of the annuitant. Other liabilities also include life insurance policy liabilities for the amount that will be paid to other organizations upon the death of the donor for insurance policies for which GCF has been named beneficiary and/or owner.

14. RETIREMENT PLAN:

GCF has a 401(k) plan that covers substantially all employees. GCF's contributions were \$407,586 and \$368,863 for the years ended December 31, 2023 and 2022, respectively.

15. CONCENTRATION OF CREDIT RISK:

Approximately 70% of contribution revenue was from two funding sources during 2023, and approximately 51% of contribution revenue was from one funding source during 2022. Approximately 51% of contributions receivable were from three funding sources at December 31, 2023, and approximately 40% of contributions receivable were from two funding sources at December 31, 2022.

16. LIQUIDITY DISCLOSURES:

GCF is substantially supported by contributions from donors. As part of GCF'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. In addition, GCF invests cash in excess of daily requirements in investments as deemed appropriate.

The Greater Cincinnati Foundation
Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

The following table presents the financial assets available to meet cash needs for general expenditures within one year at December 31:

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash	\$ 103,403,524	53,457,390
Contributions receivable	14,499,244	14,092,349
Accrued interest receivable	505,804	549,344
Investments at fair value	<u>881,108,494</u>	<u>767,633,054</u>
Financial assets available at year-end	<u>999,517,066</u>	<u>835,732,137</u>
Less those unavailable for general expenditures within one year due to:		
Contributions receivable due beyond one year	11,726,906	11,525,546
Private equity investments	177,446,082	197,864,220
Beneficial interest in perpetual and remainder trusts	7,511,401	6,886,634
Accounts payable and accrued liabilities	469,114	635,221
Grants payable due within one year	1,496,635	4,704,607
Assets held for the benefit of others	4,273,430	3,626,743
Restricted by donor with purpose restriction	<u>61,304,470</u>	<u>55,326,400</u>
Total limitations on available resources	<u>264,228,038</u>	<u>280,569,371</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>735,289,028</u>	<u>555,162,766</u>

