

**COMMUNITY FOUNDATION OF
CRAWFORD COUNTY, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

CPAs / ADVISORS



COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Community Foundation of Crawford County, Inc.
Marengo, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Community Foundation of Crawford County, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 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 audits 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 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.

Blue & Co., LLC

Seymour, Indiana

November 4, 2020

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 366,977	\$ 570,070
Investments	7,555,160	7,093,671
Property and equipment, net	108,055	109,968
Other assets	<u>2,018</u>	<u>2,018</u>
	<u>\$ 8,032,210</u>	<u>\$ 7,775,727</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 1,074	\$ 6,985
Accrued expenses	650	1,724
Deferred revenue	-0-	304,772
Custodial funds	<u>162,791</u>	<u>135,620</u>
Total liabilities	164,515	449,101

Net assets

Without donor restrictions		
Operating	227,476	218,835
Operating reserve	<u>529,652</u>	<u>492,696</u>
	757,128	711,531
With donor restrictions		
Restricted for specified purposes	77,304	138,137
Restricted in perpetuity - endowment	4,572,502	4,137,034
Restricted subject to the Organization's spending policy	<u>2,460,761</u>	<u>2,339,924</u>
	<u>7,110,567</u>	<u>6,615,095</u>
Total net assets	<u>7,867,695</u>	<u>7,326,626</u>
	<u>\$ 8,032,210</u>	<u>\$ 7,775,727</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)

	2020			2019
	Without donor Restrictions	With donor Restrictions	Total	Total
Support, revenues and other				
Contributions and grant revenue	\$ 38,926	\$ 389,482	\$ 428,408	\$ 609,590
Investment return, net	40,596	502,331	542,927	525,767
Administrative fees	134,424	-0-	134,424	151,343
Net assets released from restrictions	<u>396,341</u>	<u>(396,341)</u>	<u>-0-</u>	<u>-0-</u>
Total support, revenues and other	610,287	495,472	1,105,759	1,286,700
Expenses				
Program services	449,455	-0-	449,455	380,776
General and administrative	81,952	-0-	81,952	82,249
Fundraising	<u>33,283</u>	<u>-0-</u>	<u>33,283</u>	<u>26,095</u>
Total expenses	<u>564,690</u>	<u>-0-</u>	<u>564,690</u>	<u>489,120</u>
Change in net assets	45,597	495,472	541,069	797,580
Net assets, beginning of year	<u>711,531</u>	<u>6,615,095</u>	<u>7,326,626</u>	<u>6,529,046</u>
Net assets, end of year	<u>\$ 757,128</u>	<u>\$ 7,110,567</u>	<u>\$ 7,867,695</u>	<u>\$ 7,326,626</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	Without donor Restrictions	With donor Restrictions	Total
Support and revenues			
Contributions and grant revenue	\$ 14,364	\$ 595,226	\$ 609,590
Investment return, net	253	525,514	525,767
Administrative fees	151,343	-0-	151,343
Net assets released from restrictions	337,369	(337,369)	-0-
Total support and revenues	503,329	783,371	1,286,700
Expenses			
Program services	380,776	-0-	380,776
General and administrative	82,249	-0-	82,249
Fundraising	26,095	-0-	26,095
Total expenses	489,120	-0-	489,120
Change in net assets	14,209	783,371	797,580
Net assets, beginning of year	697,322	5,831,724	6,529,046
Net assets, end of year	\$ 711,531	\$ 6,615,095	\$ 7,326,626

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)

	2020			2019	
	Program Services	General and Administrative	Fundraising	Total	Total
Grants and scholarships	\$ 219,102	\$ -0-	\$ -0-	\$ 219,102	\$ 139,625
Salaries and wages	51,750	47,035	15,565	114,350	110,556
Payroll taxes and employee benefits	5,575	5,067	1,677	12,319	11,941
Administrative fees	130,842	-0-	-0-	130,842	149,054
Advertising	2,867	-0-	8,602	11,469	3,740
Office supplies	835	836	1,671	3,342	718
Postage and printing	175	410	586	1,171	3,394
Telephone	644	184	92	920	910
Utilities	2,144	612	306	3,062	3,370
Repairs and maintenance	185	53	26	264	3,924
Rent	4,991	1,426	713	7,130	7,130
Depreciation	1,339	383	191	1,913	1,411
Professional fees	2,027	18,240	-0-	20,267	23,690
IT support	3,635	1,038	519	5,192	8,608
Membership dues	498	142	71	711	801
Travel and entertainment	4,768	1,362	681	6,811	3,838
Insurance	2,465	704	352	3,521	3,510
Meetings and conferences	13,641	3,897	1,949	19,487	2,043
Miscellaneous	<u>1,972</u>	<u>563</u>	<u>282</u>	<u>2,817</u>	<u>10,857</u>
Total expenses	<u>\$ 449,455</u>	<u>\$ 81,952</u>	<u>\$ 33,283</u>	<u>\$ 564,690</u>	<u>\$ 489,120</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program Services	General and Administrative	Fundraising	Total
Grants and scholarships	\$ 139,625	\$ -0-	\$ -0-	\$ 139,625
Salaries and wages	50,202	45,378	14,976	110,556
Payroll taxes and employee benefits	5,422	4,901	1,618	11,941
Administrative fees	149,054	-0-	-0-	149,054
Advertising	935	-0-	2,805	3,740
Office supplies	179	180	359	718
Postage and printing	509	1,188	1,697	3,394
Telephone	637	182	91	910
Utilities	2,359	674	337	3,370
Repairs and maintenance	2,747	785	392	3,924
Rent	4,991	1,426	713	7,130
Depreciation	988	282	141	1,411
Professional fees	2,369	21,321	-0-	23,690
IT support	6,025	1,722	861	8,608
Membership dues	561	160	80	801
Travel and entertainment	2,686	768	384	3,838
Insurance	2,457	702	351	3,510
Meetings and conferences	1,430	409	204	2,043
Miscellaneous	7,600	2,171	1,086	10,857
Total expenses	<u>\$ 380,776</u>	<u>\$ 82,249</u>	<u>\$ 26,095</u>	<u>\$ 489,120</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Operating activities		
Change in net assets	\$ 541,069	\$ 797,580
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	1,913	1,411
Reinvested interest and dividends received on investments	(198,755)	(219,616)
Realized and unrealized gains on investments	(396,507)	(354,011)
Changes in assets and liabilities:		
Other assets	-0-	(1,000)
Accounts payable	(5,911)	6,985
Accrued expenses	(1,074)	300
Deferred revenue	(304,772)	304,772
Custodial funds	27,171	24,589
Net cash flows from operating activities	<u>(336,866)</u>	<u>561,010</u>
Investing activities		
Purchases of property and equipment	-0-	(4,177)
Purchases of investments	(3,451,759)	(1,800,197)
Proceeds from sales of investments	<u>3,585,532</u>	<u>1,750,216</u>
Net cash flows from investing activities	<u>133,773</u>	<u>(54,158)</u>
Net change in cash and cash equivalents	(203,093)	506,852
Cash and cash equivalents, beginning of year	<u>570,070</u>	<u>63,218</u>
Cash and cash equivalents, end of year	<u>\$ 366,977</u>	<u>\$ 570,070</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Community Foundation of Crawford County, Inc. (the "Organization") is a not-for-profit entity that began operations in May 2005. The Organization is located in Marengo, Indiana, and was organized to serve philanthropic and charitable needs in Crawford County, Indiana. The Organization offers endowment services, grant making, scholarship, donor estate, and planned gift services to individuals and qualified organizations serving Crawford County.

Management's Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported support, revenues and expenses. Actual results could vary from the estimates that were used.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis, and have been prepared with a focus on the entity as a whole. Net assets, support, revenues, gains, and losses are classified based on the existence or absence of donor restrictions. Accordingly, the net assets of the Organization are classified and reported as follows:

Net assets without donor restrictions: Net assets that are currently available for operating purposes under the direction of the board of directors (Board) or designated by the Board for specific use. The Organization maintains net assets without donor restrictions as follows:

Operating – used to fund current operations of the Organization

Operating reserve – used to fund future operations of the Organization as designated by the Board

Net assets with donor restrictions: Net assets subject to donor stipulations for specific operating purposes or time restrictions. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term to support operations or specific purposes. The Organization maintains net assets with donor restrictions as follows:

Restricted for specified purpose – all contributions to the Organization with the intention of the donor to be held for a specific program or in a donor-restricted non-endowed fund

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Restricted in perpetuity - endowment – all contributions to the Organization with the intention of the donor that the assets be held in perpetuity and managed in accordance with the Organization’s spending policy

Restricted subject to the Organization’s spending policy – investment earnings on assets restricted in perpetuity – endowment and managed in accordance with the Organization’s spending policy

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of money market investments and exclude amounts held by the Organization’s fund manager and included in investments.

Investments and Investment Return

The Organization carries its investments at fair value for financial reporting purposes. Changes in unrealized appreciation or depreciation of investments are reflected in the Statements of Activities in the periods in which such changes occur.

Interest and dividend income and net unrealized and realized gains and losses on investments are recognized as net assets with or without donor restrictions based upon the existence or absence of donor-imposed restrictions or the related fund classification in accordance with the Organization’s spending policy.

Property and Equipment

Property and equipment, including expenditures that substantially increase the useful lives of existing assets, are recorded at cost except for donations, which are recorded at fair value at the date of the donation. Costs of ordinary maintenance and repairs are expensed as incurred.

The property and equipment of the Organization are being depreciated over their estimated useful lives ranging from five to seven years using the straight-line method.

Deferred Revenue

During 2019, the Organization received a \$500,000 grant from Lilly Endowment through its GIFT Phase VII initiative. The grant is required to be matched with new contributions to help build Organization’s unrestricted endowments and provide support for specified charitable projects and needs. Therefore, prior year deferred revenue relates to the portion of the grant that had not yet been matched and earned. The matching period is from October 1, 2018 through September 30, 2021. As qualifying contributions were received, the related match amount was recognized as revenue.

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Effective July 1, 2019, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU require that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. In accordance with ASU 2018-08, the Organization has adopted the requirements using the modified prospective approach, which applies to the portion of agreements at the effective date that had not previously been recognized and any new agreements after the effective date. Since the Lilly Endowment GIFT VII matching grant does not contain a right of return, the remaining unrecognized portion of this grant, which was deferred revenue of \$304,772 as of June 30, 2019, is recognized in 2020 as contributions and grants with donor restrictions regardless of any amount still unmatched.

Support, Revenues and Expense Recognition

Contributions are recognized as revenues in the period the contribution is received or the promise is made.

Support and revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions or directed to a donor-restricted fund. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in either net assets with or without donor restrictions in accordance with the classification of the fund.

All other revenues are recorded when earned.

Administrative Fees

Administrative fees are expensed from the funds to support the operations of the Organization and are considered program expenses. Administrative fees from all funds are reflected as revenue on the Statements of Activities. The administrative fees from custodial funds (agency endowments) are not included as expenses on the Statements of Activities because they are included in the change in custodial funds.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the Statements of Activities and Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Those expenses include salaries and wages, payroll taxes and employee benefits, and various office and occupancy expenses. These expenses are allocated on the basis of estimates of time, effort, and usage. While the methods of allocation are considered appropriate, other methods could produce different results.

Income Taxes

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal taxes on related income pursuant to Section 501(a) of the Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Organization, and has concluded that as of June 30, 2020 and 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

As such, the Organization is generally exempt from income taxes. However, the Organization is required to file Federal Form 990 – Return of Organization Exempt from Income Tax which is an informational return only.

Going Concern Evaluation

Management evaluates whether there are conditions or events that raise substantial doubt about the Organization's ability to continue as a going concern for a period of one year from the date the financial statements are available to be issued.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current method of presentation.

Subsequent Events

The Organization has evaluated events or transactions occurring subsequent to the Statement of Financial Position date for recognition and disclosure in the accompanying financial statements through the date the financial statements are available to be issued, which is November 4, 2020.

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

2. INVESTMENTS

Investments consist of the following:

	2020	2019
	<u> </u>	<u> </u>
Cash and cash equivalents	\$ 421,320	\$ 251,301
Common stocks		
Mid/small	37,032	115,267
Large	3,581,431	3,335,184
Equity mutual funds		
Mid/small	295,211	737,261
Large	236,431	-0-
Developed international	-0-	44,484
Emerging markets	34,729	44,732
Fixed income mutual funds		
Intermediate	441,054	335,808
Multi-sector	83,323	83,863
Emerging markets	74,081	-0-
High-yield	26,754	107,569
Non-traditional	83,797	84,221
Exchange traded funds		
Large	836,920	393,113
Emerging markets	27,456	-0-
Real assets	237,921	211,770
Intermediate	103,358	-0-
U.S. government securities	108,501	207,636
Corporate bonds		
Long	65,692	62,430
Intermediate	860,149	1,079,032
	<u>\$ 7,555,160</u>	<u>\$ 7,093,671</u>

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

3. RISKS AND UNCERTAINTIES

The Organization holds investments (Note 2). 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.

4. FAIR VALUE MEASUREMENTS

Effective July 1, 2019, the Organization adopted the Financial Accounting Standard Board's Accounting Standards Update (ASU) 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments in this ASU removed certain disclosure requirements in Topic 820. As such, the fair value measurement disclosures for 2019 have been restated for these changes.

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Organization has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets in active markets; quoted prices for identical or similar assets in inactive markets; inputs other than quoted prices that are observable for the asset; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020 and 2019.

- *Common stocks*: Valued at the closing price reported on the active market on which the individual securities are traded.

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

- *Mutual funds and exchange traded funds:* Valued at the daily closing price as reported by the fund. Mutual and exchange traded funds are held by the Organization and are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The funds held by the Organization are deemed to be actively traded.
- *U.S. government securities:* Valued using pricing models maximizing the use of observable inputs for similar securities.
- *Corporate bonds:* Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing values on yields currently available on comparable securities of issuers with similar credit ratings.

The following table sets forth by level, within the hierarchy, the Organization's assets measured at fair value on a recurring basis as of June 30, 2020 and 2019:

	2020		
	Fair Value	Level 1	Level 2
Assets:			
Investments			
Common stocks	\$ 3,618,463	\$ 3,618,463	\$ -0-
Mutual funds	1,275,380	1,275,380	-0-
Exchange traded funds	1,205,655	1,205,655	-0-
U.S. government securities	108,501	-0-	108,501
Corporate bonds	925,841	-0-	925,841
Total assets at fair value	<u>\$ 7,133,840</u>	<u>\$ 6,099,498</u>	<u>\$ 1,034,342</u>
	2019		
	Fair Value	Level 1	Level 2
Assets:			
Investments			
Common stocks	\$ 3,450,451	\$ 3,450,451	\$ -0-
Mutual funds	1,437,938	1,437,938	-0-
Exchange traded funds	604,883	604,883	-0-
U.S. government securities	207,636	-0-	207,636
Corporate bonds	1,141,462	-0-	1,141,462
Total assets at fair value	<u>\$ 6,842,370</u>	<u>\$ 5,493,272</u>	<u>\$ 1,349,098</u>

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

5. PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

	2020	2019
Furniture and fixtures	\$ 25,673	\$ 25,673
Software	26,362	26,362
Land	<u>105,233</u>	<u>105,233</u>
	157,268	157,268
Less accumulated depreciation	<u>(49,213)</u>	<u>(47,300)</u>
	<u>\$ 108,055</u>	<u>\$ 109,968</u>

6. CUSTODIAL FUNDS

Custodial funds represent funds placed on deposit with the Organization by other organizations based on their individual board resolutions. The Organization accounts for these transfers as a liability in accordance with applicable accounting standards. Income is added to these funds periodically in accordance with the Organization's investment allocation policies. Contributions by, investment interest credits for, and distributions to those organizations are reflected as adjustments to the liability account and are not reflected in the Statements of Activities.

Following is a progression of custodial funds during 2020 and 2019:

	2020	2019
Beginning balance	\$ 135,620	\$ 111,031
Contributions	31,591	48,090
Investment return, net	7,819	5,704
Program expense	(5,968)	(26,878)
Administrative fees	(2,770)	(1,302)
Grant payments	<u>(3,501)</u>	<u>(1,025)</u>
Ending balance	<u>\$ 162,791</u>	<u>\$ 135,620</u>

7. ENDOWMENT

The majority of the Organization's funds consist of donor-restricted endowed funds established for a variety of purposes. As required by accounting principles generally accepted in the United

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

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States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulation to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted endowment funds are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for granting purposes while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce long-term growth of capital without undue exposure to risk. The Organization expects its endowment funds to meet or exceed the return of a balanced market index using the S&P 500 Index, the Barclays Intermediate Government Credit Index, the Treasury Bill Index and the US REIT Index. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment decisions shall be made with the intent of maximizing the long-term total return of the portfolio through market value changes (realized and unrealized) and through earned income (dividends and interest).

The Organization has a policy of appropriating for distribution each year 4 percent of its endowment funds' fair value based on the previous thirty-six month rolling average, or a lesser percentage as voted upon annually by the Board of Directors. In establishing this policy, the Organization considered the long-term expected return on its endowment.

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Endowed funds are considered donor-restricted endowments and the changes in endowed funds are for the years ending June 30, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Endowment net assets, beginning of year	\$ 6,476,958	\$ 5,758,257
Contributions and other revenue	376,439	533,208
Investment return, net	496,661	477,377
Appropriation of endowment assets for expenditure	<u>(316,795)</u>	<u>(291,884)</u>
Endowment net assets, end of year	<u>\$ 7,033,263</u>	<u>\$ 6,476,958</u>

8. LIQUIDITY AND AVAILABILITY

As part of the Organization's liquidity management, it structures its financial assets to be available as its awarded grants, general expenditures, and other obligations become due. The Organization invests cash in excess of daily requirements in cash equivalents and other short-term investments. Financial assets available for general expenditures within one year of the Statements of Financial Position date comprised of the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Operating cash and cash equivalents	\$ 85,319	\$ 115,558
Operating investments	<u>563,460</u>	<u>492,696</u>
	<u>\$ 648,779</u>	<u>\$ 608,254</u>

The Organization's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specified purposes with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure. The Organization has an annual grant approval process. This process includes evaluating a number of factors relative to the spending rate to be applied to the Organization's fund balances in accordance with its spending policy. Once the Organization's Board approves the spending rate, the related dollar amount of the funds becomes available for general expenditures.

While not subject to the Organization's spending policy, expenditures from donor-restricted non-endowed funds must be approved by the Board and, therefore, are not available for general expenditure until that time. Non-endowed funds are held in cash, cash equivalents, or liquid investments and are made available upon appropriation.

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The Organization relies on the administrative fees it charges its funds annually which is 2% of fund balance to fund operational expenditures. The Organization also has an operating reserve with the intention that it not be depleted and only used for reserve funding of the operations when needed.

9. COMMITMENTS

The Organization had awarded conditional scholarships of \$102,497 and \$126,668 at June 30, 2020 and 2019, respectively. These amounts will not be paid until the related conditions have been met; therefore, a liability related to these scholarships has not been recognized.

10. CONTINGENCY

On March 11, 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may adversely impact the local, regional, national and global economies. The extent to which COVID-19 impacts the Organization's operating results is dependent on the breadth and duration of the pandemic and could be affected by other factors management is not currently able to predict. Potential impacts include, but are not limited to, additional costs for responding to COVID-19, increased demand for grants, delays, loss of, or reduction to contributions and funding, and investment portfolio declines. Management believes the Organization is taking appropriate actions to respond to the pandemic, however, the full impact is unknown and cannot be reasonably estimated at the date the financial statements were available to be issued.

11. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash in bank deposit accounts insured by the Federal Deposit Insurance Corporation at its current coverage levels. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to these accounts.

Investments are maintained with one investment firm. Such balances exceed the Securities Investor Protection Corporation insured limits of up to \$500,000.

12. RECENTLY ISSUED ACCOUNTING STANDARDS

On February 25, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842). This new standard, which the Organization is not required to adopt until its year ending June 30, 2022, is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize

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on their statement of financial position the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in the ASU) of twelve months or less are not required to be reflected on an entity's statement of financial position.

The Organization is presently evaluating the effects that this ASU will have on its future financial statements, including related disclosures.