



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

Independent Auditor's Report and Consolidated Financial Statements

June 30, 2023 and 2022

**James Whitcomb Riley Memorial Association, Inc.,
d/b/a Riley Children’s Endowment
June 30, 2023 and 2022**

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Independent Auditor's Report

Board of Directors
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., (Endowment), which comprise the consolidated statements of financial position as of June 30, 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 accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of James Whitcomb Riley Memorial Association, Inc., as of June 30, 2023 and 2022, 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 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 12, 2023

**James Whitcomb Riley Memorial Association, Inc.,
d/b/a Riley Children's Endowment**
Consolidated Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ 6,746,264	\$ 10,069,968
Other assets	777,161	773,056
Contributions receivable, net of allowance	10,004,866	16,810,451
Government grants receivable	72,493	-
Cash surrender value of life insurance	1,157,632	1,128,824
Investments	401,225,280	364,222,517
Beneficial interest in charitable lead trusts	8,000,071	7,663,637
Beneficial interest in perpetual trusts	29,114,285	26,908,506
Right-of-use asset - operating leases	802,013	-
Property and equipment	1,317,339	1,452,895
Total assets	\$ 459,217,404	\$ 429,029,854
Liabilities		
Accounts payable	\$ 124,842	\$ 286,845
Other liabilities	1,036,041	933,487
Grants payable	33,213,407	33,284,730
Annuity obligations	147,074	154,123
Investments held on behalf of Indiana University	3,633,490	3,178,782
Operating lease liability	841,567	-
Total liabilities	38,996,421	37,837,967
Net Assets		
Without donor restrictions		
Undesignated	136,113,743	126,476,638
Board-designated	81,180,747	67,396,242
Total without donor restrictions net assets	217,294,490	193,872,880
With donor restrictions	202,926,493	197,319,007
Total net assets	420,220,983	391,191,887
Total liabilities and net assets	\$ 459,217,404	\$ 429,029,854

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

Consolidated Statements of Activities Years Ended June 30, 2023 and 2022

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Gift income			
Contributions	\$ 14,299,525	\$ 22,794,952	\$ 37,094,477
Gifts in-kind	69,756	55,048	124,804
Total gifts	<u>14,369,281</u>	<u>22,850,000</u>	<u>37,219,281</u>
Income from government grants	-	72,493	72,493
Other revenue and support			
Investment income	2,179,727	832,087	3,011,814
Realized and unrealized gains (losses) on investments	22,272,701	11,361,398	33,634,099
Gain (loss) on perpetual trusts	-	1,803,024	1,803,024
Income from trusts	616,951	690,591	1,307,542
Other income	<u>(52,574)</u>	<u>80,181</u>	<u>27,607</u>
	39,386,086	37,689,774	77,075,860
Net assets released from restrictions	<u>32,061,945</u>	<u>(32,061,945)</u>	<u>-</u>
Total revenues, gains and other support	<u>71,448,031</u>	<u>5,627,829</u>	<u>77,075,860</u>
Expenses and Losses			
Program services			
Grants			
Research	17,765,871	-	17,765,871
Clinical programs	7,511,211	-	7,511,211
Education	3,015,694	-	3,015,694
Patient and family services	2,218,287	-	2,218,287
Advocacy	2,913,607	-	2,913,607
Buildings and equipment	143,057	-	143,057
Camp Riley	1,221,107	-	1,221,107
Other	<u>460,490</u>	<u>-</u>	<u>460,490</u>
Total grants	<u>35,249,324</u>	<u>-</u>	<u>35,249,324</u>
Riley Museum Home	<u>381,027</u>	<u>-</u>	<u>381,027</u>
Total program services	<u>35,630,351</u>	<u>-</u>	<u>35,630,351</u>
Supporting Services			
Administration	1,473,589	-	1,473,589
Finance	466,836	-	466,836
Fundraising	8,875,511	-	8,875,511
Communications	<u>1,580,134</u>	<u>-</u>	<u>1,580,134</u>
Total supporting services	<u>12,396,070</u>	<u>-</u>	<u>12,396,070</u>
Loss on uncollectible contributions receivable	<u>-</u>	<u>20,343</u>	<u>20,343</u>
Total expenses and losses	<u>48,026,421</u>	<u>20,343</u>	<u>48,046,764</u>
Change in Net Assets	23,421,610	5,607,486	29,029,096
Net Assets, Beginning of Year	<u>193,872,880</u>	<u>197,319,007</u>	<u>391,191,887</u>
Net Assets, End of Year	<u>\$ 217,294,490</u>	<u>\$ 202,926,493</u>	<u>\$ 420,220,983</u>

2022		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 12,721,294	\$ 33,353,227	\$ 46,074,521
290,167	11,955	302,122
<u>13,011,461</u>	<u>33,365,182</u>	<u>46,376,643</u>
-	-	-
454,937	108,229	563,166
(27,079,606)	(13,281,261)	(40,360,867)
-	(5,460,290)	(5,460,290)
464,752	723,477	1,188,229
13,906	59,664	73,570
<u>(13,134,550)</u>	<u>15,515,001</u>	<u>2,380,451</u>
25,878,781	(25,878,781)	-
<u>12,744,231</u>	<u>(10,363,780)</u>	<u>2,380,451</u>
13,621,789	-	13,621,789
10,581,646	-	10,581,646
2,860,545	-	2,860,545
3,601,553	-	3,601,553
1,270,522	-	1,270,522
175,716	-	175,716
816,953	-	816,953
366,770	-	366,770
<u>33,295,494</u>	<u>-</u>	<u>33,295,494</u>
331,547	-	331,547
<u>33,627,041</u>	<u>-</u>	<u>33,627,041</u>
1,518,295	-	1,518,295
443,035	-	443,035
7,618,337	-	7,618,337
1,388,037	-	1,388,037
<u>10,967,704</u>	<u>-</u>	<u>10,967,704</u>
-	35,000	35,000
<u>44,594,745</u>	<u>35,000</u>	<u>44,629,745</u>
(31,850,514)	(10,398,780)	(42,249,294)
<u>225,723,394</u>	<u>207,717,787</u>	<u>433,441,181</u>
<u>\$ 193,872,880</u>	<u>\$ 197,319,007</u>	<u>\$ 391,191,887</u>

**James Whitcomb Riley Memorial Association, Inc.,
d/b/a Riley Children's Endowment
Consolidated Statement of Functional Expenses
Year Ended June 30, 2023**

	June 30, 2023								June 30, 2022 Total
	Program Services		Supporting Services				Total		
	Grants	Riley Museum Home	Administration	Finance	Fundraising	Communications			
Grants	\$ 35,249,324	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,249,324	\$ 33,295,494
Salaries, taxes and benefits	-	192,103	864,065	355,153	5,290,410	615,380	7,317,111	6,503,916	6,503,916
Advertising and promotion	-	9,893	-	-	1,923	607,424	619,240	435,118	435,118
Bank fees	-	1,861	7,634	-	237,563	-	247,058	242,491	242,491
Central Information Systems	-	-	-	-	201,883	-	201,883	198,972	198,972
Children's Miracle Network	-	-	-	-	907,355	-	907,355	868,807	868,807
Consulting	-	-	20,711	5,907	308,804	20,500	355,922	345,749	345,749
Digital media	-	-	-	-	-	21,103	21,103	64,937	64,937
Direct mail	-	-	-	-	456,749	-	456,749	459,999	459,999
Donor relations	-	1,260	2,449	-	48,139	-	51,848	85,618	85,618
Employee engagement	-	-	20,000	-	1,379	78	21,457	14,459	14,459
Equipment and facility rental	-	-	5,657	-	115,562	203	121,422	17,989	17,989
Events	-	31,049	10,906	-	407,066	1,434	450,455	93,931	93,931
Insurance	-	15,682	154,810	484	19,982	1,384	192,342	159,439	159,439
Marketing production	-	-	-	-	4,104	91,559	95,663	47,615	47,615
Memberships and dues	-	775	6,111	315	52,207	198	59,606	45,346	45,346
Fundraising platform fees	-	-	-	-	143,514	-	143,514	173,257	173,257
Postage	-	537	3,043	715	41,844	4,463	50,602	43,975	43,975
Printing services	-	7,635	-	-	57,763	54,848	120,246	109,286	109,286
Professional development	-	229	40,953	2,029	17,470	6,600	67,281	46,048	46,048
Professional fees	-	-	161,229	1,095	2,599	-	164,923	146,496	146,496
Recruiting	-	-	13,849	-	-	-	13,849	6,317	6,317
Rent	-	-	16,291	8,145	91,927	27,927	144,290	235,008	235,008
Repairs and maintenance	-	26,270	23,331	1,958	22,093	6,712	80,364	156,834	156,834
Service and support contracts	-	2,704	30,286	80,320	234,621	78,047	425,978	419,863	419,863
Telephone and internet	-	1,848	5,999	2,375	26,802	8,142	45,166	39,192	39,192
Temporary staffing	-	18,375	-	-	12,951	-	31,326	12,000	12,000
Travel and related expenses	-	290	26,863	132	71,812	3,672	102,769	49,222	49,222
Website development and maintenance	-	-	-	-	-	-	-	62,072	62,072
Other	-	8,474	44,267	640	13,581	4,514	71,476	41,536	41,536
Utilities	-	15,925	-	-	-	-	15,925	15,551	15,551
Depreciation and amortization	-	46,117	15,135	7,568	85,408	25,946	180,174	158,208	158,208
June 30, 2023 Total	\$ 35,249,324	\$ 381,027	\$ 1,473,589	\$ 466,836	\$ 8,875,511	\$ 1,580,134	\$ 48,026,421		
June 30, 2022 Total	\$ 33,295,494	\$ 331,547	\$ 1,518,295	\$ 443,035	\$ 7,618,337	\$ 1,388,037		\$ 44,594,745	

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

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

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

**Consolidated Statements of Cash Flows
Years Ended June 30, 2023 and 2022**

	2023	2022
Operating Activities		
Change in net assets	\$ 29,029,096	\$ (42,249,294)
Items not requiring (providing) cash		
Depreciation and amortization	180,174	158,208
Loss on uncollectible contributions receivable	20,343	35,000
Net realized and unrealized (gains) losses on investments	(33,634,099)	40,360,867
Loss on sale of property and equipment	-	3,748
Change in value of beneficial interest in charitable lead trusts	(336,434)	2,440,358
Change in value of beneficial interest in perpetual trusts	(2,205,779)	5,460,290
Contributions restricted for long-term investment	(2,258,863)	(2,607,969)
Operating lease expense	143,430	-
Changes in		
Prepaid expenses and other assets	(4,105)	32,223
Contributions receivable	6,785,242	(9,132,116)
Grants receivable	(72,493)	-
Accounts payable and accrued expenses	(19,319)	(209,967)
Grants payable	(71,323)	3,130,880
Operating lease liability	(144,006)	-
Net cash used in operating activities	(2,588,136)	(2,577,772)
Investing Activities		
Purchase of property and equipment	(44,618)	(369,925)
Purchase of investments	(91,889,383)	(99,190,343)
Proceeds from sales and maturities of investments	88,520,719	100,945,031
Net increase in cash surrender value of life insurance	(28,808)	(28,847)
Net cash provided by (used in) investing activities	(3,442,090)	1,355,916
Financing Activities		
Contributions restricted for long-term investment	2,258,863	2,607,969
Change in value of investment held on behalf of Indiana University	454,708	(182,751)
Annuity payments	(7,049)	(15,569)
Net cash provided by financing activities	2,706,522	2,409,649
Net Increase (Decrease) in Cash and Cash Equivalents	(3,323,704)	1,187,793
Cash and Cash Equivalents, Beginning of Year	10,069,968	8,882,175
Cash and Cash Equivalents, End of Year	\$ 6,746,264	\$ 10,069,968
Supplemental Cash Flows Information		
Stock gifts	\$ 297,639	\$ 4,580,230
Gifts-in-kind	124,804	302,122
Right-of-use assets obtained in exchange for lease liability	985,573	-

**James Whitcomb Riley Memorial Association, Inc.,
d/b/a Riley Children's Endowment**
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

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 Children's Health 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, 2023 and 2022**

Cash and Cash Equivalents

The Endowment considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2023 and 2022, 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, 2023, the Endowment's cash accounts exceeded insured limits by approximately \$10,702,000.

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 the fair value of those 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, 2023 and 2022, 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, 2023 and 2022**

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, 2023 and 2022.

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.

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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.

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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. During 2023, the Endowment received a \$10 million conditional promise to give. This contribution will be recognized as earned, which is conditioned upon the Endowment raising \$10 million for pediatric cancer research.

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 June 30, 2023 and 2022, \$124,804 and \$302,122, 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 Endowment 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 12, 2023, which is the date the consolidated financial statements were available to be issued.

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Note 2: Contributions Receivable

	Without Donor Restrictions	2023 With Donor Restrictions	Total
Due within one year	\$ 619,381	\$ 2,925,122	\$ 3,544,503
Due in one to five years	-	4,929,767	4,929,767
Due in more than five years	-	3,784,000	3,784,000
	<u>619,381</u>	<u>11,638,889</u>	<u>12,258,270</u>
Allowance for uncollectible contributions	-	(193,000)	(193,000)
	<u>619,381</u>	<u>11,445,889</u>	<u>12,065,270</u>
Discount for time value of money	-	(2,060,404)	(2,060,404)
	<u>\$ 619,381</u>	<u>\$ 9,385,485</u>	<u>\$ 10,004,866</u>
	Without Donor Restrictions	2022 With Donor Restrictions	Total
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>\$ 207,863</u>	<u>\$ 16,602,588</u>	<u>\$ 16,810,451</u>

Discount rates ranged from 0.33% to 4.55% and from 0.07% to 3.21% for 2023 and 2022, 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	
		2023	2022
Riley Children’s Endowment	16,817,796	\$ 394,727,124	\$ 358,339,582
Indiana University	571,913	<u>3,633,490</u>	<u>3,178,782</u>
Total		<u>\$ 398,360,614</u>	<u>\$ 361,518,364</u>

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

	2023	2022
Cash equivalents	\$ 11,329,182	\$ 6,862,477
Equities:		
Common stocks	1,394,266	1,270,766
International equities	344,776	335,134
Common trust/mutual funds	46,048,014	22,764,166
Commingled funds	80,511,859	87,734,976
Fixed income:		
U.S. Government and Government Agency securities	18,169,849	16,971,976
Corporate bonds	13,458,189	14,323,273
Municipal bonds	78,016	629,056
Common trust/mutual funds	847,830	926,797
Other fixed income	3,286,855	4,281,120
Commingled funds	30,049,920	25,886,902
Hedge funds	109,286,337	101,711,068
Private credit	2,076,827	1,624,182
Private equity	52,867,937	44,095,320
Real assets - Partnerships	<u>31,475,423</u>	<u>34,805,304</u>
Total	<u>\$ 401,225,280</u>	<u>\$ 364,222,517</u>

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Alternative Investments

Alternative investments held at June 30 consist of the following:

	June 30, 2023			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equities:				
Commingled funds	\$ 80,511,859	\$ -	Quarterly	90 Days
Total commingled equity funds	<u>80,511,859</u>	<u>-</u>		
Fixed income:				
Commingled funds	30,049,920	-	Daily	2 Days
Hedge funds	109,286,337	-	Quarterly	90 Days
Private credit	2,076,827	1,200,000	None	Not applicable
Private equity	52,867,937	54,501,181	None	Not applicable
Real assets - Partnerships	31,475,423	8,918,995	None	Not applicable
	June 30, 2022			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equities:				
Commingled funds	\$ 80,568,585	\$ -	Quarterly	90 Days
Total commingled equity funds	<u>7,166,391</u>	<u>-</u>	Triennially	90 Days
Total commingled equity funds	<u>87,734,976</u>	<u>-</u>		
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

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Equity Commingled Funds: Equity commingled funds consist of investments in commingled fund vehicles that include a limited partnership and a Cayman Islands exempt company, which invest in U.S., non-U.S., and emerging markets marketable equity securities. Equity commingled funds have quarterly 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 consist of investments in commingled fund vehicles including Cayman Islands limited partnerships and a Cayman Islands exempt company, which implement a range of alternative investment strategies such as long/short equity, credit, managers investing opportunistically across the capital structure, and other strategies. 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.

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.

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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 \$8,000,071 and \$7,663,637 at June 30, 2023 and 2022, respectively. The Endowment received \$0 and \$190,623 from the trust in 2023 and 2022, which was recorded as a reduction in the receivable. The discount rate was 4.39% for 2023 and 2022.

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 \$29,114,285 and \$26,908,506, which represents the fair value of the trusts' assets at June 30, 2023 and 2022, respectively. Income from these trusts was \$1,307,542 and \$1,188,229 for the years ended 2023 and 2022, 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 \$147,074 and \$154,123 at June 30, 2023 and 2022, respectively.

Note 5: Property and Equipment

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

	2023	2022
Riley Museum Home	\$ 43,188	\$ 43,190
Riley Museum Home Visitors Center	1,311,143	1,311,143
Furniture and equipment	669,294	649,642
Leasehold improvements	306,110	281,142
	2,329,735	2,285,117
Accumulated depreciation	(1,012,396)	(832,222)
	\$ 1,317,339	\$ 1,452,895

Note 6: Leases – 2022 (Topic 840)

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 year ended June 30, 2022 was \$235,009. 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: Leases – 2023 (Topic 842)

Change in Accounting Principle

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This ASU requires lessees to recognize a lease liability and right-of-use (ROU) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic) 842: Targeted Improvements*, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented, or as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, i.e., the comparatives under ASC 840 option.

The Endowment adopted Topic 842 on July 1, 2022 (the effective date), using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard. The Endowment elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification or initial direct costs for existing or expired leases prior to the effective date. The Endowment has lease agreements with nonlease components that relate to the lease components. The Endowment elected the practical expedient to account for nonlease components and the lease components to which they relate as a single lease component for all. Also, the Endowment elected to keep short-term leases with an initial lease term of 12 months or less off the consolidated statements of financial position. The Endowment did not elect the hindsight practical expedient in determining the lease term for existing leases as of July 1, 2022.

The most significant impact of adoption was the recognition of operating lease ROU assets and operating lease liabilities of \$985,573, while the accounting for existing capital leases (now referred to as finance leases) remained substantially unchanged. The standard did not significantly affect the consolidated statements of activities or cash flows.

Accounting Policies

The Endowment determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the consolidated statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Endowment determines lease classification as operating or finance at the lease commencement date.

The Endowment combines lease and nonlease components, such as common area and other maintenance costs, in calculating the ROU assets and lease liabilities for its office buildings. The Endowment allocates the consideration to the lease and nonlease components using their relative standalone values. In addition, for certain equipment leases, the Endowment applies a portfolio approach to effectively account for the operating lease ROU assets and liabilities.

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At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Endowment has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the Endowment is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Endowment has elected not to record leases with initial term of 12 months or less on the consolidated statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Nature of Leases

Operating Leases

The Endowment has a lease for office space that expires in fiscal year 2029. Termination of the lease is generally prohibited unless there is a violation under the lease agreement. 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.

Quantitative Disclosures

The lease cost and other required information for the year ended June 30, 2023 are:

	2023
Operating lease cost	\$ 168,438
Other information	
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 144,007
Right-of-use assets obtained in exchange for new operating lease liabilities	-
Weighted-average remaining operating lease term	5 years
Weighted-average discount rate	2.92%

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Future minimum lease payments and reconciliation to the consolidated statement of financial position at June 30, 2023 is as follows:

2024	\$ 172,574
2025	176,813
2026	181,159
2027	185,613
2028	190,178
Thereafter	500
Total future undiscounted lease payments	906,837
Less interest	65,270
Lease liabilities	\$ 841,567

Note 8: Net Assets With Donor Restrictions

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

	2023	2022
Subject to expenditure for specified purpose		
Research	\$ 8,871,133	\$ 9,810,288
Clinical programs	8,503,430	10,817,129
Education	1,288,605	1,290,501
Patient and family services	7,447,562	7,216,290
Advocacy	1,393,225	1,300,414
Buildings and equipment	9,263,315	8,031,918
Camp Riley	869,244	1,459,364
General program support - Riley Children's Health and other	15,276,412	17,629,852
Other	122,187	157,179
	53,035,113	57,712,935
Subject to passage of time, no purpose restriction	511,754	783,407

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	2023	2022
<i>(Continued)</i>		
Endowments		
Accumulated investment income, subject to spending policy and appropriation		
Research	\$ 5,182,300	\$ 3,416,344
Clinical programs	4,542,787	3,350,344
Education	1,597,539	(786,000)
Patient and family services	4,396,745	3,830,053
Advocacy	26,994	3,129
Buildings and equipment	36,150	17,464
Camp Riley	769,011	589,262
General program support - Riley Children's Health and other	807,505	524,684
Museum Home	205,947	138,291
Other	99,299	75,554
	<u>17,664,277</u>	<u>11,159,125</u>
Amounts to be held in perpetuity		
Research	25,422,938	24,782,517
Clinical programs	17,449,929	16,923,199
Education	43,574,131	43,352,991
Patient and family services	5,519,899	5,417,269
Advocacy	278,466	233,458
Buildings and equipment	417,592	307,330
Camp Riley	2,402,830	2,306,930
General program support - Riley Children's Health and other	3,941,752	3,625,327
Museum Home	1,111,790	1,111,790
Foundation operations	1,861,031	1,861,031
Other	220,463	210,363
	<u>102,200,821</u>	<u>100,132,205</u>
Total endowments	<u>119,865,098</u>	<u>111,291,330</u>
Other amounts to be held in perpetuity		
Research	2,101,191	1,903,455
Clinical programs	64,779	84,543
Education	354,543	335,180
Patient and family services	4,824,375	4,597,489
Advocacy	84	168
General program support - Riley Children's Health and other	10,468,588	9,427,321
Foundation operations	11,694,608	10,940,016
Other	6,360	243,163
	<u>29,514,528</u>	<u>27,531,335</u>
	<u>\$ 202,926,493</u>	<u>\$ 197,319,007</u>

**James Whitcomb Riley Memorial Association, Inc.,
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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.

	2023	2022
Purpose restrictions accomplished		
Program related		
Research	\$ 10,425,893	\$ 7,369,879
Clinical programs	5,162,638	3,314,058
Education	2,369,114	2,479,122
Patient and family services	2,316,139	4,448,791
Advocacy	708,982	666,680
Buildings and equipment	178,690	32,697
Camp Riley	1,090,068	565,651
General program support	9,153,594	5,229,770
Museum Home	130,580	254,650
Other	79,309	47,733
Time restriction met	446,938	1,469,750
Net restrictions released	\$ 32,061,945	\$ 25,878,781

Note 9: Endowment

The Endowment’s endowment consists of approximately 190 individual funds established to support a variety of purposes, including:

- Pediatric research
- Family Support Programs
- Clinical care
- The Riley Museum Home
- Education
- 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, 2023 and 2022 was:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 71,265,964	\$ -	\$ 71,265,964
Donor-restricted endowment funds			
Accumulated investment gains	-	17,664,277	17,664,277
Amounts to be held in perpetuity	-	102,200,821	102,200,821
Total endowment funds	\$ 71,265,964	\$ 119,865,098	\$ 191,131,062

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	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
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
	<u>67,348,955</u>	<u>111,291,330</u>	<u>178,640,285</u>
Total endowment funds	<u>\$ 67,348,955</u>	<u>\$ 111,291,330</u>	<u>\$ 178,640,285</u>

Changes in endowment net assets for the years ended June 30, 2023 and 2022 were:

	Without Donor Restrictions	With Donor Restrictions	Total
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	67,348,955	111,291,330	178,640,285
Investment return			
Investment income	487,364	820,743	1,308,107
Net appreciation in values	7,185,676	11,361,397	18,547,073
Contributions	-	2,058,352	2,058,352
Administrative expenses	(178,607)	(271,687)	(450,294)
Appropriation of endowment assets for expenditure	<u>(3,577,424)</u>	<u>(5,395,037)</u>	<u>(8,972,461)</u>
Endowment net assets, June 30, 2023	<u>\$ 71,265,964</u>	<u>\$ 119,865,098</u>	<u>\$ 191,131,062</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, 2023 and 2022, underwater endowment funds with donor restrictions were as follows:

	2023	2022
Fair values	\$ 24,460,249	\$ 29,271,886
Original gift values	26,273,005	32,581,182
Underwater endowment fund values	\$ 1,812,756	\$ 3,309,296

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 10: Employee Benefits

The Endowment has established a 401(k) retirement plan for employees who meet certain eligibility requirements. Effective January 1, 2023, the Endowment contribution was increased to 5%. During fiscal year 2022, the Endowment did not match salary deferrals. Beginning July 1, 2022, the Endowment matched 2.5% of salary deferrals. Total retirement plan costs for 2023 and 2022 were \$337,089 and \$152,215, respectively.

Note 11: 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, 2023 and 2022.

	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
June 30, 2023				
Investments				
Cash equivalents	\$ 11,329,182	\$ -	\$ -	\$ 11,329,182
Equities:				
Common stocks	1,394,266	-	-	1,394,266
International equities	344,776	-	-	344,776
Common trust/mutual funds	46,048,014	-	-	46,048,014
Fixed income:				
U.S. Government and Government				
Agency securities	18,169,849	-	-	18,169,849
Corporate bonds	13,458,189	-	-	13,458,189
Municipal bonds	78,016	-	-	78,016
Common trust/mutual funds	847,830	-	-	847,830
Other fixed income	3,286,855	-	-	3,286,855
Private equity	-	-	5,539,256	5,539,256
Real assets - Partnerships	-	-	6,526,542	6,526,542
Total investments in the fair value hierarchy	<u>94,956,977</u>	<u>-</u>	<u>12,065,798</u>	<u>107,022,775</u>
Investments measured at NAV ^(A)				<u>294,202,505</u>
Total investments				<u>401,225,280</u>
Beneficial interest in charitable lead trusts	-	-	8,000,071	8,000,071
Beneficial interest in perpetual trusts	-	-	29,114,285	29,114,285
June 30, 2022				
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	<u>68,364,765</u>	<u>-</u>	<u>14,590,142</u>	<u>82,954,907</u>
Investments measured at NAV ^(A)				<u>281,267,610</u>
Total investments				<u>364,222,517</u>
Beneficial interest in charitable lead trusts	-	-	7,663,637	7,663,637
Beneficial interest in perpetual trusts	-	-	26,908,506	26,908,506

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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, 2023. 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, 2023 and 2022.

	Fair Value at June 30, 2023	Valuation Technique	Unobservable Inputs	Range
Private equity investments	\$ 5,539,256	Net asset value equivalent (NAV)	Adjustments to NAV	None
Real asset investments	6,526,542	NAV	Adjustments to NAV	None
Beneficial interest in charitable lead trusts	8,000,071	Discounted cash flow	Discount rate	4.39%
Beneficial interest in perpetual trusts	29,114,285	Discounted cash flow	(1)	None

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	Fair Value at June 30, 2022	Valuation Technique	Unobservable Inputs	Range
Private equity investments	\$ 7,493,472	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	2.04% - 4.39%
Beneficial interest in perpetual trusts	26,908,506	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, 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	7,493,472	7,096,670	7,663,637	26,908,506
Distributions	(1,557,971)	(936,828)	-	-
Unrealized gains (losses)	(396,245)	366,700	-	-
Contributions of perpetual trust	-	-	-	402,755
Change in discount to present value	-	-	336,434	-
Unrealized gain on perpetual trusts	-	-	-	1,803,024
Balance, June 30, 2023	<u>\$ 5,539,256</u>	<u>\$ 6,526,542</u>	<u>\$ 8,000,071</u>	<u>\$ 29,114,285</u>

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Note 12: 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 Children’s Health 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 Children’s Health.

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The table below presents financial assets available for general expenditures within one year at June 30, 2023 and 2022:

	2023	2022
Cash and cash equivalents	\$ 6,746,264	\$ 10,069,968
Contributions receivable, gross	12,258,270	19,120,190
Investments	401,225,280	364,222,517
Total financial assets	420,229,814	393,412,675
Less: amounts not available to be used within one year		
Contributions receivable, due after one year	(8,713,767)	(14,683,078)
Intermediate-term assets	(20,298,055)	(19,590,055)
Investments held in perpetuity	(102,200,822)	(100,132,209)
Investments held for board-designated endowment	(71,265,964)	(67,348,955)
Investments held on behalf of Indiana University	(3,633,490)	(3,178,782)
Financial assets not available to be used within one year	(206,112,098)	(204,933,079)
Financial assets available to meet general expenditures within one year	\$ 214,117,716	\$ 188,479,596

Note 13: Commitments

As of June 30, 2023, the Endowment has outstanding commitments of \$29,000,000 for research, education, patient and family services and programs for Riley Children’s Health. The commitments are expected to be paid in one year.

Note 14: Related Party Transactions

Amounts due on promises to give from members of the Board of Governors were \$4,683,214 and \$4,159,516 at June 30, 2023 and 2022, 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 2023 or 2022.

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Note 15: 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, 2023 and 2022, 54% and 73% of the total contributions receivable were from one and two 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% of all contributions were received from two donor in 2022.