

MONTGOMERY COUNTY COMMUNITY FOUNDATION, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

December 31, 2020 and 2019

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Independent Auditors' Report

Board of Directors
Montgomery County Community Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Montgomery County Community Foundation, Inc. (a nonprofit organization), 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 Montgomery 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 27, 2021

Montgomery County Community Foundation, Inc.

STATEMENTS OF FINANCIAL POSITION

December 31,

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 2,791,308	\$ 2,427,128
Interest and dividends receivable	365,284	543,638
Accounts receivable	499	490
Prepaid expenses	20,501	19,611
Investments	51,626,761	45,545,012
Property and equipment		
Office and computer equipment	179,636	175,142
Less accumulated depreciation	<u>133,994</u>	<u>122,941</u>
	45,642	52,201
Real estate	<u>4,894,164</u>	<u>4,654,018</u>
	<u>\$ 59,744,159</u>	<u>\$ 53,242,098</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 8,028	\$ 5,662
Payroll taxes payable	1,453	1,382
Amounts held in agency endowments	2,490,170	2,258,705
Agency trust funds	<u>587,382</u>	<u>571,459</u>
Total liabilities	3,087,033	2,837,208
NET ASSETS		
Without donor restrictions	789,824	672,044
With donor restrictions	<u>55,867,302</u>	<u>49,732,846</u>
	<u>56,657,126</u>	<u>50,404,890</u>
	<u>\$ 59,744,159</u>	<u>\$ 53,242,098</u>

The accompanying notes are an integral part of these statements.

Montgomery County Community Foundation, Inc.

STATEMENTS OF ACTIVITIES

Years Ended December 31,

	2020		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating revenue and support			
Contributions	\$ 50,416	\$ 2,134,628	\$ 2,185,044
Farm rental income		158,720	158,720
Investment return, net of fees	244,495	5,894,058	6,138,553
Administrative fees, net and other income	18,568	67,000	85,568
	<u>313,479</u>	<u>8,254,406</u>	<u>8,567,885</u>
Net assets released from restrictions:			
Satisfaction of purpose restrictions	2,119,950	(2,119,950)	
Operating expenses			
Program services	1,848,461		1,848,461
Management and general	363,327		363,327
Fundraising expenses	103,861		103,861
	<u>2,315,649</u>	<u></u>	<u>2,315,649</u>
CHANGE IN NET ASSETS	117,780	6,134,456	6,252,236
Net assets at beginning of year	<u>672,044</u>	<u>49,732,846</u>	<u>50,404,890</u>
Net assets at end of year	<u>\$ 789,824</u>	<u>\$ 55,867,302</u>	<u>\$ 56,657,126</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>
\$ 23,699	\$ 806,916	\$ 830,615
	159,881	159,881
2,088	6,909,277	6,911,365
<u>20,018</u>	<u>20,026</u>	<u>40,044</u>
45,805	7,896,100	7,941,905
1,861,390	(1,861,390)	
1,407,781		1,407,781
351,512		351,512
<u>110,735</u>		<u>110,735</u>
<u>1,870,028</u>		<u>1,870,028</u>
37,167	6,034,710	6,071,877
<u>634,877</u>	<u>43,698,136</u>	<u>44,333,013</u>
<u>\$ 672,044</u>	<u>\$ 49,732,846</u>	<u>\$ 50,404,890</u>

Montgomery County Community Foundation, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31,

	2020			Total
	Grant-making	Management & General	Fundraising	
Grants, distributions, and scholarships	\$ 1,697,444			\$ 1,697,444
Salaries and wages	119,171	\$ 152,129	\$ 73,821	345,121
Payroll taxes	8,814	11,251	5,460	25,525
Employee benefits	21,203	27,068	13,135	61,406
Professional fees	1,829	15,357		17,186
Bank fees		1,898		1,898
Community education and mailings		7,668	660	8,328
Rent		30,000		30,000
Donor development			6,966	6,966
Telephone and internet		4,668		4,668
Staff training		880		880
Postage and freight		1,828		1,828
Dues and subscriptions		8,182		8,182
Travel and meetings			3,219	3,219
Office expenses		9,720		9,720
Insurance		3,867		3,867
Depreciation		14,407		14,407
Farm and miscellaneous expense		28,150		28,150
Scholarship promotions		6,025		6,025
Occupancy		4,836		4,836
Software maintenance and other repairs		35,393	600	35,993
	<u>\$ 1,848,461</u>	<u>\$ 363,327</u>	<u>\$ 103,861</u>	<u>\$ 2,315,649</u>

The accompanying notes are an integral part of these statements.

2019

<u>Grant-making</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
\$ 1,226,300			\$ 1,226,300
113,531	\$ 144,931	\$ 70,328	328,790
8,245	10,525	5,107	23,877
20,251	25,852	12,545	58,648
39,454	24,011		63,465
	1,166		1,166
	7,873	3,567	11,440
	30,000		30,000
		6,570	6,570
	3,553		3,553
	557		557
	1,192		1,192
	3,434		3,434
		12,043	12,043
	12,481		12,481
	4,468		4,468
	16,054		16,054
	27,383		27,383
	5,193		5,193
	6,276		6,276
	26,563	575	27,138
<u>\$ 1,407,781</u>	<u>\$ 351,512</u>	<u>\$ 110,735</u>	<u>\$ 1,870,028</u>

Montgomery 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	\$ 6,252,236	\$ 6,071,877
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	14,407	16,054
Realized and unrealized gains	(5,166,055)	(5,951,989)
Contributions to funds held in perpetuity	(1,099,012)	(337,132)
Non-cash contributions	(824,397)	(22,548)
(Increase) decrease in assets:		
Accounts receivable	(9)	1,149
Interest and dividends receivable	161,328	(168,551)
Prepaid expense	(890)	1,593
Increase (decrease) in liabilities:		
Accounts payable	19,392	(13,979)
Payroll taxes payable	71	78
Amounts held in agency endowments	231,465	331,893
Agency trust funds	15,923	54,803
Net cash used in operating activities	<u>(395,541)</u>	<u>(16,752)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(4,494)	(6,752)
Proceeds from sale of investments	6,411,686	2,709,655
Purchases of investments	<u>(6,746,483)</u>	<u>(3,961,089)</u>
Net cash used in investing activities	<u>(339,291)</u>	<u>(1,258,186)</u>
Cash flows from financing activities:		
Cash received from contributors for funds held in perpetuity	<u>1,099,012</u>	<u>337,132</u>
Net cash provided by financing activities	1,099,012	337,132
Net change in cash and cash equivalents	364,180	(937,806)
Cash and cash equivalents at beginning of year	<u>2,427,128</u>	<u>3,364,934</u>
Cash and cash equivalents at end of year	<u>\$ 2,791,308</u>	<u>\$ 2,427,128</u>
<u>Supplemental Disclosure</u>		
Non-cash contributions	\$ 824,397	\$ 22,548

The accompanying notes are an integral part of these statements.

Montgomery 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 Montgomery 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 for the primary benefit of the citizens of Montgomery County. A community foundation is established to provide a permanent and growing endowment to benefit the communities, while providing ethical philanthropic leadership for the enrichment and assistance to human services, education, revitalization, social, art, and cultural endeavors. Individuals, families, businesses, private foundations, and non-profit organizations may donate to the community foundation.

2. 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.

3. 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 Statements of Cash Flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

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 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.

5. Equipment and Depreciation

Purchased equipment is stated at cost. Donated equipment is recorded as support at the estimated fair value at the date of gift. Such donations are reported as support without donor restrictions 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.

6. 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.

7. Concentration of Credit Risk

The Foundation maintains its cash in bank deposit accounts at high credit quality financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2020 and 2019, the Foundation exceeded the insured limit by approximately \$1,252,457 and \$967,812, respectively.

Montgomery County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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

8. Net Assets and Spending Policy

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 board designated funds and unrestricted investment income.

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.

The objective of the investments is to provide for long-term growth of principal and income without undue exposure to risk to enable the Foundation to make grants on a continuing and reasonably consistent basis. In pursuing this objective, the Foundation endeavors to achieve total returns that, over time, are better than the relevant market averages. Controlling portfolio volatility to help provide stable distributions from year to year is an additional objective.

The Foundation has a policy (the distribution policy) of appropriating for expenditure each year a maximum of 4.5% of the moving average of the unitized market value at September 30 of the prior twenty quarters of the portfolio. In establishing this policy, the Foundation considered the long-term expected return on its endowment.

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 \$1,697,444 and \$1,226,300, respectively.

10. 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.

11. Compensated Absences

The employees of the Foundation earn vacation leave based upon length of service. Vacation leave must be used by the end of the calendar year. The Foundation's policy is to recognize the cost of compensated absences when actually paid to employees.

12. Uncollectible Accounts and Pledges

Uncollectible accounts are charged directly against revenue when they are determined to be uncollectible. Use of this method does not result in a material difference from the valuation method required by accounting principles generally accepted in the United States of America.

Montgomery County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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

13. Agency Trust Fund

The Foundation is a successor trustee to one community trust. The assets of this trust are included in the Statements of Financial Position and an offsetting payable has been recorded, as the Foundation is not the beneficiary of the trust. As of December 31, 2020 and 2019, agency trust funds amounted to \$587,382 and \$571,459, respectively.

14. Advertising Costs

Advertising costs are expensed as incurred. Total advertising expense was \$6,025 and \$5,193 for the years ended December 31, 2020 and 2019, respectively.

15. Functional Allocation of Expenses

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 salaries and wages, payroll taxes, and benefits. These expenses are allocated on the basis of estimates of time and effort.

16. Uncertain Tax Positions

The Foundation 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.

17. 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.

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.

Montgomery County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE C - INVESTMENTS

The following is an analysis of the cost and fair value at December 31, 2020 and 2019 by type of investment.

	<u>2020</u>	<u>2019</u>
Mutual funds - equities:		
Large value	\$ 7,081,334	\$ 5,153,609
Mid-cap value	3,482,843	3,461,672
Foreign large value	1,778,125	1,766,254
Foreign large growth	2,833,938	2,236,545
Large growth	4,720,438	4,577,548
Tactical allocation	2,946,070	2,560,852
World stock	709,765	1,934,583
Infrastructure	1,370,930	1,191,636
Foreign large blend	1,707,986	1,581,452
Large blend	<u>6,650,910</u>	<u>5,720,802</u>
Total mutual funds - equities	33,282,339	30,184,953
Mutual funds - fixed income:		
High yield bonds	802,132	765,712
Nontraditional bonds	10,562,274	8,637,726
Short government bonds	5,135,664	4,187,599
Short-term bonds	364,274	353,361
Multisector bonds	369,513	374,261
Intermediate-term bonds	<u>1,110,565</u>	<u>1,041,400</u>
Total mutual funds - fixed income	<u>18,344,422</u>	<u>15,360,059</u>
Total investments, at fair value	<u>\$ 51,626,761</u>	<u>\$ 45,545,012</u>
Total investments, at historical cost	<u>\$ 43,058,664</u>	<u>\$ 40,451,972</u>

NOTE D - 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.

Montgomery County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE D - 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.

	2020			
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Investments:				
Mutual funds - equities	\$ 33,282,339	\$ 33,282,339		
Mutual funds - fixed income	\$ 18,344,422	\$ 18,344,422		
Real estate	\$ 4,835,000			\$ 4,835,000
	2019			
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Investments:				
Mutual funds - equities	\$ 30,184,953	\$ 30,184,953		
Mutual funds - fixed income	\$ 15,360,059	\$ 15,360,059		
Real estate	\$ 4,591,500			\$ 4,591,500

The following schedule provides further detail of the real estate being held as a Level 3 fair value measurement using significant unobservable inputs at December 31, 2020:

	Level 3	
	2020	2019
Beginning balance	\$ 4,591,500	\$ 4,591,500
Unrealized gains	243,500	
Ending balance	<u>\$ 4,835,000</u>	<u>\$ 4,591,500</u>

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 real estate classified as level 3 in the fair value hierarchy consists of farmland. The value of the Foundation's farmland has been adjusted to reflect the fair value of the property. The Foundation reviews and adjusts, if needed, the value of the farmland on its books annually. The market valuation is conducted by the farm manager, who is employed to manage the farms. The valuation method used by the farm manager takes into consideration current farmland values in the area, soil conditions as well as the latest Purdue Agricultural Economics Report.

Montgomery County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE E - REAL ESTATE

In past years, the Foundation received contributions of approximately 600 acres of land. This land is currently being rented as farmland and the rental income is credited to the funds for which the land was contributed. Rent collected on this land totaled \$158,720 and \$159,881 during 2020 and 2019, respectively.

NOTE F - 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:		
Lilly scholarship funds	\$ 3,544	\$ 1,060
Lilly intern funds	652	5,138
Lilly Planning Grant		50,000
Lilly Implementation Grant	3,585	
Pass-through funds	579,267	334,914
Pathway funds	186	151
Endowment income expended in accordance with the fund agreement	<u>1,532,716</u>	<u>1,470,127</u>
	<u>\$ 2,119,950</u>	<u>\$ 1,861,390</u>

NOTE G - 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:		
Lilly scholarship funds	\$ 10,485	\$ 7,529
Lilly Prosperity funds	4,325	4,776
Lilly intern funds	1,037	1,689
Lilly Implementation Grant	96,415	
Pass-through funds	<u>428,448</u>	<u>269,797</u>
	540,710	283,791
Endowments:		
Subject to expenditure for a specific purpose:		
Pathway funds	50,266	94,042
Subject to Foundation spending and appropriation:		
Restricted by donors for grants and scholarships	<u>55,276,326</u>	<u>49,355,013</u>
	<u>\$ 55,867,302</u>	<u>\$ 49,732,846</u>

Montgomery County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE H - NET ASSETS WITHOUT DONOR RESTRICTIONS

The Foundation's governing board has designated net assets without donor restrictions for the following purposes as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Operating funds	\$ 788,858	\$ 671,078
Board designated - non-endowed funds	<u>966</u>	<u>966</u>
Total net assets without donor restrictions	<u><u>\$ 789,824</u></u>	<u><u>\$ 672,044</u></u>

NOTE I - ENDOWMENT FUNDS

The Foundation's endowment consists of 217 and 210 individual funds, as of December 31, 2020 and 2019, respectively, established for a variety of purposes. The endowment includes both funds established by donors and funds designated by the Board to function as endowments (board-designated endowment funds). The Foundation maintains variance power over all of the endowment funds (including those established by donors) as provided within the fund agreements. 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. While the Foundation ultimately has variance power over all of the assets maintained in endowment funds, the Foundation considers the following factors in making a determination to appropriate or accumulate 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:

	<u>2020</u>	<u>2019</u>
	<u>With Donor</u>	<u>With Donor</u>
	<u>Restrictions</u>	<u>Restrictions</u>
Donor-restricted endowment funds:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 33,333,396	\$ 32,234,384
Accumulated investment gains	<u>21,993,196</u>	<u>17,214,671</u>
	<u><u>\$ 55,326,592</u></u>	<u><u>\$ 49,449,055</u></u>

Montgomery County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE I - ENDOWMENT FUNDS - Continued

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

	<u>2020</u>	<u>2019</u>
	<u>With Donor Restrictions</u>	<u>With Donor Restrictions</u>
Revenue and support		
Contributions, grants, and other income	\$ 1,357,661	\$ 353,058
Farm rental income	158,720	159,881
Investment return, net	<u>5,894,058</u>	<u>6,909,277</u>
Total revenue and support	7,410,439	7,422,216
Appropriation of endowment assets for expenditure	<u>1,532,902</u>	<u>1,470,278</u>
Change in endowment net assets	5,877,537	5,951,938
Endowment net assets, beginning of year	<u>49,449,055</u>	<u>43,497,117</u>
Endowment net assets, end of year	<u><u>\$ 55,326,592</u></u>	<u><u>\$ 49,449,055</u></u>

Occasionally, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor of UPMIFA requires the Foundation to retain as a fund of perpetual duration. As of December 31, 2020 and 2019, there were no funds with deficiencies.

NOTE J - EMPLOYEE BENEFITS

The Foundation has a Simple IRA retirement plan. The Foundation will match up to 3% of an employee's wages. The Foundation contributed \$10,121 and \$9,503 to this plan in 2020 and 2019, respectively.

NOTE K - 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	\$ 632,054	\$ 507,580
Accounts receivable	<u>499</u>	<u>490</u>
	<u><u>\$ 632,553</u></u>	<u><u>\$ 508,070</u></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.

Montgomery County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE L - OPERATING LEASE

The Foundation leases commercial office space under a five-year lease agreement which began in October 2010 and was extended for five years in September 2015. The lease expired in December 2020 and has continued on a month-to-month basis. Monthly lease payments are \$1,100 per month. This amount is substantially lower than fair value. The value of the donated facility for the year ended December 31, 2020 and 2019 is approximately \$16,800, and has been recorded as both revenue and expense in the financial statements. Total lease expense for the years ended December 31, 2020 and 2019 was \$30,000 and \$30,000, respectively.

NOTE M - AGENCY ENDOWMENT FUNDS

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 agency funds held by the Foundation. These amounts are not reflected on the Statements of Activities.

	<u>2020</u>	<u>2019</u>
Support and revenue		
Contributions	\$ 500	\$ 36,836
Investment return, net	<u>319,173</u>	<u>371,574</u>
	\$ 319,673	\$ 408,410
Expenses		
Grants expense	68,325	60,325
Project management fees	<u>19,883</u>	<u>16,192</u>
	<u>88,208</u>	<u>76,517</u>
Increase in agency funds	231,465	331,893
Balance at beginning of year	<u>2,258,705</u>	<u>1,926,812</u>
Balance at end of year	<u><u>\$2,490,170</u></u>	<u><u>\$2,258,705</u></u>

NOTE N - RELATED PARTIES

The following conflict of interest occurred during 2020. One employee is a board member of Hoosier Heartland State Bank, which maintains cash accounts for the Foundation.

NOTE O - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through May 27, 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.