

**James Whitcomb Riley Memorial Association, Inc.,  
d/b/a Riley Children's Endowment**

Independent Auditor's Report and Consolidated Financial Statements  
June 30, 2022 and 2021

**James Whitcomb Riley Memorial Association, Inc.,  
d/b/a Riley Children's Endowment  
June 30, 2022 and 2021**

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## Independent Auditor's Report

Board of Governors  
James Whitcomb Riley Memorial Association, Inc.,  
d/b/a Riley Children's Endowment  
Indianapolis, Indiana

### ***Opinion***

We have audited the consolidated financial statements of James Whitcomb Riley Memorial Association, Inc., d/b/a Riley Children's Endowment (Endowment), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, 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 accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Endowment as of June 30, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are required to be independent of the Endowment 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 Endowment's ability to continue as a going concern within one year after the date that these consolidated financial statements are available to be issued.

## ***Auditor's 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 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 consolidated 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 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 Endowment'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 Endowment'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.

**FORVIS,LLP**

Indianapolis, Indiana  
October 13, 2022

**James Whitcomb Riley Memorial Association, Inc.,  
d/b/a Riley Children's Endowment**  
**Consolidated Statements of Financial Position**  
**June 30, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 10,069,968	\$ 8,882,175
Other assets	773,056	805,279
Contributions receivable, net of allowance	16,810,451	7,713,335
Cash surrender value of life insurance	1,128,824	1,099,977
Investments	364,222,517	406,338,072
Beneficial interest in charitable lead trusts	7,663,637	10,103,995
Beneficial interest in perpetual trusts	26,908,506	32,368,796
Property and equipment	1,452,895	1,244,926
	<u>                    </u>	<u>                    </u>
Total assets	<u><u>\$ 429,029,854</u></u>	<u><u>\$ 468,556,555</u></u>
<b>Liabilities</b>		
Accounts payable	\$ 286,845	\$ 221,411
Other liabilities	933,487	1,208,888
Grants payable	33,284,730	30,153,850
Annuity obligations	154,123	169,692
Investments held on behalf of Indiana University	3,178,782	3,361,533
	<u>                    </u>	<u>                    </u>
Total liabilities	<u><u>37,837,967</u></u>	<u><u>35,115,374</u></u>
<b>Net Assets</b>		
Without donor restrictions		
Undesignated	126,476,638	146,737,634
Board-designated	67,396,242	78,985,760
Total without donor restrictions net assets	<u>193,872,880</u>	<u>225,723,394</u>
With donor restrictions	197,319,007	207,717,787
	<u>                    </u>	<u>                    </u>
Total net assets	<u><u>391,191,887</u></u>	<u><u>433,441,181</u></u>
	<u>                    </u>	<u>                    </u>
Total liabilities and net assets	<u><u>\$ 429,029,854</u></u>	<u><u>\$ 468,556,555</u></u>

# James Whitcomb Riley Memorial Association, Inc., d/b/a Riley Children's Endowment

## Consolidated Statements of Activities Years Ended June 30, 2022 and 2021

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains and Other Support</b>			
Gift income			
Contributions	\$ 12,721,294	\$ 33,353,227	\$ 46,074,521
Gifts in-kind	290,167	11,955	302,122
Total gifts	13,011,461	33,365,182	46,376,643
Other revenue and support			
Investment income	454,937	108,229	563,166
Realized and unrealized gains (losses) on investments	(27,079,606)	(13,281,261)	(40,360,867)
Gain (loss) on perpetual trusts	-	(5,460,290)	(5,460,290)
Income from trusts	464,752	723,477	1,188,229
Other income	13,906	59,664	73,570
	(13,134,550)	15,515,001	2,380,451
Net assets released from restrictions	25,878,781	(25,878,781)	-
Total revenues, gains and other support	12,744,231	(10,363,780)	2,380,451
<b>Expenses and Losses</b>			
Program services			
Grants			
Research	13,621,789	-	13,621,789
Clinical programs	10,581,646	-	10,581,646
Education	2,860,545	-	2,860,545
Patient and family services	3,601,553	-	3,601,553
Advocacy	1,270,522	-	1,270,522
Buildings and equipment	175,716	-	175,716
Camp Riley	816,953	-	816,953
Other	366,770	-	366,770
Total grants	33,295,494	-	33,295,494
Riley Museum Home	331,547	-	331,547
Total program services	33,627,041	-	33,627,041
Supporting Services			
Administration	1,518,295	-	1,518,295
Finance	443,035	-	443,035
Fundraising	7,618,337	-	7,618,337
Communications	1,388,037	-	1,388,037
Total supporting services	10,967,704	-	10,967,704
Loss on uncollectible contributions receivable	-	35,000	35,000
Total expenses and losses	44,594,745	35,000	44,629,745
<b>Change in Net Assets</b>	(31,850,514)	(10,398,780)	(42,249,294)
<b>Net Assets, Beginning of Year</b>	225,723,394	207,717,787	433,441,181
<b>Net Assets, End of Year</b>	\$ 193,872,880	\$ 197,319,007	\$ 391,191,887

2021		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 10,087,435	\$ 22,871,558	\$ 32,958,993
33,460	1,336	34,796
10,120,895	22,872,894	32,993,789
1,586,291	506,048	2,092,339
56,808,717	29,385,248	86,193,965
-	6,214,252	6,214,252
465,738	587,183	1,052,921
(12,156)	7,705	(4,451)
68,969,485	59,573,330	128,542,815
30,678,314	(30,678,314)	-
99,647,799	28,895,016	128,542,815
12,616,596	-	12,616,596
10,388,823	-	10,388,823
2,820,911	-	2,820,911
7,377,099	-	7,377,099
1,625,487	-	1,625,487
105,413	-	105,413
249,887	-	249,887
449,383	-	449,383
35,633,599	-	35,633,599
243,979	-	243,979
35,877,578	-	35,877,578
1,331,541	-	1,331,541
481,702	-	481,702
7,142,177	-	7,142,177
1,157,561	-	1,157,561
10,112,981	-	10,112,981
100	210,670	210,770
45,990,659	210,670	46,201,329
53,657,140	28,684,346	82,341,486
172,066,254	179,033,441	351,099,695
\$ 225,723,394	\$ 207,717,787	\$ 433,441,181

**James Whitcomb Riley Memorial Association, Inc.,  
d/b/a Riley Children's Endowment**  
**Consolidated Statement of Functional Expenses**  
**Year Ended June 30, 2022**

June 30, 2022								
	Program Services		Supporting Services				Total	June 30, 2021 Total
	Grants	Riley Museum Home	Administration	Finance	Fundraising	Communications		
Grants	\$ 33,295,494	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,295,494	\$ 35,633,599
Salaries, taxes and benefits	-	177,115	877,858	319,232	4,648,663	481,048	6,503,916	6,104,876
Advertising and promotion	-	13,122	-	-	3,000	418,996	435,118	458,270
Bank fees	-	1,466	7,412	-	233,613	-	242,491	160,490
Central Information Systems	-	-	-	-	198,972	-	198,972	149,653
Children's Miracle Network	-	-	-	-	868,807	-	868,807	920,982
Consulting	-	-	83,285	780	224,204	37,480	345,749	114,178
Digital media	-	-	-	-	-	64,937	64,937	32,064
Direct mail	-	-	-	-	459,999	-	459,999	435,303
Donor relations	-	-	3,076	-	82,542	-	85,618	72,087
Employee engagement	-	-	13,686	-	773	-	14,459	16,550
Equipment and facility rental	-	-	8,887	-	232	8,870	17,989	42,562
Events	-	10,557	6,907	-	47,570	28,897	93,931	33,454
Insurance	-	15,455	125,216	478	16,923	1,367	159,439	135,482
Marketing production	-	-	-	-	32	47,583	47,615	62,829
Memberships and dues	-	1,225	5,688	295	37,940	198	45,346	37,632
Fundraising platform fees	-	-	-	-	173,257	-	173,257	201,639
Postage	-	368	1,270	655	29,588	12,094	43,975	39,019
Printing services	-	4,679	1,520	-	37,605	65,482	109,286	91,917
Professional development	-	-	38,573	1,053	5,723	699	46,048	41,800
Professional fees	-	-	145,477	1,019	-	-	146,496	163,647
Recruiting	-	-	6,317	-	-	-	6,317	5,747
Rent	-	-	26,112	15,232	150,144	43,520	235,008	273,669
Repairs and maintenance	-	21,281	86,725	3,560	35,095	10,173	156,834	45,446
Service and support contracts	-	1,949	28,620	90,560	227,449	71,285	419,863	435,774
Telephone and internet	-	1,848	4,149	2,420	23,859	6,916	39,192	42,825
Temporary staffing	-	12,000	-	-	-	-	12,000	11,900
Travel and related expenses	-	82	14,262	298	32,894	1,686	49,222	16,066
Website development and maintenance	-	-	-	-	-	62,072	62,072	-
Other	-	7,491	20,938	268	8,632	4,207	41,536	33,097
Utilities	-	15,551	-	-	-	-	15,551	11,612
Depreciation and amortization	-	47,358	12,317	7,185	70,821	20,527	158,208	166,390
<b>June 30, 2022 Total</b>	<b>\$ 33,295,494</b>	<b>\$ 331,547</b>	<b>\$ 1,518,295</b>	<b>\$ 443,035</b>	<b>\$ 7,618,337</b>	<b>\$ 1,388,037</b>	<b>\$ 44,594,745</b>	
<b>June 30, 2021 Total</b>	<b>\$ 35,633,599</b>	<b>\$ 243,979</b>	<b>\$ 1,331,541</b>	<b>\$ 481,702</b>	<b>\$ 7,142,177</b>	<b>\$ 1,157,561</b>		<b>\$ 45,990,559</b>



**James Whitcomb Riley Memorial Association, Inc.,  
d/b/a Riley Children's Endowment**  
**Consolidated Statement of Functional Expenses**  
**Year Ended June 30, 2021**

	Program Services		Supporting Services				Total
	Grants	Riley Museum Home	Administration	Finance	Fundraising	Communications	
Grants	\$ 35,633,599	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,633,599
Salaries, taxes and benefits	-	115,594	873,231	340,389	4,388,450	387,212	6,104,876
Advertising and promotion	-	4,778	-	-	-	453,492	458,270
Bank fees	-	285	7,180	-	153,025	-	160,490
Central Information Systems	-	-	-	-	149,653	-	149,653
Children's Miracle Network	-	-	-	-	920,982	-	920,982
Consulting	-	-	18,679	1,105	91,235	3,159	114,178
Digital media	-	-	-	-	-	32,064	32,064
Direct mail	-	-	-	-	435,303	-	435,303
Donor relations	-	-	-	-	72,087	-	72,087
Employee engagement	-	-	16,188	-	362	-	16,550
Equipment and facility rental	-	-	4,088	-	33,334	5,140	42,562
Events	-	104	-	-	21,072	12,278	33,454
Insurance	-	20,864	106,390	559	6,151	1,518	135,482
Marketing production	-	-	-	-	-	62,829	62,829
Memberships and dues	-	1,320	4,315	705	30,922	370	37,632
Fundraising platform fees	-	-	-	-	201,639	-	201,639
Postage	-	279	2,212	600	28,353	7,575	39,019
Printing services	-	4,432	86	-	41,038	46,361	91,917
Professional development	-	259	35,004	1,023	5,514	-	41,800
Professional fees	-	-	162,628	1,019	-	-	163,647
Recruiting	-	-	5,747	-	-	-	5,747
Rent	-	-	28,807	16,804	180,046	48,012	273,669
Repairs and maintenance	-	16,159	3,781	1,750	18,755	5,001	45,446
Service and support contracts	-	1,870	23,932	107,182	241,463	61,327	435,774
Telephone and internet	-	1,848	4,313	2,516	26,959	7,189	42,825
Temporary staffing	-	11,900	-	-	-	-	11,900
Travel and related expenses	-	-	2,480	-	13,135	451	16,066
Other	-	2,280	20,270	928	6,386	3,233	33,097
Utilities	-	11,612	-	-	-	-	11,612
Depreciation and amortization	-	50,395	12,210	7,122	76,313	20,350	166,390
	<u>\$ 35,633,599</u>	<u>\$ 243,979</u>	<u>\$ 1,331,541</u>	<u>\$ 481,702</u>	<u>\$ 7,142,177</u>	<u>\$ 1,157,561</u>	<u>\$ 45,990,559</u>

**James Whitcomb Riley Memorial Association, Inc.,  
d/b/a Riley Children's Endowment**

**Consolidated Statements of Cash Flows  
Years Ended June 30, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>Operating Activities</b>		
Change in net assets	\$ (42,249,294)	\$ 82,341,486
Items not requiring (providing) cash		
Depreciation and amortization	158,208	166,390
Loss on uncollectible contributions receivable	35,000	210,770
Net realized and unrealized (gains) losses on investments	40,360,867	(86,193,965)
Loss on sale of property and equipment	3,748	-
Change in value of beneficial interest in charitable lead trusts	2,440,358	(237,570)
Change in value of beneficial interest in perpetual trusts	5,460,290	(6,214,252)
Contributions restricted for long-term investment	(2,607,969)	(2,480,127)
Forgiveness of Paycheck Protection Program loan	-	(1,176,900)
Changes in		
Prepaid expenses and other assets	32,223	14,381
Contributions receivable	(9,132,116)	580,094
Accounts payable and accrued expenses	(209,967)	262,750
Grants payable	3,130,880	2,345,994
Net cash used in operating activities	<u>(2,577,772)</u>	<u>(10,380,949)</u>
<b>Investing Activities</b>		
Purchase of property and equipment	(369,925)	(39,566)
Purchase of investments	(99,190,343)	(124,414,630)
Proceeds from sales and maturities of investments	100,945,031	136,439,681
Net increase in cash surrender value of life insurance	(28,847)	(29,155)
Net cash provided by investing activities	<u>1,355,916</u>	<u>11,956,330</u>
<b>Financing Activities</b>		
Contributions restricted for long-term investment	2,607,969	2,480,127
Change in value of investment held on behalf of Indiana University	(182,751)	(2,745,169)
Annuity payments	(15,569)	(15,569)
Net cash provided by (used in) financing activities	<u>2,409,649</u>	<u>(280,611)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	1,187,793	1,294,770
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>8,882,175</u>	<u>7,587,405</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 10,069,968</u></u>	<u><u>\$ 8,882,175</u></u>
<b>Supplemental Cash Flows Information</b>		
Stock gifts	\$ 4,580,230	\$ 1,025,978
Gifts-in-kind	302,122	34,796

**James Whitcomb Riley Memorial Association, Inc.,  
d/b/a Riley Children's Endowment**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

The James Whitcomb Riley Memorial Association, Inc., d/b/a Riley Children's Endowment (Endowment) was organized in 1921 to commemorate the life of Indiana's poet, James Whitcomb Riley. The Endowment provides support for Riley Hospital for Children and its research programs, Camp Riley and the Riley Museum Home. The Endowment's primary sources of support and revenue are contributions and investment earnings.

The vision of the Endowment is to ensure all children have equitable access to exceptional healthcare so they may reach their optimal health and quality of life. The mission is to inspire people to invest in pediatric research, care, and programs that support the physical and mental health of kids.

***Principles of Consolidation***

The accompanying consolidated financial statements include the accounts of the Endowment and its wholly owned subsidiaries, Riley Children's Foundation, LLC (established in 2018) and Indiana University Dance Marathon, LLC (established in 2022).

Effective April 1, 2018, James Whitcomb Riley Memorial Association, Inc. changed its d/b/a to Riley Children's Endowment (Endowment) and a new entity was formed, Riley Children's Foundation, LLC (Foundation). The Endowment's Board of Governors determined that given the challenges involved in managing both operational and investment activities and the vastly different governance needs of these distinct functions, the Endowment could most effectively and efficiently further its charitable purposes by focusing exclusively on investment and endowment management, and by transferring the charitable programming and activities function to the Foundation, which has a governance structure and organizational capacity designed specifically to advance fundraising efforts.

Effective December 22, 2021, the Foundation formed Indiana University Dance Marathon, LLC (IUDM). IUDM was created to further the charitable purpose of the Foundation by engaging in fundraising efforts specifically related to the Indiana University Dance Marathon. The Indiana University Dance Marathon is a group of events led by Indiana University students that raise money and awareness for Riley Children's Health and its related research programs.

All significant intercompany accounts and transactions have been eliminated in consolidation.

***Use of Estimates***

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

**James Whitcomb Riley Memorial Association, Inc.,  
d/b/a Riley Children's Endowment  
Notes to Consolidated Financial Statements  
June 30, 2022 and 2021**

***Cash and Cash Equivalents***

The Endowment considers all liquid investments with original maturities of three months or less that are not part of the managed portfolio to be cash equivalents. At June 30, 2022 and 2021, cash equivalents consisted primarily of a sweep account.

For the purposes of the consolidated statement of cash flows, the Endowment does not consider cash equivalents included within the managed portfolio (investments) to be cash equivalents.

At June 30, 2022, the Endowment's cash accounts exceeded insured limits by approximately \$14,607,000.

***Investments***

Investments are carried at fair value. The Endowment's alternative investments (including private equity, hedge funds, etc.) are recorded at net asset value (NAV), as a practical expedient, to determine fair value of the investments. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

The Endowment invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least 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 accompanying statements of financial position.

The Endowment 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.

At June 30, 2022 and 2021, approximately 99% of the Endowment's investments are invested in the Riley Children's Endowment Unitized Fund (the "Fund") coordinated through Northern Trust. The Endowment treats the application of its investment in the Fund as a mutual fund with shares as the common unit. The custodian-held assets in the Fund are managed by professional investment firms in accordance with Board approved investment and spending policies. Net earnings of the Fund are allocated to investing participants on a pro-rata basis. The fair value of the Fund's investments in equities, fixed income securities and commodities are based on quoted market prices, if available, or estimated using quoted market prices for similar securities. Alternative investments, principally private equity, real estate, hedge funds and similar interests are valued using the most recent valuation available by the respective external fund manager, adjusted for cash receipts and cash disbursements.

**James Whitcomb Riley Memorial Association, Inc.,  
d/b/a Riley Children's Endowment  
Notes to Consolidated Financial Statements  
June 30, 2022 and 2021**

***Transfers Between Fair Value Hierarchy Levels***

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period ending date.

***Property and Equipment***

Property and equipment is stated at cost, less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Furniture and equipment	3 - 7 years
Leasehold improvements	5 years
Riley Museum Home Visitors Center	30 years

***Long-Lived Asset Impairment***

The Endowment evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2022 and 2021.

***Net Assets***

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

**James Whitcomb Riley Memorial Association, Inc.,  
d/b/a Riley Children's Endowment**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**Contributions**

Contributions are provided to the Endowment either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Endowment overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

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***In-Kind Contributions***

In addition to receiving cash contributions, the Endowment receives various in-kind contributions including advertising, concessions, office space, software, equipment, entertainment space, etc. from various donors. It is the policy of the Endowment to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by the same amount. For the years ended December 31, 2022 and 2021, \$302,122 and \$34,796, respectively, was received in in-kind contributions.

***Income Taxes***

The Endowment is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income. The Endowment files tax returns in the U.S. federal jurisdiction.

***Functional Allocation of Expenses***

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, administration, finance, fund raising and communications categories based on time studies, space allocations, and other methods.

***Subsequent Events***

Subsequent events have been evaluated through October 13, 2022, which is the date the consolidated financial statements were available to be issued.

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**Note 2: Contributions Receivable**

	<b>Without Donor Restrictions</b>	<b>2022 With Donor Restrictions</b>	<b>Total</b>
Due within one year	\$ 207,863	\$ 4,229,249	\$ 4,437,112
Due in one to five years	-	11,442,148	11,442,148
Due in more than five years	-	3,240,930	3,240,930
	<u>207,863</u>	<u>18,912,327</u>	<u>19,120,190</u>
Allowance for uncollectible contributions	-	(193,000)	(193,000)
	<u>207,863</u>	<u>18,719,327</u>	<u>18,927,190</u>
Discount for time value of money	-	(2,116,739)	(2,116,739)
	<u><u>\$ 207,863</u></u>	<u><u>\$ 16,602,588</u></u>	<u><u>\$ 16,810,451</u></u>

  

	<b>Without Donor Restrictions</b>	<b>2021 With Donor Restrictions</b>	<b>Total</b>
Due within one year	\$ 208,286	\$ 1,783,717	\$ 1,992,003
Due in one to five years	-	3,458,696	3,458,696
Due in more than five years	-	4,235,510	4,235,510
	<u>208,286</u>	<u>9,477,923</u>	<u>9,686,209</u>
Allowance for uncollectible contributions	-	(193,000)	(193,000)
	<u>208,286</u>	<u>9,284,923</u>	<u>9,493,209</u>
Discount for time value of money	-	(1,779,874)	(1,779,874)
	<u><u>\$ 208,286</u></u>	<u><u>\$ 7,505,049</u></u>	<u><u>\$ 7,713,335</u></u>

Discount rates ranged from 0.07% to 3.21% and from 0.14% to 3.07% for 2022 and 2021, respectively.



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**Note 3: Investments**

The Endowment participates in an investment pool with Indiana University. This investment pool is under the control of the Endowment, as it is held in the Endowment's name and is subject to the Endowment's investment policy. Current fair value is used to determine the number of units allocated to additional assets placed in the pool and to value withdrawals from the pool. Investment income and realized and unrealized gains and losses are allocated equitably based on the number of units assigned to each participant.

Details of the pool's participant accounts at June 30 are as follows:

	No. of Units	Fair Value 2022	2021
Riley Children's Endowment	16,888,535	\$ 358,299,846	\$ 399,876,153
Indiana University	342,115	3,178,782	3,361,533
Total		<u>\$ 361,478,628</u>	<u>\$ 403,237,686</u>

The Endowment's investments (including those investments held in the pool) as of June 30 are as follows:

	2022	2021
Cash equivalents	\$ 6,862,477	\$ 7,850,109
Equities:		
Common stocks	1,270,766	1,393,408
International equities	335,134	480,006
Common trust/mutual funds	22,764,166	19,050,862
Commingled funds	87,734,976	139,302,331
Fixed income:		
U.S. Government and Government Agency securities	16,971,976	16,071,974
Corporate bonds	14,323,273	15,850,095
Municipal bonds	629,056	1,250,517
Common trust/mutual funds	926,797	987,198
Other fixed income	4,281,120	4,496,364
Commingled funds	25,886,902	26,730,272
Hedge funds	101,711,068	118,124,004
Private credit	1,624,182	575,461
Private equity	44,095,320	29,396,478
Real assets - Partnerships	34,805,304	24,778,993
Total	<u>\$ 364,222,517</u>	<u>\$ 406,338,072</u>

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**Alternative Investments**

Alternative investments held at June 30 consist of the following:

June 30, 2022				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equities:				
Commingled funds	\$ 80,568,585	-	Quarterly	90 Days
	7,166,391	-	Triennially	90 Days
Total commingled equity funds	87,734,976	-		
Fixed income:				
Commingled funds	25,886,902	-	Daily	2 Days
Hedge funds	101,711,068	-	Quarterly	90 Days
Private credit	1,624,182	1,500,000	None	Not applicable
Private equity	44,095,320	33,822,603	None	Not applicable
Real assets - Partnerships	34,805,304	9,003,905	None	Not applicable
June 30, 2021				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equities:				
Commingled funds	\$ 48,360,543	-	Monthly	10 - 90 Days
	61,215,216	-	Quarterly	30 - 365 Days
	4,772,372	-	Semi-Annually	60 Days
	24,954,200	-	Triennially	45 - 90 Days
Total commingled equity funds	139,302,331	-		
Fixed income:				
Commingled funds	26,730,272	-	Daily	2 Days
Hedge funds	85,666,128	-	Quarterly	45 - 120 Days
	2,600,000	-	Semi-Annually	60 Days
	28,226,487	-	Annually	60 - 80 Days
	1,631,389	3,300,000	None	Not applicable
Total hedge funds	118,124,004	3,300,000		
Private credit	575,461	2,400,000	None	Not applicable
Private equity	29,396,478	19,673,400	None	Not applicable
Real assets - Partnerships	24,778,993	13,509,853	None	Not applicable

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***Equity Commingled Funds:*** Equity commingled funds has included investments in commingled fund vehicles that include a limited liability company, limited partnerships, a British Virgin Islands business company, and Cayman Islands exempt companies, which invest in U.S., non-U.S., and emerging markets marketable equity securities. In fiscal year 2022, certain limited partnerships, Cayman Islands exempt companies, a British Virgin Islands business company and a limited liability company were contributed in-kind to a limited partnership fund-of-funds operated by the Endowment's investment manager. Equity commingled funds have quarterly to triennial liquidity subject to certain notice requirements and gate provisions. The fair values of the investments in this category have been estimated using the net asset value per share of the fund, which reflects the fair value of the underlying publicly traded securities.

***Fixed Income Commingled Funds:*** Fixed income commingled funds include investments in limited liability companies with U.S. short-term investment grade and U.S. intermediate government/credit fixed income strategies. These commingled funds have daily liquidity with two business days' notice. The fair value of the investments in this category have been estimated using the net asset value per share of the fund, which reflects the fair value of the underlying bonds.

***Hedge Funds:*** Hedge funds has included investments in commingled fund vehicles including Cayman Islands limited partnerships and Cayman Islands exempt companies, which implement a range of alternative investment strategies such as long/short equity, credit, managers investing opportunistically across the capital structure, and other strategies. In fiscal year 2022, certain Cayman Islands limited partnerships and Cayman Islands exempt companies were contributed in-kind to a Cayman Islands limited partnership fund-of-funds operated by the Endowment's investment manager. These funds are open-ended in duration and generally offer quarterly liquidity subject to certain notice requirements and gate provisions, with the expectation that investments will be held for the long-term unless liquidity, rebalancing, or other needs of the Endowment necessitate redemption. Additionally, certain hedge fund investments may include side pockets, holdbacks, or other illiquid investments where no redemptions are permitted until such investments are liquidated or deemed realized. The fair values of the investments in this category have been estimated using the net asset value per share of the fund, which reflects the fair value of the underlying publicly traded securities.

***Private Credit:*** Private credit includes an investment in a limited partnership that provides customized and secured debt financing to emerging growth companies. Private credit funds typically have investment terms greater than 10 years. The fair value of this investment has been estimated using the net asset value of the Endowment's ownership interest in partners' capital. This investment cannot be redeemed during the term of the fund. Distributions from this fund are received as the underlying investments of the fund are liquidated.

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**Private Equity:** Private equity includes investments in limited partnerships, limited liability companies, British Virgin Islands limited companies, Cayman Islands exempt limited partnerships, and an English limited partnership that consist of direct and fund-of-funds structures, including private equity buyout, venture capital, direct financing (debt), and secondary private equity funds. These private equity funds typically have investment terms greater than ten years. The fair values of these investments have been estimated using the net asset value of the Endowment's ownership interest in partners' capital. The investments cannot be redeemed during the term of the fund. Distributions from each fund are received as the underlying investments of the funds are liquidated.

**Real Asset Partnerships:** Real asset partnerships include investments in limited partnerships, limited liability companies, and a Cayman Islands exempt limited partnership which invest in a variety of energy and natural resources related infrastructure, property or companies, as well as real estate investments. These real asset partnerships typically have investment terms greater than 10 years. The fair values of these investments have been estimated using the net asset value of the Endowment's ownership interest in partners' capital. The investments cannot be redeemed during the term of the fund. Distributions from each fund are received as the underlying investments of the funds are liquidated.

**Note 4: Split-Interest Agreements**

***Beneficial Interest Charitable Lead Trust***

The Endowment is the beneficiary of a charitable lead annuity trust. The trust provides for annual variable annuity payments through 2037. Based on the lives of the trust and applicable discount rates, the present value of future benefits expected to be received by the Endowment was estimated to be \$7,663,637 and \$10,103,995 at June 30, 2022 and 2021, respectively. The Endowment received \$190,623 and \$186,958 from the trust in 2022 and 2021, which was recorded as a reduction in the receivable. The discount rate was 4.39% for 2022 and 2021.

***Beneficial Interest in Perpetual Trusts***

The Endowment is also the beneficiary under various perpetual trusts administered by outside parties. Under the terms of the trusts, the Endowment has the irrevocable right to receive income earned on the trusts' assets in perpetuity, but never receives the assets held in trusts. The estimated value of the expected future cash flows is \$26,908,506 and \$32,368,796, which represents the fair value of the trusts' assets at June 30, 2022 and 2021, respectively. Income from these trusts was \$1,188,229 and \$1,052,921 for the years ended 2022 and 2021, respectively.

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**Charitable Gift Annuities**

The Endowment has executed charitable annuity agreements with various donors. Under the terms of the annuity agreements, the donors contribute assets to the Endowment in exchange for the right to receive a fixed payment for a specified period of time. Upon receiving the annuity gift, the Endowment records a liability based on the present value of the estimated payments to the donor. The remainder of the gift is recorded as revenue in the period received. Annuity liabilities were \$154,123 and \$169,692 at June 30, 2022 and 2021, respectively.

**Note 5: Property and Equipment**

The Endowment's property and equipment as of June 30 is comprised of the following:

	<b>2022</b>	<b>2021</b>
Riley Museum Home	\$ 43,190	\$ 43,189
Riley Museum Home Visitors Center	1,311,143	1,311,143
Furniture and equipment	649,642	632,349
Leasehold improvements	281,142	259,468
	<u>2,285,117</u>	<u>2,246,149</u>
Accumulated depreciation	<u>(832,222)</u>	<u>(1,001,223)</u>
	<u><u>\$ 1,452,895</u></u>	<u><u>\$ 1,244,926</u></u>

**Note 6: Leases**

The Endowment leases office space under a lease agreement that expires on October 31, 2028. Annual minimum lease payments of \$165,438 began on April 1, 2022. In addition to the minimum rent, the Endowment is required to pay additional rent based on a portion of the increase in the landlord's operating expenses and real estate taxes.

Total rent expense for the years ended June 30, 2022 and 2021 was \$235,009 and \$273,669, respectively. Future minimum lease payments are as follows:

2023	\$ 137,865
2024	168,885
2025	173,106
2026	177,430
2027	181,869
Thereafter	217,609

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**Note 7: Net Assets With Donor Restrictions**

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

	2022	2021
Subject to expenditure for specified purpose		
Research	\$ 9,810,288	\$ 10,294,292
Clinical programs	10,817,129	5,108,607
Education	1,290,501	1,333,416
Patient and family services	7,216,290	9,570,670
Advocacy	1,300,414	981,159
Buildings and equipment	8,031,918	10,093,070
Camp Riley	1,459,364	1,720,420
General program support - Riley Hospital for Children and other	17,629,852	6,569,699
Other	157,179	153,515
	<u>57,712,935</u>	<u>45,824,848</u>
Subject to passage of time, no purpose restriction	<u>783,407</u>	<u>1,530,193</u>
Endowments		
Accumulated investment income, subject to spending policy and appropriation		
Research	3,416,344	7,878,554
Clinical programs	3,350,344	6,569,977
Education	(786,000)	6,230,140
Patient and family services	3,830,053	5,385,937
Advocacy	3,129	-
Buildings and equipment	17,464	76,266
Camp Riley	589,262	1,058,893
General program support - Riley Hospital for Children and other	524,684	2,127,682
Museum Home	138,291	347,516
Other	75,554	142,108
	<u>11,159,125</u>	<u>29,817,073</u>
Amounts to be held in perpetuity		
Research	24,782,517	24,015,937
Clinical programs	16,923,199	15,527,171
Education	43,352,991	43,102,832
Patient and family services	5,417,269	5,283,069
Advocacy	233,458	-
Buildings and equipment	307,330	317,137
Camp Riley	2,306,930	2,299,428
General program support - Riley Hospital for Children and other	3,625,327	3,368,463
Museum Home	1,111,790	1,110,790
Foundation operations	1,861,031	1,861,030
Other	210,363	310,945
	<u>100,132,205</u>	<u>97,196,802</u>
Total endowments	<u>111,291,330</u>	<u>127,013,875</u>
Other amounts to be held in perpetuity		
Research	1,903,455	2,410,928
Clinical programs	84,543	172,839
Education	335,180	565,900
Patient and family services	4,597,489	5,762,834
Advocacy	168	-
General program support - Riley Hospital for Children and other	9,427,321	11,165,318
Foundation operations	10,940,016	12,931,422
Other	243,163	339,630
	<u>27,531,335</u>	<u>33,348,871</u>
	<u>\$ 197,319,007</u>	<u>\$ 207,717,787</u>

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***Net Assets Released From Restrictions***

Net assets were released from donor restrictions during the year ended June 30 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<b>2022</b>	<b>2021</b>
Purpose restrictions accomplished		
Program related		
Research	\$ 7,369,879	\$ 9,308,258
Clinical programs	3,314,058	3,724,398
Education	2,479,122	2,686,402
Patient and family services	4,448,791	5,257,630
Advocacy	666,680	525,650
Buildings and equipment	32,697	6,900
Camp Riley	565,651	129,717
General program support	5,229,770	8,389,489
Museum Home	254,650	91,278
Other	47,733	48,123
Time restriction met	1,469,750	510,469
Net restrictions released	<u>\$ 25,878,781</u>	<u>\$ 30,678,314</u>

**Note 8: Endowment**

The Endowment's endowment consists of approximately 150 individual funds established to support a variety of purposes, including:

- Clinical care
- Pediatric research
- Education
- Family Support Programs
- The Riley Museum Home
- Operations of the Endowment

The endowment includes both donor-restricted endowment funds and funds designated by the Board of Governors to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

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The Endowment's Board of Governors has interpreted the State of Indiana Prudent Management of Institutional Funds Act (SPMIFA) as requiring 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. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Endowment 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 Endowment has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Endowment considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Endowment and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Endowment
7. Investment policies of the Endowment

The composition of net assets by type of endowment fund at June 30, 2022 and 2021 was:

	<b>2022</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Board-designated endowment funds	\$ 67,348,955	\$ -	\$ 67,348,955
Donor-restricted endowment funds			
Accumulated investment gains	-	11,159,125	11,159,125
Amounts to be held in perpetuity	-	100,132,205	100,132,205
Total endowment funds	<u>\$ 67,348,955</u>	<u>\$ 111,291,330</u>	<u>\$ 178,640,285</u>



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	<b>2021</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Board-designated endowment funds	\$ 79,326,243	\$ -	\$ 79,326,243
Donor-restricted endowment funds			
Accumulated investment gains	-	29,817,073	29,817,073
Amounts to be held in perpetuity	-	97,196,802	97,196,802
Total endowment funds	<u>\$ 79,326,243</u>	<u>\$ 127,013,875</u>	<u>\$ 206,340,118</u>

Changes in endowment net assets for the years ended June 30, 2022 and 2021 were:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, June 30, 2020	\$ 62,690,465	\$ 98,705,815	\$ 161,396,280
Investment return			
Investment income	382,649	604,079	986,728
Net appreciation in values	19,582,904	29,384,879	48,967,783
Contributions	130,000	3,337,840	3,467,840
Administrative expenses	(172,605)	(250,095)	(422,700)
Appropriation of endowment assets for expenditure	<u>(3,287,170)</u>	<u>(4,768,643)</u>	<u>(8,055,813)</u>
Endowment net assets, June 30, 2021	79,326,243	127,013,875	206,340,118
Investment return			
Investment income	(53,745)	(34,654)	(88,399)
Net depreciation in values	(8,406,123)	(13,280,806)	(21,686,929)
Contributions	-	2,945,214	2,945,214
Administrative expenses	(169,353)	(252,029)	(421,382)
Appropriation of endowment assets for expenditure	<u>(3,348,067)</u>	<u>(5,100,270)</u>	<u>(8,448,337)</u>
Endowment net assets, June 30, 2022	<u>\$ 67,348,955</u>	<u>\$ 111,291,330</u>	<u>\$ 178,640,285</u>

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From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Endowment is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new restricted contributions and continued appropriation for certain purposes that was deemed prudent by the governing body. At June 30, 2022 and 2021, underwater endowment funds with donor restrictions were as follows:

	<b>2022</b>	<b>2021</b>
Fair values	\$ 29,271,886	\$ 1,285,654
Original gift values	32,581,182	1,300,000
Underwater endowment fund values	<u>\$ 3,309,296</u>	<u>\$ 14,346</u>

The Endowment has adopted investment and spending policies, approved by the Board of Governors, for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Endowment must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the Endowment's policies, endowment assets are invested in a manner that is intended to produce results that exceed the annual distribution while assuming an acceptable level of investment risk. The Endowment expects its endowment funds to provide an average rate of return of approximately 8% annually over time. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Endowment relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Endowment 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.

The Endowment has a policy (the spending policy) of appropriating for expenditure each year 5% of its endowment fund's average fair value over the prior 12 quarters through the calendar year end preceding the year in which expenditure is planned. In establishing this policy, the Endowment considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor restrictions, and the possible effect of inflation. Accordingly, over the long-term, the Endowment expects the current spending policy to allow its endowment to grow at an average of the long-term rate of inflation. This is consistent with the Endowment's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

The Endowment has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Likewise, the Endowment has a policy that permits spending from underwater endowment funds unless otherwise precluded by donor stipulations or laws and regulations.

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**Note 9: Employee Benefits**

The Endowment has established a 401(k) retirement plan for employees who meet certain eligibility requirements. Effective January 1, 2021, the Endowment contribution was reduced to 3%. During fiscal year 2022 and 2021, the Endowment did not match salary deferrals. Total retirement plan costs for 2022 and 2021 were \$152,215 and \$180,007, respectively.

**Note 10: Disclosures About Fair Value of Assets and Liabilities**

Fair value is 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

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***Recurring Measurements***

The following table presents the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2022 and 2021.

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
<b>June 30, 2022</b>				
Investments				
Cash equivalents	\$ 6,862,477	\$ -	\$ -	\$ 6,862,477
Equities:				
Common stocks	1,270,766	-	-	1,270,766
International equities	335,134	-	-	335,134
Common trust/mutual funds	22,764,166	-	-	22,764,166
Fixed income:				
U.S. Government and Government Agency securities	16,971,976	-	-	16,971,976
Corporate bonds	14,323,273	-	-	14,323,273
Municipal bonds	629,056	-	-	629,056
Common trust/mutual funds	926,797	-	-	926,797
Other fixed income	4,281,120	-	-	4,281,120
Private equity	-	-	7,493,472	7,493,472
Real assets - Partnerships	-	-	7,096,670	7,096,670
Total investments in the fair value hierarchy	68,364,765	-	14,590,142	82,954,907
Investments measured at NAV <sup>(A)</sup>				281,267,610
Total investments				364,222,517
Beneficial interest in charitable lead trusts	-	-	7,663,637	7,663,637
Beneficial interest in perpetual trusts	-	-	26,908,506	26,908,506
<b>June 30, 2021</b>				
Investments				
Cash equivalents	\$ 7,850,109	\$ -	\$ -	\$ 7,850,109
Equities:				
Common stocks	1,393,408	-	-	1,393,408
International equities	480,006	-	-	480,006
Common trust/mutual funds	19,050,862	-	-	19,050,862
Fixed income:				
U.S. Government and Government Agency securities	16,071,974	-	-	16,071,974
Corporate bonds	15,850,095	-	-	15,850,095
Municipal bonds	1,250,517	-	-	1,250,517
Common trust/mutual funds	987,198	-	-	987,198
Other fixed income	4,496,364	-	-	4,496,364
Private equity	-	-	8,785,836	8,785,836
Real assets - Partnerships	-	-	5,447,883	5,447,883
Total investments in the fair value hierarchy	67,430,533	-	14,233,719	81,664,252
Investments measured at NAV <sup>(A)</sup>				324,673,820
Total investments				406,338,072
Beneficial interest in charitable lead trusts	-	-	10,103,995	10,103,995
Beneficial interest in perpetual trusts	-	-	32,368,796	32,368,796

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- (A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2022. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

***Level 3 Valuation Process***

Fair value determinations for Level 3 measurements of securities are the responsibility of the Accounting Department in conjunction with the investment advisor and fund managers. The Accounting Department challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

***Beneficial Interest in Charitable Lead Trusts***

Fair value is estimated by calculating the present value of the annuity over the term of the trusts using discount rates.

***Beneficial Interest in Perpetual Trust***

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

***Unobservable (Level 3) Inputs***

The following tables present quantitative information about unobservable inputs used in recurring Level 3 fair value measurements at June 30, 2022 and 2021.

	Fair Value at June 30, 2022	Valuation Technique	Unobservable Inputs	Range
Private equity investments	\$ 7,493,472	Net asset value equivalent (NAV)	Adjustments to NAV	None
Real asset investments	7,096,670	NAV	Adjustments to NAV	None
Beneficial interest in charitable lead trusts	7,663,637	Discounted cash flow	Discount rate	4.39%
Beneficial interest in perpetual trusts	26,908,506	Discounted cash flow	(1)	None

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	Fair Value at June 30, 2021	Valuation Technique	Unobservable Inputs	Range
Private equity investments	\$ 8,785,836	NAV	Adjustments to NAV	None
Real asset investments	5,447,883	NAV	Adjustments to NAV	None
Beneficial interest in charitable lead trusts	10,103,995	Discounted cash flow	Discount rate	2.04% - 4.39%
Beneficial interest in perpetual trusts	32,368,796	Discounted cash flow	(1)	None

**Level 3 Reconciliation**

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of financial position using significant unobservable (Level 3) inputs:

	Investments		Beneficial Interest in Charitable Lead Trusts	Beneficial Interest in Perpetual Trusts
	Private Equity	Real Assets Partnerships		
Balance, July 1, 2020	\$ 8,475,937	\$ 4,354,657	\$ 9,866,425	\$ 26,154,544
Purchases	92,407	197,964	-	-
Distributions	(2,336,635)	(387,668)	-	-
Unrealized gains	2,554,127	1,282,930	-	-
Payments received	-	-	(186,958)	-
Contributions received	-	-	-	-
Change in discount to present value	-	-	424,528	-
Unrealized loss on perpetual trusts	-	-	-	6,214,252
Balance, June 30, 2021	8,785,836	5,447,883	10,103,995	32,368,796
Purchases	-	65,533	-	-
Distributions	(3,032,736)	(1,090,221)	-	-
Unrealized gains	1,740,372	2,673,475	-	-
Payments received	-	-	(190,623)	-
Change in discount to present value	-	-	(2,249,735)	-
Unrealized loss on perpetual trusts	-	-	-	(5,460,290)
Balance, June 30, 2022	<u>\$ 7,493,472</u>	<u>\$ 7,096,670</u>	<u>\$ 7,663,637</u>	<u>\$ 26,908,506</u>

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**Note 11: Liquidity and Availability**

The Endowment receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. In addition, the Endowment receives support and investment income without donor restrictions.

The Endowment considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs which support Riley Hospital for Children and its research programs, Camp Riley and the Riley Museum Home to be available to meet cash needs for general expenditures. General expenditures include management and general expenses, fundraising expenses, communications expenses, and grant commitments.

The Endowment has established an Investment Policy Statement ("IPS") that is used to define how the Endowment's investment portfolio is managed. The investment portfolio is broken into three asset classes as defined below:

1. Short-Term Assets - includes the portion of the Endowment's funds that have a time horizon of 3 years or less plus annual grant commitments. The IPS states that this asset class should be 100% liquid within one week.
2. Intermediate-Term Assets - includes the portion of the Endowment's funds that have a time horizon of greater than 3 years but not more than 7 years. The IPS states that this asset class should be 80% liquid within 3 years and 100% liquid within 5 years.
3. Long-Term Assets - includes endowment funds to be held in perpetuity. These funds have a spending policy and a perpetual time horizon. The IPS states that 30% of this asset class should be liquid within one year and 60% liquid within 3 years.

The Endowment strives to have sufficient liquid assets to meet its annual operating expenditures plus endowment distributions and estimated grant obligations for three years. This allows the Endowment to adjust to emerging programmatic needs of Riley Hospital for Children.

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The table below presents financial assets available for general expenditures within one year at June 30, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 10,069,968	\$ 8,882,175
Contributions receivable, gross	19,120,190	9,686,209
Investments	364,222,517	406,338,072
Total financial assets	<u>393,412,675</u>	<u>424,906,456</u>
Less: amounts not available to be used within one year		
Contributions receivable, due after one year	(14,683,078)	(7,694,206)
Intermediate-term assets	(19,590,055)	(20,266,603)
Investments held in perpetuity	(100,132,209)	(97,196,802)
Investments held for board-designated endowment	(67,348,955)	(79,326,243)
Investments held on behalf of Indiana University	(3,178,782)	(3,361,533)
Financial assets not available to be used within one year	<u>(204,933,079)</u>	<u>(207,845,387)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 188,479,596</u>	<u>\$ 217,061,069</u>

**Note 12: Commitments**

As of June 30, 2022, the Endowment has outstanding commitments of \$20,375,000 for research, education, patient and family services and programs for Riley Hospital for Children. The commitments are expected to be paid in one year.

**Note 13: Related Party Transactions**

Amounts due on promises to give from members of the Board of Governors were \$4,159,516 and \$4,447,780 at June 30, 2022 and 2021, respectively. The Endowment also purchases products and services from businesses in which a member of the Board of Governors held an ownership percentage. These purchases were not material in 2022 or 2021.



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**Note 14: Significant Estimates and Concentrations**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

***Investments***

The Endowment has significant investments in equity and debt securities and is therefore subject to concentrations of credit risk. Investments are managed by investment advisors who are supervised by the Finance Committee of the Board of Governors. Though the fair value of investments is subject to fluctuations on a year to year basis, the Committee members believe that the investment policy is prudent for the long-term welfare of the Endowment.

***Contributions Receivable***

At June 30, 2022 and 2021, 73% and 74% of the total contributions receivable were from two and four donors, respectively, through both foundations and individual donations. Other concentrations of credit risk with respect to contributions receivable are limited due to the large number of contributors comprising the Endowment's contributor base and their dispersion across different industries and geographic areas.

***Contributions***

Approximately 34% and 13% of all contributions were received from two and one donor(s) in 2022 and 2021, respectively.