



COMMUNITY
FOUNDATION
of WHITLEY COUNTY
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

December 31, 2020 and 2019



Independent Auditors' Report

Board of Directors
Whitley County Community Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Whitley County Community Foundation, Inc., which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Whitley County Community Foundation, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Estep Burkey Simmons, LLC

Muncie, Indiana
May 12, 2021

Whitley County Community Foundation, Inc.

STATEMENTS OF FINANCIAL POSITION

December 31,

ASSETS	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 6,179,140	\$ 2,917,267
Accounts receivable	2,258	5,123
Investment earnings and scholarship interest receivable, net	26,419	137,994
Prepaid expenses	7,438	4,497
Scholarship loans receivable, net	42,097	177,417
Investments	30,271,593	26,133,015
Property and equipment		
Building and improvements	375,695	370,795
Office and computer equipment	44,636	94,718
	<u>420,331</u>	<u>465,513</u>
Less accumulated depreciation	281,399	320,256
	<u>138,932</u>	<u>145,257</u>
Land	96,625	96,625
	<u>235,557</u>	<u>241,882</u>
	<u>\$ 36,764,502</u>	<u>\$ 29,617,195</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 5,799	\$ 1,703
Grants payable	117,901	151,561
Accrued expenses	5,752	-
Long-term debt	48,700	-
Annuity reserves	47,104	82,102
Agency funds	457,289	458,899
	<u>682,545</u>	<u>694,265</u>
NET ASSETS		
Without donor restrictions	1,047,224	653,248
With donor restrictions	35,034,733	28,269,682
	<u>36,081,957</u>	<u>28,922,930</u>
	<u>\$ 36,764,502</u>	<u>\$ 29,617,195</u>

The accompanying notes are an integral part of these statements.

Whitley County Community Foundation, Inc.

STATEMENTS OF ACTIVITIES

Years Ended December 31,

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and support			
Contributions and pledges	\$ 569,869	\$ 5,170,257	\$ 5,740,126
Administrative fee income	362,173		362,173
Investment return, net	5,965	3,666,489	3,672,454
Scholarship loan related revenue		10,115	10,115
Change in value of split-interest agreements		66,098	66,098
	<hr/>	<hr/>	<hr/>
Total operating support and revenue	938,007	8,912,959	9,850,966
Net assets released from restrictions			
Satisfaction of purpose restrictions	604,859	(604,859)	
Pursuant to spending policy	1,543,049	(1,543,049)	
Operating expenses			
Program services	1,733,500		1,733,500
Management and general	847,831		847,831
Fundraising	110,608		110,608
	<hr/>	<hr/>	<hr/>
	2,691,939		2,691,939
	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	393,976	6,765,051	7,159,027
Net assets at beginning of year	653,248	28,269,682	28,922,930
	<hr/>	<hr/>	<hr/>
Net assets at end of year	\$ 1,047,224	\$ 35,034,733	\$ 36,081,957
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The accompanying notes are an integral part of these statements.

2019		
<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
\$ 173,970	\$ 1,984,585	\$ 2,158,555
357,199		357,199
31,160	4,342,439	4,373,599
	10,115	10,115
	4,506	4,506
<hr/>	<hr/>	<hr/>
562,329	6,341,645	6,903,974
521,047	(521,047)	
1,498,846	(1,498,846)	
1,691,780		1,691,780
674,938		674,938
104,851		104,851
<hr/>	<hr/>	<hr/>
2,471,569		2,471,569
110,653	4,321,752	4,432,405
542,595	23,947,930	24,490,525
<hr/>	<hr/>	<hr/>
\$ 653,248	\$ 28,269,682	\$ 28,922,930
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Whitley County Community Foundation, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31,

	2020			Total
	Grant-making	Supporting Activities Management and General	Fundraising	
Salaries and wages	\$ 72,314	\$ 170,456	\$ 15,496	\$ 258,266
Payroll taxes	4,995	11,775	1,070	17,840
Employee benefits	2,520	5,940	540	9,000
Grants and scholarships	1,629,123			1,629,123
Contracted services			78,015	78,015
Conferences and meetings	373	878	80	1,331
Program expenses	1,164			1,164
Fundraising			10,475	10,475
Administrative fees		358,524		358,524
Printing and publications	1,817	4,282	389	6,488
Postage	924	2,177	198	3,299
Advertising	2,833	6,679	607	10,119
Dues and subscriptions	1,224	2,884	262	4,370
Office supplies	1,875	4,418	402	6,695
Legal and accounting	4,802	11,319	1,029	17,150
Telephone	754	1,777	162	2,693
Utilities	3,185	7,507	683	11,375
Insurance expense	1,454	3,427	312	5,193
Repairs and maintenance	1,000	2,358	214	3,572
Bad debt expense		246,000		246,000
Miscellaneous expenses		22		22
Depreciation expense	3,143	7,408	674	11,225
	<u>\$ 1,733,500</u>	<u>\$ 847,831</u>	<u>\$ 110,608</u>	<u>\$ 2,691,939</u>

The accompanying notes are an integral part of these statements.

2019			
Grant-making	Supporting Activities		Total
	Management and General	Fundraising	
\$ 65,460	\$ 154,299	\$ 14,027	\$ 233,786
5,009	11,809	1,073	17,891
3,220	7,589	690	11,499
1,583,738			1,583,738
		66,779	66,779
2,608	6,147	559	9,314
2,466			2,466
		15,450	15,450
	353,586		353,586
2,793	6,583	598	9,974
939	2,215	201	3,355
4,762	11,226	1,020	17,008
1,733	4,084	371	6,188
2,701	6,368	579	9,648
4,662	10,989	999	16,650
1,047	2,470	224	3,741
3,134	7,387	672	11,193
1,410	3,325	302	5,037
717	1,689	154	2,560
	60,000		60,000
	12,488		12,488
5,381	12,684	1,153	19,218
<u>\$ 1,691,780</u>	<u>\$ 674,938</u>	<u>\$ 104,851</u>	<u>\$ 2,471,569</u>

Whitley County Community Foundation, Inc.

STATEMENTS OF CASH FLOWS

Years Ended December 31,

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 7,159,027	\$ 4,432,405
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	11,225	19,218
Realized and unrealized gains	(3,290,464)	(3,908,142)
Contributions to funds held in perpetuity	(546,095)	(2,671,668)
Non-cash contributions	(316,008)	(310,289)
(Increase) decrease in assets:		
Accounts receivable	2,865	4,636
Investment income receivable	111,575	15,216
Annuity receivable		19,751
Scholarship loans receivable	135,320	121,778
Prepaid expense	(2,941)	1,126
Increase (decrease) in liabilities:		
Accounts payable	4,096	864
Grants payable	(33,660)	35,135
Accrued expenses	5,752	
Annuity reserves	(34,998)	313
Agency funds	(1,610)	49,132
Net cash provided by (used in) operating activities	<u>3,204,084</u>	<u>(2,190,525)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(4,900)	(5,632)
Proceeds from sale of investments	2,804,374	9,192,611
Purchases of investments	<u>(3,336,480)</u>	<u>(9,301,244)</u>
Net cash used in investing activities	(537,006)	(114,265)
Cash flows from financing activities:		
Proceeds from long-term debt	48,700	
Contributions to funds held in perpetuity	<u>546,095</u>	<u>2,671,668</u>
Net cash provided by financing activities	594,795	2,671,668
Net change in cash and cash equivalents	3,261,873	366,878
Cash and cash equivalents at beginning of year	<u>2,917,267</u>	<u>2,550,389</u>
Cash and cash equivalents at end of year	<u>\$ 6,179,140</u>	<u>\$ 2,917,267</u>
<u>Supplemental Disclosure</u>		
Non-cash contributions	\$ 316,008	\$ 310,289

The accompanying notes are an integral part of these statements.

Whitley County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities

The Whitley County Community Foundation, Inc. (Foundation) is a not-for-profit corporation organized under the laws of the State of Indiana. The Foundation was organized to act as a responsible solicitor and manager of Whitley County, Indiana's philanthropic resources. The Foundation is committed to directing the income from its assets into areas where community needs are greatest and to using the Foundation's leadership and financial resources as catalyst for positive community change. Its donations are received from private and public organizations or individuals.

2. Basis of Presentation

Net assets, support, investment return, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. While most gift instruments give the Foundation's Board of Directors the right to vary the terms of the gift, this only allows for a limited right of modification and does not relieve the restrictions imposed by the donor. Accordingly, the net assets of the Foundation are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and comprised of the Foundation's operating fund and unrestricted income from endowment funds.

Net assets with donor restrictions - Net assets not yet appropriated for expenditure by the Foundation's Board of Directors in accordance with their spending policy or that have donor-imposed restrictions relating to a stipulated purpose or a specified time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished or amounts have been allocated for expenditure by the Board of Directors, net assets are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.

3. Contributions

Contributions are recognized when the donor makes a promise to give to the Foundation that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the financial year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

4. Cash and Cash Equivalents

The Foundation maintains its cash in accounts at local financial institutions, which are insured by agencies of the U.S. Government. For purposes of the statement of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

5. Investments

The Foundation records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Whitley County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - Continued

6. Scholarship Loans Receivable

Scholarship loans receivable are carried at the principal amount outstanding, net of unamortized premiums or discounts, deferred loan fees and costs, and acquisition fair value adjustments, if any. Write-downs of the loans' carrying values attributable to credit quality are charged to the allowance for loan losses. Additionally, from time to time, certain scholarship loans receivable that have previously been written off and deemed uncollectible are recovered.

The allowance for loan losses is maintained at a level to provide for probable losses inherent in the loan portfolio as of the reporting date and is established through a provision charged to scholarship loan expenses. Management considers historical portfolio data, loan default rates published in market reports and general economic conditions to estimate the allowance for loan losses. Loans are charged off when the collection of principal and interest becomes less than fifty percent likely in management's estimation.

Scholarship loan related revenue includes collections on previously written off loans and interest income. Interest income is recognized based upon the interest rate and principal amount outstanding in accordance with the terms of the applicable loan agreement until the outstanding balance is paid or charged off. Accrual for scholarship loan interest income ceases once the loan is written off.

Scholarship loan related expenses primarily consist of third-party costs directly attributable to the collection of delinquent loans, if any.

7. Property, Equipment and Depreciation

Purchased property and equipment is stated at cost. Donated property and equipment is recorded as support at the estimated fair value at the date of gift. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation is computed according to the estimated useful lives of the respective assets using the straight-line method.

8. Income Taxes

The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision has been made for income taxes. The Foundation is not considered to be a private foundation.

9. Grants and Scholarships

Grants and scholarships, including multi-year awards, are recorded as an expense and a payable when grants are approved and communicated to the grantees. Grants and scholarships expense for the years ended December 31, 2020 and 2019 was \$1,629,123 and \$1,583,738.

10. Functional Allocation of Expenses

The program activity of the Foundation consists of grant making to local not-for-profit organizations. The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Foundation. Those expenses include depreciation, repairs and maintenance, insurance, utilities, telephone, legal and accounting, office supplies, dues and subscriptions, advertising, postage, printing and publications, payroll, payroll taxes, and benefits. These expense are allocated on the basis of estimates of time and effort.

Whitley County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - Continued

11. Concentration of Credit Risk

The Foundation maintains its cash in bank deposit accounts at high credit quality financial institutions. The accounts are held in trust form and are fully insured.

12. Contributed Services

During the years ended December 31, 2020 and 2019, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

13. Uncertain Tax Positions

The Foundation now recognizes a tax benefit only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. The Foundation has examined this issue and has determined there are no material contingent tax liabilities.

The Foundation's federal and state exempt organization tax returns for 2017, 2018, and 2019 are subject to examination by the Internal Revenue Service and the Indiana Department of Revenue. Returns are generally subject to examination for three years after they are filed.

14. Compensated Absences

Employees of the Foundation are entitled to paid time off, which can be used for vacation, sick or personal or time, based on length of service. The policy allows for employees to be paid for five unused paid time off days or can choose to carry over five unused paid time off days to accrue in a sick bank. Payment for unused paid time off will be the next payroll after the employee's anniversary date. The Foundation's policy is to recognize the cost of compensated absences when actually paid to employees.

15. Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation. These reclassifications had no effect on the total change in net assets.

16. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - RISKS AND UNCERTAINTIES

The Foundation holds a variety of investments (Note C). Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

Whitley County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE B - RISKS AND UNCERTAINTIES - Continued

In early March, the COVID-19 virus was declared a global pandemic, and it unfortunately continues to spread rapidly. Market risks could be severely impacted for months or more, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

NOTE C - INVESTMENTS

Investments are stated at fair value as of December 31, 2020 and 2019 and are summarized as follows.

	<u>2020</u>	<u>2019</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Charitable trust	\$ 191,079	\$ 143,835
Land	447,000	447,000
Mutual funds - equities:		
Foreign large blend	643,790	610,279
Large value	4,016,501	4,121,123
Mid-cap value	395,859	388,332
Small value	753,202	743,570
Small growth	594,756	499,183
Mid-cap blend	547,029	483,816
Foreign large growth	435,581	362,051
Foreign small/mid growth	602,885	551,312
Large growth	5,497,509	4,064,899
Mid-cap growth	442,548	373,167
Large blend	4,497,670	3,884,422
Diversified emerging markets	738,359	633,757
Total mutual funds - equities	<u>19,165,689</u>	<u>16,715,911</u>
Mutual funds - fixed income:		
Short-term bond	5,171,418	4,023,410
Corporate bond	1,503,294	1,712,512
Intermediate government bond	497,481	876,565
Intermediate-term bond	1,491,527	1,333,426
High yield bond	649,786	
Ultrashort bond	1,154,319	880,356
Total mutual funds - fixed income	<u>10,467,825</u>	<u>8,826,269</u>
Total investments, at fair value	<u>\$ 30,271,593</u>	<u>\$ 26,133,015</u>
Total investments, at historical cost	<u>\$ 19,761,769</u>	<u>\$ 18,505,406</u>

Whitley County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE D - SCHOLARSHIP LOANS RECEIVABLE

Scholarship loans receivable are disaggregated in two levels - portfolio segment and class of financing receivable. A portfolio segment is defined as the level at which an entity develops and documents a systematic method for determining its allowance for credit losses. Classes of financing receivables generally are a disaggregation of a portfolio segment. The Foundation evaluates the adequacy of the allowance for loan losses for the scholarship loan portfolio as a whole. Thus, management has determined that the scholarship loan portfolio meets the definition of a portfolio segment. Accordingly, the portfolio segment basis disclosures are presented in this note for the scholarship loan portfolio.

In addition, as of December 31, 2020 and 2019, the Foundation has 66 and 47 impaired loans, totaling \$153,555 and \$59,275, respectively. Related to these loans, the Foundation has \$99,135 and \$34,910 of accrued interest receivable as of December 31, 2020 and 2019, respectively, that is deemed impaired. Also, the Foundation has identified several loans that will be forgiven in January 2021 totaling \$88,351 in loans and accrued interest receivable. An additional allowance has been recorded in the amount of \$132,097 and \$60,000 as of December 31, 2020 and 2019, respectively, for these loans.

At December 31, 2020 and 2019 four of the Foundation's funds hold assets which may be used as loans to students for educational purposes.

	<u>2020</u>	<u>2019</u>
Scholarship loans receivable	\$ 269,194	\$ 272,417
Less allowance for uncollectible loans	<u>227,097</u>	<u>95,000</u>
Scholarship loans receivable, net	<u>\$ 42,097</u>	<u>\$ 177,417</u>

These scholarship loans are due in full within eleven to fourteen years from the date disbursed and bear interest ranging from 0% to 5% per annum. Repayment schedules are established upon completion of the student's last educational term. The loans may be secured at the discretion of the trustee. The table below summarizes the changes in the allowance for loan loss reserve for the years ended December 31, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Balance, beginning of the year	\$ 95,000	\$ 35,000
Provision for possible losses	132,097	60,000
Charges to allowance	-	-
Recoveries	-	-
Balance, end of year	<u>\$ 227,097</u>	<u>\$ 95,000</u>

The table below shows the Foundation's student loan delinquency amounts at December 31, 2020.

Loans current	\$ 115,639	43%
Loans delinquent 31 - 60 days	-	0%
Loans delinquent 61 - 90 days	-	0%
Loans delinquent greater than 90 days	<u>153,555</u>	<u>57%</u>
	<u>\$ 269,194</u>	<u>100%</u>

Whitley County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE E - LONG-TERM DEBT

The long-term debt with Star Financial Bank represents net borrowings under a commercial promissory note. The interest rate at December 31, 2020 was 1.00%. The note matures on February 14, 2022 and is unsecured. The balance of this note was \$48,700 and \$0-, for the years ended December 31, 2020 and 2019, respectively.

The promissory note was obtained as part of the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020. Funds from the promissory note may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The Foundation has used the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the promissory note may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Foundation applied for forgiveness of the entire balance of the loan on December 20, 2020 and received notification of the loan forgiveness on January 14, 2021.

NOTE F - SPLIT-INTEREST AGREEMENTS

The Foundation's split-interest agreements with donors consists of five charitable gift annuities. The assets received are recorded at their fair value. The fair value of assets held for the charitable gift annuities totaled \$179,540 and \$273,214 at December 31, 2020 and 2019, respectively. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. These assets are included in the level 1 inputs in Note K. The present value of future payment obligations at December 31, 2020 and 2019 was \$47,104 and \$82,102, respectively. The liabilities were determined using a discount rate of 0.6% and 2.0% for the years ending December 31, 2020 and 2019, respectively. Changes in fair value of the charitable gift annuities are reflected as changes in net assets with donor restrictions in the Statements of Activities. During the years ending December 31, 2020 and 2019 there were no contributions to charitable gift annuities.

Gains or losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as increases or decreases in the value of the split-interest agreements in the Statements of Activities in net assets with donor restrictions.

NOTE G - RELATED-PARTY TRANSACTIONS

Officers and board members made donations to the Foundation totaling \$7,783 and \$117,226 for the years ended December 31, 2020 and 2019, respectively.

NOTE H - LIQUIDITY

The Foundation has financial assets available within one year of the Statements of Financial Position date consisting the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 159,427	\$ 114,498
Investments	<u>21,313</u>	<u>174,996</u>
	<u>\$ 180,740</u>	<u>\$ 289,494</u>

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the Statements of Financial Position date. As part of its liquidity management, the Foundation invests cash in excess of daily requirements in various cash equivalents including money market funds and other interest earning opportunities.

Whitley County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for a specific purpose:		
Designated	\$ 1,051,255	\$ 1,048,492
Cross-sector initiatives	2,673,000	
New building	1,145,083	
Donor advised	384,697	425,507
Community grants	227,316	
Scholarship - Designated	98,054	89,097
Scholarship - Donor Advised	33,789	391,685
	<u>5,613,194</u>	<u>1,954,781</u>
Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
Restricted by donors for:		
Designated	365,413	492,341
Donor advised	135,412	79,461
Scholarship - Designated	241,739	193,643
Scholarship - Donor Advised	44,629	32,088
Field of interest	24,953	14,631
Deferred		3,978
Operating	339,041	293,415
Community grants	37,533	26,612
	<u>1,188,720</u>	<u>1,136,169</u>
Subject to Foundation spending and appropriation:		
Designated	9,551,344	8,119,840
Donor advised	1,347,037	1,311,270
Scholarship - Designated	5,206,668	4,876,704
Scholarship - Donor Advised	984,537	874,661
Field of interest	973,515	857,165
Deferred	327,127	410,589
Operating	1,077,531	966,955
Community grants	9,203,973	8,466,851
Underwater endowments	(438,913)	(705,303)
	<u>28,232,819</u>	<u>25,178,732</u>
	<u>\$ 35,034,733</u>	<u>\$ 28,269,682</u>

Whitley County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE J - NET ASSETS RELEASED FROM DONOR RESTRICTION

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors as follows for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Purpose restrictions accomplished:		
Designated	\$ 361,124	\$ 254,744
Donor advised	117,060	236,971
Community grants	44,201	
New building	20,924	
Scholarship - Designated	12,368	7,765
Scholarship - Donor Advised	48,681	21,567
Deferred	501	
	<u>604,859</u>	<u>521,047</u>
Restricted-purpose spending-rate distributions and appropriations:		
Designated	504,029	685,556
Donor advised	266,355	36,615
Scholarship - Designated	164,160	157,781
Scholarship - Donor Advised	27,343	15,579
Field of interest	40,954	46,296
Community grants	540,208	557,019
	<u>1,543,049</u>	<u>1,498,846</u>
Total restrictions released	<u>\$ 2,147,908</u>	<u>\$ 2,019,893</u>

NOTE K - FAIR VALUE MEASUREMENTS

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. A hierarchy of inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Foundation. Unobservable inputs are inputs that reflect the Foundation's assumptions about the assumptions that market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Whitley County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE K - FAIR VALUE MEASUREMENTS - Continued

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The following tables set forth financial assets measured at fair value in the Statement of Financial Position and the respective levels to which the fair value measurements are classified within the fair value hierarchy as of December 31, 2020 and 2019, respectively:

	2020			
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Investments:				
Charitable trust	\$ 191,079		\$ 191,079	
Land	\$ 447,000			\$ 447,000
Mutual funds - equities	\$ 19,165,689	\$ 19,165,689		
Mutual funds - fixed income	\$ 10,467,825	\$ 10,467,825		
Liabilities:				
Annuity reserves	\$ 47,104		\$ 47,104	
	2019			
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Investments:				
Charitable trust	\$ 143,835		\$ 143,835	
Land	\$ 447,000			\$ 447,000
Mutual funds - equities	\$ 16,715,911	\$ 16,715,911		
Mutual funds - fixed income	\$ 8,826,269	\$ 8,826,269		
Liabilities:				
Annuity reserves	\$ 82,102		\$ 82,102	

The value of the investments in land being held as a Level 3 fair value measurement using significant unobservable inputs was \$447,000 at December 31, 2020 and 2019.

Fair values for level 1 investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair values for level 2 investments and annuity receivable and annuity reserves are determined by reference to present value calculations. Fair values for level 3 investments is determined by appraisals on the land that is being held as an investment.

Whitley County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE L - ENDOWMENT FUNDS

At December 31, 2020 and 2019, the Foundation's endowment consists of 193 and 190 donor-restricted endowment funds, respectively, established to support designated charitable purposes and organizations, and 1 fund designated by the Board of Directors to function as endowments to provide unrestricted support for Foundation programs. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Indiana Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2020 and 2019, there were no such donor stipulations. As a result of this interpretation, we retain in perpetuity (a) the original value of initial and subsequent gift amounts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. We consider 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 Foundation 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 Foundation
7. Investment policies of the Foundation

Endowment net assets composition by type of fund as of December 31, 2020 and 2019 was as follows:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 21,179		\$ 21,179
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor		\$ 21,418,971	21,418,971
Accumulated investment gains		8,002,568	8,002,568
	<u>\$ 21,179</u>	<u>\$ 29,421,539</u>	<u>\$ 29,442,718</u>

Whitley County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE L - ENDOWMENT FUNDS - Continued

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 18,279		\$ 18,279
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor		\$ 20,872,876	20,872,876
Accumulated investment gains		5,442,025	5,442,025
	<u>\$ 18,279</u>	<u>\$ 26,314,901</u>	<u>\$ 26,333,180</u>

Changes in endowment net assets for the years ended December 31, 2020 and 2019 were as follows:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Contributions and grant income		\$ 1,075,436	\$ 1,075,436
Investment return, net	\$ 2,900	3,574,251	3,577,151
Total revenue and support	2,900	4,649,687	4,652,587
Appropriation of endowment assets for expenditure		1,543,049	1,543,049
Change in endowment net assets	2,900	3,106,638	3,109,538
Endowment net assets, beginning of year	18,279	26,314,901	26,333,180
Endowment net assets, end of year	<u>\$ 21,179</u>	<u>\$ 29,421,539</u>	<u>\$ 29,442,718</u>
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Contributions and grant income		\$ 735,565	\$ 735,565
Investment return, net	\$ 3,230	4,389,056	4,392,286
Total revenue and support	3,230	5,124,621	5,127,851
Appropriation of endowment assets for expenditure	870	1,498,846	1,499,716
Change in endowment net assets	2,360	3,625,775	3,628,135
Endowment net assets, beginning of year	15,919	22,689,126	22,705,045
Endowment net assets, end of year	<u>\$ 18,279</u>	<u>\$ 26,314,901</u>	<u>\$ 26,333,180</u>

Whitley County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE L - ENDOWMENT FUNDS - Continued

The investment objective of this Portfolio is to maximize total return net of inflation, spending and expenses, over a full market cycle without undue exposure to risk. It is expected that the Portfolio will outperform a weighted benchmark index over a full market cycle.

The Foundation has a policy (the spending policy) of appropriating for expenditure a percentage of its endowment fund's average fair value over the prior twelve quarters. The formula is analyzed on a yearly basis and a spending rate is determined at the beginning of each fiscal year.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in net assets with donor restrictions were \$438,913 and \$705,303 as of December 31, 2020 and 2019, respectively. The deficiencies resulted from spending policy distributions and unfavorable market fluctuations.

NOTE M - AGENCY FUNDS

The Foundation reports contributions as a liability when the donor has specified an unaffiliated beneficiary and not granted variance power over the gift. The Foundation reports these as Agency Funds on its Statements of Financial Position.

During the years ended December 31, 2020 and 2019, the following activity occurred in the agency funds held by the Foundation. These amounts are not reflected on the Statements of Activities.

	2020	2019
Support and revenue		
Investment return, net	\$ 49,014	\$ 63,390
	\$ 49,014	\$ 63,390
Expenses		
Grants expense	46,975	10,645
Administrative fees	3,649	3,613
	<u>50,624</u>	<u>14,258</u>
Change in agency funds	(1,610)	49,132
Balance at beginning of year	<u>458,899</u>	<u>409,767</u>
Balance at end of year	<u><u>\$ 457,289</u></u>	<u><u>\$ 458,899</u></u>

NOTE N - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through May 12, 2021, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2020, have been incorporated into these financial statements herein.