

NORTHERN INDIANA COMMUNITY FOUNDATION, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

December 31, 2018

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	2
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES	4
STATEMENT OF FUNCTIONAL EXPENSES	5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7



Independent Auditors' Report

Board of Directors
Northern Indiana Community Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Northern Indiana Community Foundation, Inc., which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, cash flows, and functional expenses for the year 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 audit. We conducted our audit 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 Northern Indiana Community Foundation, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Estep Burkey Simmons, LLC

Muncie, Indiana
April 17, 2019

Northern Indiana Community Foundation, Inc.

STATEMENT OF FINANCIAL POSITION

December 31, 2018

ASSETS

Cash and cash equivalents	\$ 3,508,116
Pledges receivable	1,017
Prepaid expenses	24,243
Note receivable	5,000
Certificates of deposit	800,000
Trust receivable, net of discount	1,007,708
Beneficial interest in charitable remainder trust	160,263
Investments	34,263,356
Investment - charitable remainder trust	114,558
Property and equipment	
Building and improvements	349,262
Land	26,910
Office and computer equipment	105,027
	<u>481,199</u>
Less accumulated depreciation	<u>106,261</u>
	<u>374,938</u>
	<u>\$ 40,259,199</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 7,888
Grants payable	3,389
Deferred revenue	771,349
Charitable remainder trust liability	114,558
Charitable gift annuity	35,404
Agency funds	3,281,911
	<u>4,214,499</u>

NET ASSETS

Without donor restrictions	264,434
With donor restrictions	35,780,266
	<u>36,044,700</u>
	<u>\$ 40,259,199</u>

The accompanying notes are an integral part of this statement.

Northern Indiana Community Foundation, Inc.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and support			
Contributions	\$ 83,766	\$ 3,251,090	\$ 3,334,856
Investment return (loss), net	123	(855,559)	(855,436)
Administrative fees	595,955		595,955
Amortization of discount on trust receivable	33,645		33,645
Change in value of split-interest agreements		(2,116)	(2,116)
	<u>713,489</u>	<u>2,393,415</u>	<u>3,106,904</u>
Total operating revenue and support			
Net assets released from restrictions:			
Satisfaction of purpose restrictions	2,015,321	(2,015,321)	
Pursuant to spending policy	408,861	(408,861)	
Operating expenses			
Program services	2,062,601		2,062,601
Supporting services:			
Management and general	767,777		767,777
Fundraising expenses	315,928		315,928
	<u>3,146,306</u>	<u> </u>	<u>3,146,306</u>
CHANGE IN NET ASSETS	(8,635)	(30,767)	(39,402)
Net assets at beginning of year	<u>273,069</u>	<u>35,811,033</u>	<u>36,084,102</u>
Net assets at end of year	<u>\$ 264,434</u>	<u>\$ 35,780,266</u>	<u>\$ 36,044,700</u>

The accompanying notes are an integral part of this statement.

Northern Indiana Community Foundation, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2018

	<u>Grant- making</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 143,378	\$ 106,509	\$ 159,764	\$ 409,651
Payroll taxes	11,132	8,270	12,405	31,807
Employee benefits	23,524	17,475	26,213	67,212
Conferences and meetings	10,723	7,965	11,948	30,636
Grants	1,552,691			1,552,691
Program expenses	269,193			269,193
Postage	1,146	852	1,277	3,275
Administrative fees expense		575,514		575,514
Dues and subscriptions	1,773	1,317	1,975	5,065
Office supplies	15,863	11,784	17,676	45,323
Legal and accounting	11,192	8,314	12,471	31,977
Occupancy	10,229	7,599	11,399	29,227
Telephone	3,838	2,851	4,277	10,966
Insurance expense	2,795	2,077	3,115	7,987
Fundraising			47,698	47,698
Interest expense		6,679		6,679
Lease expense	1,787	1,327	1,991	5,105
Miscellaneous expenses		6,765		6,765
Depreciation expense	3,337	2,479	3,719	9,535
	<u>\$ 2,062,601</u>	<u>\$ 767,777</u>	<u>\$ 315,928</u>	<u>\$ 3,146,306</u>

The accompanying notes are an integral part of this statement.

Northern Indiana Community Foundation, Inc.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2018

Cash flows from operating activities:	
Decrease in net assets	\$ (39,402)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	9,535
Amortization of discount on trust receivable	(33,645)
Investment loss, net	855,436
Contributions to restricted funds	(1,848,612)
Non-cash stock contributions	(377,162)
Beneficial interest in charitable remainder trust	2,873
(Increase) decrease in assets:	
Pledges receivable	(306)
Note receivable	2,500
Prepaid expense	(10,544)
Increase (decrease) in liabilities:	
Accounts payable	3,317
Grants payable	(2,625)
Deferred revenue	771,349
Charitable remainder trust liability	(14,714)
Charitable gift annuity	(4,191)
Agency funds	(176,388)
Net cash used in operating activities	(862,579)
Cash flows from investing activities:	
Purchase of property and equipment	(379,880)
Payments on trust receivable	304,625
Proceeds from the sales of investments	29,920,702
Purchase of certificates of deposit	(800,000)
Purchase of investments	(29,143,727)
Net cash used in investing activities	(98,280)
Cash flows from financing activities:	
Cash received from contributors for restricted funds	1,848,612
Net cash provided by financing activities	1,848,612
Net increase in cash and cash equivalents	887,753
Cash and cash equivalents at beginning of year	2,620,363
Cash and cash equivalents at end of year	\$ 3,508,116
<u>Supplemental Disclosure</u>	
Non-cash contributions	\$ 377,162

The accompanying notes are an integral part of this statement.

Northern Indiana Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities

The Northern Indiana 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 Fulton, Miami, and Starke counties plus surrounding regions. 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. Basis of Presentation

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

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

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

3. Contributions

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

4. Cash and Cash Equivalents

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

5. Investments

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

Northern Indiana Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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

6. 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 unrestricted support unless the donor has restricted the donated asset to a specific purpose. The Foundation has a capitalization policy which states that only items with a value of more than \$1,000 are capitalized. Depreciation is computed according to the estimated useful lives of the respective assets using the straight-line method.

7. 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.

8. Concentration of Credit Risk

The Foundation maintains its cash in bank deposit accounts at high credit quality financial institutions. At December 31, 2018, the Foundation exceeded the insured limit by \$2,357,548.

9. Contributed Services

During the year ended December 31, 2018, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

10. Compensated Absences

The employees of the Foundation earn paid time off based upon length of service. Paid time off days must be used by the end of the calendar year. Any earned paid time off 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.

11. Deferred Revenue

During 2018, the Foundation received a \$1,500,000 gift from Lilly GIFT VII, which has a matching requirement. The Foundation has raised \$364,326 towards the matching requirement and recorded \$728,651 as contribution revenue from the matching gift. The unmatched portion of the Lilly Gift VII is \$771,349 as of December 31, 2018 and is recorded as deferred revenue on the Statement of Financial Position.

12. 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 2015, 2016, and 2017 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.

Northern Indiana Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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

13. 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 depreciation, lease expense, insurance, rent, telephone, legal and accounting, office supplies, dues and subscriptions, advertising, postage, payroll, payroll taxes, and benefits. These expenses are allocated on the basis of estimates of time and effort.

14. 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 - NOTE RECEIVABLE

The Foundation holds a note receivable, which is payable through March 1, 2021. The note requires semi-annual payments of \$1,250 with amortized interest of 3% incurred at the end of the loan. The receivable had a balance of \$5,000 as of December 31, 2018.

NOTE C - BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUST

During 1998, a donor established a trust with a local bank naming the Foundation as the lead beneficiary of a charitable remainder unitrust. Under this type of charitable remainder trust, the donor is to receive distributions in the amount of 5% of the fair value of the trust annually until death. Upon the death of the donor, the remaining assets in the trust pass to the Foundation for a donor restricted restricted use. Based on the donor's life expectancy and a 3.2% discount rate, the present value of future benefits expected to be received by the Foundation was estimated to be \$160,263 at December 31, 2018, and is recorded as a net asset with donor restrictions. The change in value of the split interest agreement for the year ended December 31, 2018 was \$(2,116) and is reflected in the Statement of Activities.

NOTE D - TRUST RECEIVABLE

During 2014, a donor established a trust with a local bank naming the Foundation as a beneficiary of an annuity trust. Under this type of annuity trust, the Foundation is to receive distributions in the amount of 6% of the fair value of the trust at least annually for seven years. Based on a 2.6% discount rate, the present value of future payment expected to be received by the Foundation was estimated to be \$1,007,708 at December 31, 2018. Estimated future payments based on the fair value of the trust as communicated to the Foundation in 2014 are as follows:

2019	\$	304,625
2020		304,625
2021		456,940
2022		-0-
2023		-0-
		<hr/>
		1,066,190
Present value discount		<hr/> 58,482
	\$	<hr/> <hr/> 1,007,708

Northern Indiana Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE E - INVESTMENTS

Investments are stated at fair value as of December 31, 2018 and are summarized as follows.

	<u>Fair Value</u>
Common stocks	\$ 10,754,472
Preferred stocks	965,383
Mutual funds - equities:	
Large growth	1,525,070
Foreign small/mid value	425,851
Foreign large value	1,338,650
Foreign large blend	3,997
Foreign large growth	455,193
Long/short equity	2,259
Diversified emerging markets	479,935
Large blend	7,637
Small blend	1,730
World large stock	4,546,201
Small value	453,883
Large value	1,195,396
Moderate allocation	2,195
Europe stock	447,997
Pacific/Asia ex-Japan stock	470,135
Commodities broad basket	1,769
Real estate	1,193
Total mutual funds - equities	<u>11,359,091</u>
Mutual funds - fixed income:	
High yield municipal bond	2,868,987
Treasury notes	944,145
Ultrashort bond	498,500
Emerging markets bond	1,840
Intermediate-term bond	1,472,277
Multi-sector bond	463,349
Long-term bond	267,210
World bond	2,985
Nontraditional bond	2,140,893
Corporate bonds	2,520,289
Bank loan	3,935
Total mutual funds - fixed income	<u>11,184,410</u>
Total investments, at fair value	<u>\$ 34,263,356</u>
Total investments, at historical cost	<u>\$ 32,557,040</u>

Northern Indiana Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE F - RISKS AND UNCERTAINTIES

The Foundation holds a variety of investments (Note E). 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.

NOTE G - 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.

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.

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Note receivable	\$ 5,000		\$ 5,000	
Trust receivable, net of discount	\$ 1,007,708		\$ 1,007,708	
Beneficial interest in charitable remainder trust	\$ 160,263		\$ 160,263	
Investments	\$ 34,377,914	\$ 34,263,356	\$ 114,558	
Liabilities:				
Charitable gift annuities	\$ 35,404		\$ 35,404	
Charitable remainder trust	\$ 114,558		\$ 114,558	

Northern Indiana Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE G - FAIR VALUE MEASUREMENTS - Continued

Fair values for beneficial interest in charitable remainder trust and investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value for the trust receivable is determined by calculating the present value of the scheduled receivable payments using a discount rate of 3.2 percent. Fair value for the beneficial interest in charitable remainder trust is determined by calculating the present value of the annuity using published life expectancy tables with a discount rate of 3.2 percent. Fair value for the charitable gift annuities is determined by calculating the present value of future payments to beneficiaries using published life expectancy tables with a discount rate of 3.2 percent.

NOTE H - OPERATING LEASES

The Foundation leases operating facilities and equipment under operating lease arrangements. These leases expire at various dates through 2022. Lease expense for these leases included in the statement of activities for the year ended December 31, 2018 was \$31,689.

Future minimum lease payments required under the operating leases that have remaining terms in excess of one year as of December 31, 2018 are as follows:

2019	\$	6,959
2020		2,809
2021		2,809
2022		1,170
2023		-0-
		<u>13,747</u>
	\$	<u>13,747</u>

NOTE I - ENDOWMENTS

At December 31, 2018, the Foundation's endowment consists of 462 donor-restricted endowment funds established to support designated charitable purposes and organizations. 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 Board of Directors of the Foundation has interpreted the Indiana Prudent Management of Institutional Funds Act (UPMIFA) as requiring the maintenance of the historic dollar value for each endowed fund as defined previously by the Uniform Management of Institutional Funds Act.

As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as net assets with donor restrictions until those funds are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

Northern Indiana Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE I - ENDOWMENTS - Continued

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 asset composition by type of fund as of December 31, 2018 was as follows:

	<u>With Donor Restrictions</u>
Donor-restricted endowment funds:	
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 30,234,182
Accumulated investment gains	<u>3,809,554</u>
	<u>\$ 34,043,736</u>

Changes in endowment net assets for the year ended December 31, 2018, were as follows:

	<u>With Donor Restrictions</u>
Revenue and support	
Contributions	\$ 2,064,297
Investment loss, net	<u>(836,653)</u>
Total revenue and support	1,227,644
Appropriation of endowment assets for expenditure	<u>1,410,431</u>
Change in endowment net assets	(182,787)
Endowment net assets, beginning of year	<u>34,226,523</u>
Endowment net assets, end of year	<u>\$ 34,043,736</u>

The investment objective of this Portfolio is to preserve the purchasing power of assets entrusted to the Foundation. Investment return should equal 8% annualized gross returns and investments should equal a blended index comparable to the actual money managers' blend.

The Foundation has a policy (the spending policy) of appropriating for expenditure each year up to 5% of its endowment fund's average fair value over a three-year rolling average return and December 31 asset value. The payout cannot exceed actual investment results unless the accumulated surplus is sufficient to cover the excess payout.

Northern Indiana Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE I - ENDOWMENTS - Continued

Occasionally, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that UPMIFA requires the Foundation to retain as a fund of perpetual duration. As of December 31, 2018, 40 of the 462 endowment funds had deficiencies totaling \$260,856. Deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the board of directors.

NOTE J - TRUSTEE OF CHARITABLE REMAINDER UNITRUST

The Foundation was named trustee of the charitable remainder unitrust, with responsibilities to maintain assets, distribute quarterly payments to a beneficiary, and upon the death of the beneficiary, distribute the remainder of the trust to the other charitable organizations named in the trust. The Foundation accepted this responsibility, and in return, receives a quarterly administrative fee from the trust.

The fair value of the invested assets of the Trust was \$114,558 at December 31, 2018 and is classified on the Statement of Financial Position as an asset and corresponding liability.

NOTE K - SPLIT-INTEREST AGREEMENT

The Foundation's split-interest agreements consist of three charitable gift annuities. The assets received are recorded at their fair value. The fair market value of assets held for the charitable gift annuities totaled \$65,085 at December 31, 2018. These assets are included in the level 1 inputs in Note F. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of future payment obligations at December 31, 2018 was \$35,404. The liabilities were determined using a discount of 3.2%. Changes in fair value of the charitable gift annuities are reflected as changes in unrestricted net assets in the Statement of Activities. During the year ending December 31, 2018 there were no contributions to charitable gift annuities.

Gains or losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as increases or decreases in the value of the split-interest agreements in the Statement of Activities in their respective net asset classification.

NOTE L - EMPLOYEE BENEFITS

The Foundation has a Simplified Employee Pension Plan (SEP). The Foundation remits 5% of the base salary of each eligible employee on a monthly basis. An employee becomes eligible for the SEP upon completion of one year of employment. The employee must be twenty-one years of age and receive more than \$450 in wages annually. Employer contributions to the SEP during the year ended December 31, 2018 were \$18,609.

Northern Indiana Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE M - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2018:

Subject to expenditure for a specific purpose:	
Donor designated funds	\$ 1,030,358
Subject to the passage of time:	
Receivables, the proceeds from which have been restricted by donors for:	
Donor advised funds	1,007,708
Donor designated funds	1,018
Community funds	<u>5,000</u>
	1,013,726
Endowments:	
Subject to appropriation and expenditure when a specific event occurs:	
Restricted by donors for:	
Donor designated funds	375,191
Donor advised funds	251,844
Field of interest	62,509
Scholarship funds	483,095
Community funds	<u>40,126</u>
	1,212,765
Proceeds from gift annuity upon death of the annuitant	189,944
Subject to Foundation spending and appropriation:	
Donor designated funds	\$ 6,085,363
Donor advised funds	7,352,467
Field of interest	1,063,939
Scholarship funds	7,947,262
Operating funds	1,901,935
Community funds	8,243,363
Underwater endowments	<u>(260,856)</u>
	<u>32,333,473</u>
	<u>\$ 35,780,266</u>

Northern Indiana Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE N - NET ASSETS BY COUNTY

At December 31, 2018, net assets were allocated to individual counties and to Foundation operations as follows:

Fulton County	\$ 16,046,271
Miami County	7,606,168
Starke County	11,148,217
Foundation operations	<u>1,244,044</u>
	<u>\$ 36,044,700</u>

NOTE O - 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 year ended December 31, 2018:

Purpose restrictions accomplished:	
Donor designated funds	865,938
Donor advised funds	452,771
Field of interest	61,394
Operations	111,004
Scholarship funds	<u>524,214</u>
	2,015,321
Restricted-purpose spending-rate distributions and appropriations:	
Community funds	<u>408,861</u>
	<u>\$ 2,424,182</u>

NOTE P - LIQUIDITY

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

Cash and cash equivalents	\$ 156,147
---------------------------	------------

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 Statement 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.

Northern Indiana Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE Q - AGENCY FUNDS

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

During the year ended December 31, 2018, the following activity occurred in the agency funds held by the Foundation. These amounts are not reflected on the Statement of Activities.

Support and revenue			
Contributions and pledges	\$	79,990	
Investment loss, net		(124,652)	
		<u> </u>	\$ (44,662)
Expenses			
Grants expense		110,944	
Administrative fees		20,782	
		<u> </u>	<u>131,726</u>
Decrease in agency funds			(176,388)
Balance at beginning of year			<u>3,458,299</u>
Balance at end of year			<u><u>\$3,281,911</u></u>

NOTE R - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through April 17, 2019, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2018, have been incorporated into these financial statements herein.

NOTE S - CHANGE IN ACCOUNTING PRINCIPLE

During 2018, the Foundation adopted FASB ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. ASU 2016-14 has been implemented and adjustments have been made to the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented which decreased beginning of the year net assets without donor restrictions by \$11,162,521 and increased beginning of the year net assets with donor restrictions by \$11,162,521 resulting from reclassifications of underwater endowment funds and the treatment of operating and unrestricted endowment funds as required under ASU 2016-14.