

THE COMMUNITY FOUNDATION OF  
MUNCIE AND DELAWARE COUNTY, INC.  
AND RELATED ENTITY

CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

December 31, 2020 and 2019



## Independent Auditors' Report

Board of Directors  
The Community Foundation of Muncie and  
Delaware County, Inc. and Related Entity

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Community Foundation of Muncie and Delaware County, Inc. and Delaware County BY5 Early Childhood Initiative, Inc. which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, 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.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Community Foundation of Muncie and Delaware County, Inc. and Delaware County BY5 Early Childhood Initiative, Inc. as of December 31, 2020 and 2019, and the changes in their consolidated net assets and their consolidated 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 17, 2021

## The Community Foundation of Muncie and Delaware County, Inc. and Related Entity

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31,

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,167,697	\$ 2,695,334
Prepaid expenses and other current assets	1,525	2,668
Pledges receivable	-	94,883
Cash surrender value of life insurance	620,107	607,417
Property, building and equipment, net of accumulated depreciation	51,958	28,442
Investments	<u>72,071,992</u>	<u>63,367,852</u>
	<u>\$ 75,913,279</u>	<u>\$ 66,796,596</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Administrative expenses payable	\$ 8,039	\$ -
Grants payable	423,771	263,520
Deferred revenue	-	189,966
Annuity obligations payable	3,999	4,207
Funds held for the benefit of others	6,850,349	6,106,900
Investments managed for others	<u>745,412</u>	<u>646,281</u>
Total liabilities	8,031,570	7,210,874
<b>NET ASSETS</b>		
Without donor restrictions	204,865	213,788
With donor restrictions	<u>67,676,844</u>	<u>59,371,934</u>
	<u>67,881,709</u>	<u>59,585,722</u>
	<u>\$ 75,913,279</u>	<u>\$ 66,796,596</u>

The accompanying notes are an integral part of these statements.

The Community Foundation of Muncie and Delaware County, Inc. and Related Entity

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended December 31,

	2020		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating support and revenue			
Contributions		\$ 2,854,934	\$ 2,854,934
Contributions and grants - BY5	\$ 6,512		6,512
Investment return, net	2,627	9,216,558	9,219,185
Administrative fee revenue	617,782		617,782
Total operating support and revenue	<u>626,921</u>	<u>12,071,492</u>	<u>12,698,413</u>
Net assets released from restrictions			
Satisfaction of purpose restrictions	1,003,558	(1,003,558)	
Net assets released from restriction pursuant to spending policy	2,763,024	(2,763,024)	
Operating expenses			
Program services	3,180,354		3,180,354
Program services - BY5	138,040		138,040
Management and general expenses	827,235		827,235
Management and general expenses - BY5	102,079		102,079
Fundraising expenses	131,373		131,373
Fundraising expenses - BY5	23,345		23,345
Total operating expenses	<u>4,402,426</u>		<u>4,402,426</u>
<b>CHANGE IN NET ASSETS</b>	(8,923)	8,304,910	8,295,987
Net assets at beginning of year	<u>213,788</u>	<u>59,371,934</u>	<u>59,585,722</u>
Net assets at end of year	<u>\$ 204,865</u>	<u>\$ 67,676,844</u>	<u>\$ 67,881,709</u>

The accompanying notes are an integral part of these statements.

2019		
<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
\$ 4,536	\$ 2,161,128	\$ 2,165,664
6,512		6,512
1,191	9,080,452	9,081,643
583,881		583,881
<u>596,120</u>	<u>11,241,580</u>	<u>11,837,700</u>
474,907	(474,907)	
2,852,022	(2,852,022)	
2,580,523		2,580,523
174,651		174,651
854,490		854,490
124,299		124,299
129,722		129,722
20,372		20,372
<u>3,884,057</u>	<u></u>	<u>3,884,057</u>
38,992	7,914,651	7,953,643
<u>174,796</u>	<u>51,457,283</u>	<u>51,632,079</u>
<u>\$ 213,788</u>	<u>\$ 59,371,934</u>	<u>\$ 59,585,722</u>

The Community Foundation of Muncie and Delaware County, Inc.

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31,

2020

	Program Services					
	Grant-making	Early Childhood Initiatives	Total	Management & General	Fundraising	Total
Salaries & wages	\$ 168,172	\$ 47,878	\$ 216,050	\$ 185,558	\$ 79,369	\$ 480,977
Payroll taxes	12,641	3,582	16,223	13,933	5,960	36,116
Employee benefits	18,782	4,516	23,298	20,010	8,559	51,867
Conferences & meetings	825	575	1,400	1,202	514	3,116
Grants	2,918,247		2,918,247			2,918,247
Program expenses	4,468	74,497	78,965			78,965
Donor development					54	54
Printing & publications	10,030		10,030	8,615	3,685	22,330
Postage	2,091	434	2,525	2,169	928	5,622
Administrative fees				551,479		551,479
Advertising					36,672	36,672
Dues & subscriptions	2,971	398	3,369	2,894	1,237	7,500
Office supplies	6,630	445	7,075	6,076	2,600	15,751
Professional fees				101,979		101,979
Rent	8,187	2,925	11,112	9,543	4,083	24,738
Telephone	1,914	1,154	3,068	2,635	1,127	6,830
Insurance	4,063	1,066	5,129	4,405	1,885	11,419
Repairs & maintenance	13,568	420	13,988	12,014	5,138	31,140
Miscellaneous expenses	3,374	150	3,524	3,031	1,294	7,849
Depreciation expense	4,391		4,391	3,771	1,613	9,775
	<u>\$ 3,180,354</u>	<u>\$ 138,040</u>	<u>\$ 3,318,394</u>	<u>\$ 929,314</u>	<u>\$ 154,718</u>	<u>\$ 4,402,426</u>

The accompanying notes are an integral part of these statements.

2019

Program Services					
Grant-making	Early Childhood Initiatives	Total	Management & General	Fundraising	Total
\$ 129,034	\$ 32,140	\$ 161,174	\$ 228,072	\$ 76,014	\$ 465,260
9,767	2,459	12,226	17,300	5,766	35,292
13,005	520	13,525	19,139	6,378	39,042
1,130	1,610	2,740	3,877	1,292	7,909
2,383,882		2,383,882			2,383,882
	131,456	131,456			131,456
8,392		8,392	11,876	3,958	24,226
1,735	152	1,887	2,670	890	5,447
			518,956		518,956
				36,982	36,982
2,195	97	2,292	3,243	1,081	6,616
3,819	1,098	4,917	6,958	2,319	14,194
			120,465		120,465
6,340	2,256	8,596	12,163	4,054	24,813
1,329	840	2,169	3,070	1,023	6,262
3,123	790	3,913	5,537	1,846	11,296
11,039	339	11,378	16,100	5,366	32,844
2,426	548	2,974	4,193	1,402	8,569
3,307	346	3,653	5,170	1,723	10,546
<u>\$ 2,580,523</u>	<u>\$ 174,651</u>	<u>\$ 2,755,174</u>	<u>\$ 978,789</u>	<u>\$ 150,094</u>	<u>\$ 3,884,057</u>

## The Community Foundation of Muncie and Delaware County, Inc. and Related Entity

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31,

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 8,295,987	\$ 7,953,643
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	9,775	10,546
Realized and unrealized gains	(7,852,655)	(7,763,921)
Contributions to funds held in perpetuity	(2,481,612)	(1,534,622)
Non-cash stock contributions	(50,456)	(20,227)
(Increase) decrease in assets:		
Prepaid expenses and other current assets	1,143	(1,218)
Pledges receivable	94,883	129,792
Increase (decrease) in liabilities:		
Accounts payable	8,039	(888)
Grants payable	160,251	15,897
Deferred revenue	(189,966)	(542,974)
Investments managed for others	99,131	86,666
Charitable gift annuity	(208)	(2,030)
Funds held for the benefit of others	743,449	750,903
Net cash used in operating activities	<u>(1,162,239)</u>	<u>(918,433)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(33,291)	(9,757)
Proceeds from the sales of investments	10,822,554	14,078,372
Purchase of investments	<u>(11,636,273)</u>	<u>(15,776,805)</u>
Net cash used in investing activities	<u>(847,010)</u>	<u>(1,708,190)</u>
Cash flows from financing activities:		
Contributions to funds held in perpetuity	<u>2,481,612</u>	<u>1,534,622</u>
Net cash provided by financing activities	<u>2,481,612</u>	<u>1,534,622</u>
Net change in cash and cash equivalents	472,363	(1,092,001)
Cash and cash equivalents at beginning of year	<u>2,695,334</u>	<u>3,787,335</u>
Cash and cash equivalents at end of year	<u>\$ 3,167,697</u>	<u>\$ 2,695,334</u>
<u>Supplemental Disclosure</u>		
Non-cash contributions	\$ 50,456	\$ 20,227

The accompanying notes are an integral part of these statements.



## The Community Foundation of Muncie and Delaware County, Inc. and Related Entity

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

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

1. Nature of Activities

The Community Foundation of Muncie and Delaware County, Inc. (Foundation) encourages philanthropy, assists donors in building an enduring source of charitable assets, and exercises leadership in directing resources to enhance the quality of life for residents of Muncie and Delaware County, Indiana. The vision of the Foundation's affiliated corporation, Delaware County BY5 Early Childhood Initiative, Inc. (BY5) is to transform our community by connecting Kindergarten readiness to economic success.

2. Basis of Accounting and Principles of Consolidation

The financial statements include the consolidated accounts of The Community Foundation of Muncie and Delaware County, Inc. and Delaware County BY5 Early Childhood Initiative, Inc. (together Organization). All significant intercompany transactions and accounts have been eliminated. The Organization follow the accrual basis of accounting.

3. Financial Statement 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 Consolidated Statements of Activities as net assets released from restrictions.

4. 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 Consolidated Statements of Financial Position. Net investment return/(loss) is reported in the Consolidated Statements of Activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

5. 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.

## The Community Foundation of Muncie and Delaware County, Inc. and Related Entity

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

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

6. Compensated Absences

The employees of the Foundation earn vacation days based upon length of service. Vacation days must be used by the employee's anniversary date each year. Any earned vacation days are paid to an employee upon termination based upon the employee's hourly rate. The Foundation's policy is to recognize the cost of compensated absences when actually paid to employees.

7. Contributed Services

Contribution of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. No amounts have been recognized in the Consolidated Statements of Activities because the criteria has not been satisfied.

8. Income Taxes

The Organization is exempt from income taxes on income from related activities under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding state tax law. Accordingly, no provision has been made for federal or state income taxes. Additionally, the Organization has been determined not to be a private foundation under Section 509(a) of the Internal Revenue Code.

9. Cash and Cash Equivalents

The Organization maintains its cash in accounts at local financial institutions, which are insured by agencies of the U.S. Government up to \$250,000. For purposes of the Consolidated Statements of Cash Flows, the Organization considers all cash and demand accounts to be cash equivalents.

10. Advertising Costs

Advertising costs are expensed as incurred. Total advertising expense was \$36,672 and \$36,982 for the years ended December 31, 2020 and 2019, respectively.

11. Concentration of Credit Risk

The Organization maintains its cash in bank deposit accounts at high credit quality financial institutions. The balances, at times, may exceed the federally insured limit of \$250,000. At December 31, 2020 and 2019, the Organization exceeded the insured limit by approximately \$2,670,681 and \$2,077,025, respectively.

12. Uncertain Tax Positions

The Organization 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 Organization has examined this issue and has determined there are no material contingent tax liabilities.

The Organization'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.

## The Community Foundation of Muncie and Delaware County, Inc. and Related Entity

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

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

13. Deferred Revenue

During 2018, the Foundation received a \$1,000,000 gift from Lilly GIFT VII, which has a matching requirement to be applied at a 2:1 ratio. The Foundation raised \$94,983 and \$271,487 towards the matching requirement and recorded \$189,966 and \$542,974 as contribution revenue from the matching gift for the years ending December 31, 2020 and 2019, respectively. The unmatched portion of the Lilly GIFT VII is \$-0- and \$189,966 as of December 31, 2020 and 2019, respectively, and is recorded as deferred revenue on the Consolidated Statements of Financial Position.

14. Expense Classification

The consolidated 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, insurance, printing and publications, rent, telephone, repairs and maintenance, office supplies, dues and subscriptions, postage, payroll, payroll taxes, benefits, and miscellaneous expenses. These expenses are allocated on the basis of estimates of time and effort.

15. Estimates

The preparation of consolidated 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 - PLEDGES RECEIVABLE

As of December 31, 2020 and 2019, pledges receivable were \$-0- and \$94,883, respectively, and were expected to be paid within one year of the date of the financial statements.

## NOTE C - PROPERTY AND EQUIPMENT

Property and equipment are valued at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Depreciation expense for the years ending December 31, 2020 and 2019 was \$9,775 and \$10,546, respectively. The amounts of property and equipment, net of depreciation, consist of the following at December 31,

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 86,955	\$ 84,122
Equipment	<u>152,227</u>	<u>134,650</u>
	239,182	218,772
Less accumulated depreciation	<u>187,224</u>	<u>190,330</u>
	<u>\$ 51,958</u>	<u>\$ 28,442</u>

## The Community Foundation of Muncie and Delaware County, Inc. and Related Entity

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

## NOTE D - 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>
Alternative investments	\$ 25,290,656	\$ 22,697,968
Real estate	26,900	26,900
Mutual funds - equities:		
Consumer discretionary	1,491,964	799,837
Consumer staples	385,113	283,263
Energy	4,328	7,509
Financial		94,593
Foreign	223,429	141,223
Health care	1,108,743	940,651
Industrials	336,213	477,867
Information technology	3,730,170	2,275,175
Materials	58,057	67,447
Real estate	143,681	135,036
Telecommunications	759,146	678,479
ETF - large multi-cap equity	8,829,315	12,189,214
ETF - mid-cap equity	3,097,437	3,083,633
ETF - small-cap equity	3,564,615	2,922,382
ETF - international equity	15,889,040	10,534,779
Total mutual funds - equities	<u>39,621,251</u>	<u>34,631,088</u>
Mutual funds - fixed income:		
Balanced	10,564	9,674
Bond	7,122,621	6,002,222
Total mutual funds - fixed income	<u>7,133,185</u>	<u>6,011,896</u>
Total investments, at fair value	<u>\$ 72,071,992</u>	<u>\$ 63,367,852</u>
Total investments, at historical cost	<u>\$ 52,549,941</u>	<u>\$ 49,993,992</u>

## NOTE E - RISKS AND UNCERTAINTIES

The Foundation holds a variety of investments (Note D). 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 consolidated financial statements.

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.

## The Community Foundation of Muncie and Delaware County, Inc. and Related Entity

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

## NOTE F - INVESTMENTS MANAGED FOR OTHERS

The Foundation manages funds for certain unrelated not-for-profit and other organizations and receives a management fee for this service. Distributions from these funds are based on their direction subject to the Foundation's approval.

## NOTE G - GRANTS PAYABLE

As of December 31, 2020 and 2019, the Foundation was committed to various charitable organizations and scholarship recipients for grants totaling \$423,771 and \$263,520, respectively.

	2020	2019
Payable within one year	\$ 309,551	\$ 185,720
Payable in 1 - 5 years	114,220	77,800
	<u>\$ 423,771</u>	<u>\$ 263,520</u>

No material contingent grants were outstanding as of December 31, 2020 and 2019.

## NOTE H - 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 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, 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.

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 Consolidated Statements 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:

## The Community Foundation of Muncie and Delaware County, Inc. and Related Entity

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

## NOTE H - FAIR VALUE MEASUREMENTS - Continued

	2020			
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Investments:				
Alternative investments*	\$ 25,290,656			
Real estate	\$ 26,900			\$ 26,900
Mutual funds - equities	\$ 39,621,251	\$ 39,621,251		
Mutual funds - fixed income	\$ 7,133,185	\$ 7,133,185		
Total investments	\$ 72,071,992			
Cash surrender value of life insurance	\$ 620,107		\$ 620,107	
Liabilities:				
Annuity obligations payable	\$ 3,999		\$ 3,999	
2019				
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Investments				
Alternative investments*	\$ 22,697,968			
Real estate	\$ 26,900			\$ 26,900
Mutual funds - equities	\$ 34,631,088	\$ 34,631,088		
Mutual funds - fixed income	\$ 6,011,896	\$ 6,011,896		
Total investments	\$ 63,367,852			
Cash surrender value of life insurance	\$ 607,417		\$ 607,417	
Liabilities:				
Annuity obligations payable	\$ 4,207		\$ 4,207	

\* In accordance with Accounting Standards, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented at fair value in the Consolidated Statements of Financial Position.

Fair values for level 1 investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value of the level 2 input cash surrender value of life insurance, is determined by reference to the annual statement provided by the insurance provider. Fair value for the annuity obligation payable is determined by reference to present value calculations. Fair value of the level 3 investments in real estate is based on valuations provided at various periods by the investment and fund managers.

Fair value measurements of investments in certain entities that calculate net asset value per share of its equivalent at December 31, 2020 and 2019 were as follows.

## The Community Foundation of Muncie and Delaware County, Inc. and Related Entity

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

## NOTE H - FAIR VALUE MEASUREMENTS - Continued

	2020			
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Eligible)</u>	<u>Redemption Notice Period</u>
Global long/short equity focus fund of funds (a)	\$ 6,625,554		Semi-annual	107 days
Private equity fund investing directly and indirectly in distressed securities (b)	340,229	\$ 54,466	Ineligible	
Limited partnerships investing in global private equity, special situations, and real assets (c)	10,087,718	5,747,599	Ineligible	
Pooled investment hedge fund (e)	7,304,187		Semi-annual	95 days
Private equity fund making loans in various sector (f)	932,968		Ineligible	
	<u>\$ 25,290,656</u>	<u>\$ 5,802,065</u>		
	2019			
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Eligible)</u>	<u>Redemption Notice Period</u>
Global long/short equity focus fund of funds (a)	\$ 5,605,250		Semi-annual	107 days
Private equity fund investing directly and indirectly in distressed securities (b)	325,199	\$ 54,466	Ineligible	
Limited partnerships investing in global private equity, special situations, and real assets (c)	8,563,930	1,879,565	Ineligible	
Group variable annuity investing in a master limited partnership (d)	1,846,686		Request	
Pooled investment hedge fund (e)	5,652,852		Semi-annual	95 days
Private equity fund making loans in various sector (f)	704,051	310,000	Ineligible	
	<u>\$ 22,697,968</u>	<u>\$ 2,244,031</u>		

## The Community Foundation of Muncie and Delaware County, Inc. and Related Entity

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

## NOTE H - FAIR VALUE MEASUREMENTS - Continued

- (a) This category includes an investment in a fund of funds with the investment objective to achieve capital appreciation through a balanced level of risk by allocating assets to long/short equity and credit focused managers. Significant areas include global opportunistic equity/credit. The fair value of the investment in this category has been estimated using the ownership interest in partners' capital to which a proportionate share of net assets is attributed.
- (b) This category consists of a partnership that invests in direct and pooled investment vehicles that are managed by investment managers. Portfolio investments typically involve securities of companies undergoing financial distress, operating difficulties, and significant restructuring. The partnership's portfolio investments are generally illiquid and subject to redemption restrictions in accordance with their respective governing documents which, other than investments in open-ended funds and publicly traded securities, do not provide for the partnership to exit the investment until the term of the portfolio fund has ended. The term of the partnership continued until December 31, 2018, and was extended for three years by the advisory board. The fair value of the investment in this category has been estimated using the ownership interest in partners' capital to which a proportionate share of net assets is attributed.
- (c) This category consists of three limited partnerships with the strategy to invest opportunistically across three broad sectors: global private equity, special situations, and real assets. The fair value of the investment in this category has been estimated using the ownership interest in partner's capital to which a proportionate share of net assets is attributed.
- (d) This category consists of a variable annuity that holds an investment with the objective to see absolute return by investing directly in income-producing publicly traded master limited partnerships and midstream energy infrastructure investments. The investment may be redeemed at net asset value in the near term. The fair value of the investment is based on net asset value.
- (e) This category consists of a pooled investment hedge fund with distress and credit securities, relative value, market neutral and low net equity, event drive, and relative value sectors. Initially invested funds are ineligible for redemption for twelve months. The fair value of the investment is based on net asset value.
- (f) This category consists of a private equity fund that lends to lower mid-market companies, which have between \$3 million and \$50 million in earnings before interest, taxes, depreciation and amortization. These companies are also primarily owned by private equity firms. The fair value of the investment is based on net asset value.

## NOTE I - ANNUITY OBLIGATIONS PAYABLE

The Foundation's annuity obligations with donors consist of charitable gift annuities. The assets received are recorded at their fair value and are revalued annually. The fair value of assets held for charitable gift annuities totaled \$9,907 and \$9,860 at December 31, 2020 and 2019, respectively. On an annual basis, the Foundation revalues the liability for the annuity based on actuarial assumptions. The fair value of future payment obligations at December 31, 2020 and 2019 was \$3,999 and \$4,207, respectively. The liabilities were determined using a discount rate of 0.6% and 2.0% as of December 31, 2020 and 2019, respectively. Changes in fair value of the annuities are reflected as changes in net assets without donor restrictions in the Consolidated Statements of Activities.

## NOTE J - ENDOWMENT FUNDS

At December 31, 2020 and 2019, the Foundation's endowment consists of 266 and 261 funds, respectively, to support charitable purposes and organizations and one fund designated by the Board of Directors to function as endowments to provide unrestricted support for Foundation programs. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.



## The Community Foundation of Muncie and Delaware County, Inc. and Related Entity

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

## NOTE J - ENDOWMENT FUNDS - Continued

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	\$ 90,315		\$ 90,315
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor		\$ 44,045,564	44,045,564
Accumulated investment gains		21,774,255	21,774,255
	<u>\$ 90,315</u>	<u>\$ 65,819,819</u>	<u>\$ 65,910,134</u>
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 90,315		\$ 90,315
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor		\$ 42,792,093	42,792,093
Accumulated investment gains		15,401,351	15,401,351
	<u>\$ 90,315</u>	<u>\$ 58,193,444</u>	<u>\$ 58,283,759</u>

## The Community Foundation of Muncie and Delaware County, Inc. and Related Entity

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

## NOTE J - ENDOWMENT FUNDS - Continued

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

	2020		Total
	Without Donor Restrictions	With Donor Restrictions	
Revenue and support			
Contributions and grant income		\$ 1,492,547	\$ 1,492,547
Investment return, net		8,896,852	8,896,852
Total revenue and support		10,389,399	10,389,399
Appropriation of endowment assets for expenditure		2,763,024	2,763,024
Change in endowment net assets		7,626,375	7,626,375
Endowment net assets, beginning of year	\$ 90,315	58,193,444	58,283,759
Endowment net assets, end of year	\$ 90,315	\$ 65,819,819	\$ 65,910,134
	2019		Total
	Without Donor Restrictions	With Donor Restrictions	
Revenue and support			
Contributions and grant income		\$ 1,564,244	\$ 1,564,244
Investment return, net		9,219,476	9,219,476
Total revenue and support		10,783,720	10,783,720
Appropriation of endowment assets for expenditure		2,852,022	2,852,022
Change in endowment net assets		7,931,698	7,931,698
Endowment net assets, beginning of year	\$ 90,315	50,261,746	50,352,061
Endowment net assets, end of year	\$ 90,315	\$ 58,193,444	\$ 58,283,759

From time to time, the fair value of assets associated with donor-restricted endowments may fall below the level the donor or UPMIFA requires the Foundation to retain. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in net assets without donor restrictions were \$-0- and \$387 as of December 31, 2020 and 2019, respectively. These deficiencies resulted from spending policy distributions and unfavorable market fluctuations.

To achieve its mission, the Foundation must preserve the purchasing power of its endowed funds and have available a growing stream of income for spending, net of inflation, in order to sustain its operations and grant making capacity. Reasonable consistency of return on an annual basis is important to assure the Foundation's capacity to sustain a level of operation that will provide for its continual growth. Adequate diversification within the asset allocation should be managed in order to reduce volatility.

## The Community Foundation of Muncie and Delaware County, Inc. and Related Entity

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

## NOTE J - ENDOWMENT FUNDS - Continued

The performance objective is to maximize total return of the portfolio, net of inflation, spending and expenses, with prudent risk levels over a full market cycle. Return may be derived from both fair value increase (realized and unrealized capital appreciation) and from current income (interest and dividend).

To satisfy its long-term return performance objectives, the Foundation invests in securities with higher return expectations that outweigh the short-term volatility risk. As a result, the majority of assets will be invested in equity or equity-like securities. Fixed income securities and other low volatility strategies will be used to lower the short-term volatility of the portfolio and to provide stability especially during periods of weak or negative equity markets. It is the intent of the Foundation to be fully invested. Therefore, cash is not a strategic asset of the portfolio, but is residual to the investment process.

In support of Foundation objectives, the Foundation utilizes a spending policy to preserve the purchasing power of its assets and grant making ability in perpetuity and to enable a predictable and consistent grants budget. The formula for calculating the total annual amount available for grant distributions shall be 4.4% of the average unencumbered fair value of the most recent twelve calendar quarters ended on September 30, prior to the year of distribution. In accordance with its objectives to maintain the historic dollar value of endowed funds, if at September 30 of any year, an endowed fund's unencumbered investment balance is less than its historic dollar value, distributions for the next calendar year will be limited. Distributions for funds valued at less than historic dollar value are limited to 1.5% for the fund. In the event of extraordinary circumstances, the Board of Directors may authorize changes to the spending policy, including a higher or lower spending percentage.

## NOTE K - 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:		
Donor advised	\$ 488,223	\$ 201,074
Designated	500,815	221,821
Fields of interest	<u>14,520</u>	<u>52,012</u>
	1,003,558	474,907
Restricted-purpose spending-rate distributions and appropriations:		
Donor advised	247,691	320,135
Scholarships	342,645	302,918
Designated	614,257	934,225
Fields of interest	437,156	268,355
Community grants	<u>1,121,275</u>	<u>1,026,389</u>
	<u>2,763,024</u>	<u>2,852,022</u>
	<u>\$ 3,766,582</u>	<u>\$ 3,326,929</u>

## The Community Foundation of Muncie and Delaware County, Inc. and Related Entity

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

## NOTE L - 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:		
Donor advised	\$ 932,475	\$ 390,710
Designated	714,574	782,178
Fields of interest	204,094	
Pledges receivable, the proceeds from which have been restricted by donors for:		
Scholarships		10,900
Community grants		83,983
	<u>1,851,143</u>	<u>1,267,771</u>
Subject to appropriation and expenditure when a specific event occurs:		
Proceeds from gift annuity upon death of the annuitant	5,881	5,602
Endowments:		
Subject to appropriation and expenditure when a specific event occurs:		
Restricted by donors for:		
Donor advised	333,449	548,787
Scholarships	204,333	199,334
Designated	805,920	713,290
Fields of interest	87,580	11,081
Community grants	203,629	114,568
	<u>1,634,911</u>	<u>1,587,060</u>
Subject to Foundation spending and appropriation:		
Donor advised	3,497,049	6,581,070
Scholarships	5,917,199	5,350,137
Designated	16,169,429	13,743,076
Fields of interest	8,973,740	4,816,835
Community grants	29,627,492	26,020,770
Underwater endowments		(387)
	<u>64,184,909</u>	<u>56,511,501</u>
	<u>\$ 67,676,844</u>	<u>\$ 59,371,934</u>

## The Community Foundation of Muncie and Delaware County, Inc. and Related Entity

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

## NOTE M - FUNDS HELD FOR THE BENEFIT OF OTHERS

The Foundation reports contributions as a liability when third party organizations transfer these assets to the Foundation and specify themselves, or their affiliates, as the beneficiary. These liabilities are offset by the Foundation's investments. During the years ended December 31, 2020 and 2019, the following activity occurred in the funds held for the benefit of others held by the Foundation. These amounts are not reflected on the Consolidated Statements of Activities.

	<u>2020</u>	<u>2019</u>
Support and revenue		
Contributions and pledges	\$ 15,665	\$ 31,291
Investment return, net	<u>988,387</u>	<u>969,210</u>
	\$1,004,052	\$1,000,501
Expenses		
Grants expense	200,324	190,418
Administrative fees	<u>60,279</u>	<u>59,180</u>
	<u>260,603</u>	<u>249,598</u>
Change in funds held for the benefit of others	743,449	750,903
Balance at beginning of year	<u>6,106,900</u>	<u>5,355,997</u>
Balance at end of year	<u><u>\$6,850,349</u></u>	<u><u>\$6,106,900</u></u>

## NOTE N - OPERATING LEASES

The Foundation has entered into an agreement to lease office space at \$1,675 per month. The lease term expires on June 30, 2025. Lease expense for 2020 and 2019 was \$18,226 and \$18,301, respectively. Minimum future lease payments are as follows:

December 31, 2021	\$ 20,100
2022	20,100
2023	20,100
2024	20,100
2025	<u>10,050</u>
	<u><u>\$ 90,450</u></u>

The Foundation and BY5 have each entered into agreements to lease office space at an annual rate of \$1. The lease term is month to month with 60 days written notice of termination. The fair value of the leases for 2020 and 2019 was \$6,512 and \$6,512, respectively.

## NOTE O - EMPLOYEE BENEFIT PLAN

The Foundation maintains a retirement plan under Section 403(b) of the Internal Revenue Code for eligible employees after one year of employment. Employees may contribute up to the IRS established limits. For eligible employees, the Organizations contribute 8% of qualified wages to the plan. The Foundation's expense related to the plan for 2020 and 2019 was \$24,823 and \$29,598, respectively.

The Community Foundation of Muncie and Delaware County, Inc. and Related Entity

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

**NOTE P - LIQUIDITY**

The Foundation has financial assets available within one year of the Consolidated Statements of Financial Position date consisting cash and cash equivalents of \$151,989 and \$155,380 as of December 31, 2020 and 2019, respectively.

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 Consolidated 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.

**NOTE Q - SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through May 17, 2021, which is the date these consolidated financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2020, have been incorporated into these consolidated financial statements herein.