

NORTHERN INDIANA COMMUNITY FOUNDATION, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

December 31, 2020

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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, 2020, and the related statements of activities, functional expenses, and cash flows 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, 2020, 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.

Emphasis of Matter

As discussed in Note T to the financial statements, the 2019 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Estep Burkey Simmons, LLC

Muncie, Indiana

April 21, 2021

Northern Indiana Community Foundation, Inc.

STATEMENT OF FINANCIAL POSITION

December 31, 2020

ASSETS

Cash and cash equivalents	\$ 3,487,026
Accounts receivable	739
Prepaid expenses	27,586
Trust receivable, net	151,230
Pledges receivable, net	3,253,183
Beneficial interest in charitable remainder trust	168,979
Investments	49,660,517
Investment - charitable remainder trust	131,924
Property and equipment	
Building and improvements	365,015
Land	26,910
Office and computer equipment	111,797
	<u>503,722</u>
Less accumulated depreciation	<u>123,054</u>
	<u>380,668</u>
	<u><u>\$ 57,261,852</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 9,639
Grants payable	7,140
Note payable	101,680
Charitable remainder trust liability	131,924
Charitable gift annuity	39,806
Agency funds	<u>3,818,573</u>
Total liabilities	4,108,762

NET ASSETS

Without donor restrictions	513,993
With donor restrictions	<u>52,639,097</u>
	<u>53,153,090</u>
	<u><u>\$ 57,261,852</u></u>

The accompanying notes are an integral part of this statement.

Northern Indiana Community Foundation, Inc.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating revenue and support			
Contributions	\$ 30,460	\$ 6,004,457	\$ 6,034,917
Investment return, net	95	4,880,024	4,880,119
Administrative fees	719,158		719,158
Amortization of discount on receivables		126,845	126,845
Change in value of split-interest agreements		(7,711)	(7,711)
Loss on disposal	(34,440)		(34,440)
Miscellaneous income	23		23
	<hr/>	<hr/>	<hr/>
Total operating revenue and support	715,296	11,003,615	11,718,911
Net assets released from restrictions:			
Satisfaction of purpose restrictions	894,460	(894,460)	
Pursuant to spending policy	2,437,218	(2,437,218)	
Operating expenses			
Program services	2,701,075		2,701,075
Supporting services:			
Management and general	877,551		877,551
Fundraising expenses	305,987		305,987
	<hr/>	<hr/>	<hr/>
	3,884,613		3,884,613
	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	162,361	7,671,937	7,834,298
Net assets at beginning of year			
As previously stated	351,632	41,864,515	42,216,147
Prior period adjustment		3,102,645	3,102,645
	<hr/>	<hr/>	<hr/>
As restated	351,632	44,967,160	45,318,792
	<hr/>	<hr/>	<hr/>
Net assets at end of year	<u>\$ 513,993</u>	<u>\$ 52,639,097</u>	<u>\$ 53,153,090</u>

The accompanying notes are an integral part of this statement.

Northern Indiana Community Foundation, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2020

	<u>Grant- making</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 154,797	\$ 114,992	\$ 172,488	\$ 442,277
Payroll taxes	11,956	8,881	13,321	34,158
Employee benefits	20,073	14,912	22,367	57,352
Conferences and meetings	7,436	5,523	8,285	21,244
Grants	2,005,248			2,005,248
Program expenses	450,073			450,073
Postage	1,537	1,141	1,712	4,390
Administrative fees		687,797		687,797
Dues and subscriptions	2,490	1,850	2,774	7,114
Office supplies	10,332	7,675	11,513	29,520
Legal and accounting	11,494	8,538	12,808	32,840
Occupancy	5,781	4,294	6,441	16,516
Telephone	3,731	2,771	4,157	10,659
Insurance expense	2,891	2,148	3,221	8,260
Fundraising			32,151	32,151
Interest expense		7,196		7,196
Equipment lease	1,543	1,146	1,719	4,408
Depreciation	11,693	8,687	13,030	33,410
	<u>\$ 2,701,075</u>	<u>\$ 877,551</u>	<u>\$ 305,987</u>	<u>\$ 3,884,613</u>

The accompanying notes are an integral part of this statement.

Northern Indiana Community Foundation, Inc.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2020

Cash flows from operating activities:	
Increase in net assets	\$ 7,834,298
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	33,410
Amortization of discount on trust receivable	(126,845)
Realized and unrealized gains	(3,442,257)
Contributions to funds held in perpetuity	(3,206,340)
Non-cash stock contributions	(3,416,137)
Beneficial interest in charitable remainder trust	1,923
Loss on disposal	34,440
(Increase) decrease in assets:	
Accounts receivable	(89)
Pledges receivable	(34,856)
Note receivable	2,500
Prepaid expenses	(2,406)
Increase (decrease) in liabilities:	
Accounts payable	3,084
Grants payable	5,397
Deferred revenue	(200,141)
Charitable remainder trust liability	3,927
Charitable gift annuity	1,976
Agency funds	66,815
Net cash used in operating activities	<u>(2,441,301)</u>
Cash flows from investing activities:	
Purchases of property and equipment	(42,839)
Payments on trust receivable	304,625
Proceeds from the sales of investments	37,956,552
Maturity of certificates of deposit	450,000
Purchase of investments	(38,804,774)
Net cash used in investing activities	<u>(136,436)</u>
Cash flows from financing activities:	
Proceeds from note payable	101,680
Cash received from contributors for funds held in perpetuity	3,206,340
Net cash provided by financing activities	<u>3,308,020</u>
Net increase in cash and cash equivalents	730,283
Cash and cash equivalents at beginning of year	<u>2,756,743</u>
Cash and cash equivalents at end of year	<u><u>\$ 3,487,026</u></u>
<u>Supplemental Disclosure</u>	
Non-cash contributions	\$ 3,416,137

The accompanying notes are an integral part of this statement.

Northern Indiana Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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, 2020

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, 2020, the Foundation exceeded the insured limit by \$1,522,313.

9. Contributed Services

During the year ended December 31, 2020, 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 \$750,000 towards the matching requirement and recorded \$1,500,000 as contribution revenue from the matching gift. The Foundation completed the matching gift portion of GIFT VII during the year ended December 31, 2020.

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 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.

Northern Indiana Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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 - 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 use. Based on the donor's life expectancy and a 2.0% discount rate, the present value of future benefits expected to be received by the Foundation was estimated to be \$168,979 at December 31, 2020, 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, 2020 was \$1,923 and is reflected in the Statement of Activities.

NOTE C - TRUST RECEIVABLE

During 2014, a donor established a trust with a local bank naming the Foundation as a beneficiary of the 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 \$151,230 at December 31, 2020.

2021	\$ 152,313
2022	-0-
2023	-0-
2024	-0-
2025	-0-
	<hr/>
	152,313
Allowance for uncollectible payments	<hr/> 1,083
	<hr/>
	\$ 151,230
	<hr/> <hr/>

NOTE D - 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, 2020 were \$20,305.

Northern Indiana Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE E - PLEDGES RECEIVABLE

Pledges receivable have been adjusted to reflect the net present value of the future cash flows and an allowance for uncollectible pledges. Pledges receivable at December 31, 2020 were \$3,253,183.

	2021	\$ 35,380
	2022	-0-
	2023	-0-
	2024	-0-
	2025 and later	<u>4,500,000</u>
		4,535,380
	Present value discount	1,237,197
	Allowance for uncollectible pledges	<u>45,000</u>
		<u>\$ 3,253,183</u>

NOTE F - RISKS AND UNCERTAINTIES

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

NOTE G - OPERATING LEASES

The Foundation leases operating facilities and equipment under operating lease arrangements. These leases expire at various dates through 2024. Lease expense for these leases included in the statement of activities for the year ended December 31, 2020 was \$12,677.

Future minimum lease payments required under the operating leases that have remaining terms in excess of one year as of December 31, 2020 are as follows:

	2021	\$ 8,209
	2022	6,570
	2023	5,400
	2024	1,350
	2025	<u>-</u>
		<u>\$ 21,529</u>

Northern Indiana Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE H - INVESTMENTS

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

	<u>Fair Value</u>
Common stocks	\$ 18,778,914
Preferred stocks	1,352,170
Mutual funds - equities:	
Large growth	2,513,023
Foreign small/mid value	718,193
Foreign large value	2,093,149
Foreign large blend	4,836
Foreign large growth	725,018
Diversified emerging markets	729,235
Large blend	1,807,260
Small blend	4,390
World large stock	5,353,246
Small value	682,368
Large value	1,803,986
Moderate allocation	3,744
Europe stock	723,197
Pacific/Asia ex-Japan stock	717,226
Commodities broad basket	943
Real estate	1,189
Miscellaneous sector	855
Total mutual funds - equities	<u>17,881,858</u>
Mutual funds - fixed income:	
High yield municipal bond	3,187,967
High yield bond	1,807
Short government	2,061
Emerging markets bond	1,899
Intermediate-term bond	2,307,576
Multi-sector bond	758,514
World bond	5,346
Nontraditional bond	3,053,292
Corporate bonds	2,329,113
Total mutual funds - fixed income	<u>11,647,575</u>
Total investments, at fair value	<u>\$ 49,660,517</u>
Total investments, at historical cost	<u>\$ 39,668,573</u>

Northern Indiana Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE I - 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:				
Pledges receivable, net	\$ 3,253,183		\$ 3,253,183	
Beneficial interest in charitable remainder trust	\$ 168,979		\$ 168,979	
Investments - charitable remainder trust	\$ 131,924		\$ 131,924	
Investments				
Common stocks	\$ 18,778,914	\$ 18,778,914		
Preferred stocks	\$ 1,352,170	\$ 1,352,170		
Mutual funds - equities	\$ 17,881,858	\$ 17,881,858		
Mutual funds - fixed income	\$ 11,647,575	\$ 11,647,575		
Liabilities:				
Charitable gift annuities	\$ 39,806		\$ 39,806	
Charitable remainder trust	\$ 131,924		\$ 131,924	

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 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 0.6 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 0.6 percent. Fair value for the pledges receivable is determined by calculating the present value of the scheduled receivable payments using a discount rate of 3.0 percent.

Northern Indiana Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE J - ENDOWMENTS

At December 31, 2020, the Foundation's endowment consists of 529 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.

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

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

Endowment net asset composition by type of fund as of December 31, 2020 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	\$ 39,570,895
Accumulated investment gains	<u>11,600,643</u>
	<u>\$ 51,171,538</u>

Northern Indiana Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE J - ENDOWMENTS - Continued

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

	<u>With Donor Restrictions</u>
Revenue and support	
Contributions	\$ 5,268,554
Amortization of discount on receivables	126,845
Investment return, net	<u>4,758,544</u>
Total revenue and support	10,153,943
Appropriation of endowment assets for expenditure	<u>2,437,218</u>
Change in endowment net assets	7,716,725
Endowment net assets, beginning of year	<u>43,454,813</u>
Endowment net assets, end of year	<u>\$ 51,171,538</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.

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, 2020, 3 of the 529 endowment funds had deficiencies totaling \$40,418. 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 K - 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 \$131,924 at December 31, 2020 and is classified on the Statement of Financial Position as an asset and corresponding liability.

Northern Indiana Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE L - 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 value of assets held for the charitable gift annuities totaled \$72,232 at December 31, 2020. These assets are included in the level 1 inputs in Note I. 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, 2020 was \$39,806. The liabilities were determined using a discount of 2.0%. 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, 2020 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 M - NOTE PAYABLE

The note payable with Fund-Ex Solutions Group represents net borrowings under a commercial promissory note. The interest rate at December 31, 2020 was 1.00%. The note matures on April 15, 2022 and is unsecured. The balance of this note was \$101,680 for the year ended December 31, 2020.

The promissory note was obtained as part of the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020. Funds from the promissory note may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The Foundation has used the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the promissory note may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Foundation expects to have the full amount of the loan forgiven during the year ended December 31, 2021.

NOTE N - NET ASSETS BY COUNTY

At December 31, 2020, net assets were allocated to individual counties and to Foundation operations as follows:

Fulton County	\$ 23,995,481
Miami County	14,610,351
Starke County	14,033,265
Foundation operations	<u>513,993</u>
	<u>\$ 53,153,090</u>

Northern Indiana Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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, 2020:

Purpose restrictions accomplished:		
Donor designated	\$	894,460
Restricted-purpose spending-rate distributions and appropriations:		
Donor designated		615,105
Donor advised		608,691
Field of interest		52,225
Operations		31,195
Scholarships		564,204
Community grants		565,798
		<u>2,437,218</u>
	\$	<u>3,331,678</u>

NOTE P - AGENCY 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 year ended December 31, 2020, 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	\$	24,730
Investment return, net		<u>225,066</u>
		\$ 249,796
Expenses		
Grants expense		152,391
Administrative fees		<u>30,590</u>
		<u>182,981</u>
Increase in agency funds		66,815
Balance at beginning of year		<u>3,751,758</u>
Balance at end of year		<u><u>\$3,818,573</u></u>

Northern Indiana Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE Q - NET ASSETS WITH DONOR RESTRICTIONS

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

Subject to expenditure for a specific purpose:

Donor designated	\$ 1,466,706
Field of interest	473
Pledges receivable, the proceeds from which have been restricted for donor designated purposes	<u>380</u>
	1,467,559

Endowments:

Subject to appropriation and expenditure when
a specific event occurs:

Restricted by donors for:

Donor designated	438,600
Donor advised	804,007
Field of interest	89,368
Scholarships	525,635
Community grants	<u>19,484</u>
	1,877,094

Subject to the passage of time:

Receivables, the proceeds from which
have been restricted by donors for:

Donor advised funds	151,230
Donor designated funds	<u>3,253,183</u>
	3,404,413

Proceeds from gift annuity upon death of the
annuitant

201,405

Subject to Foundation spending and appropriation:

Donor designated	9,565,451
Donor advised	11,386,034
Field of interest	1,304,885
Scholarships	9,707,196
Operating	11,383,387
Community grants	2,382,091
Underwater endowments	<u>(40,418)</u>
	<u>45,688,626</u>
	<u>\$ 52,639,097</u>

Northern Indiana Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE R - LIQUIDITY

The Foundation has financial assets available within one year of the Statement of Financial Position date consisting the cash and cash equivalents in the amount of \$781,243.

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.

NOTE S - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through April 21, 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.

NOTE T - PRIOR PERIOD ADJUSTMENT

During 2020, the Foundation became aware of a pledge agreement that originated during 2015. The Foundation had not recorded the receivable at the time the pledge was established. The adjustment to record the pledge receivable and the present value discount on the receivable increased December 31, 2019 unrestricted net assets by \$3,102,645.