

NORTHERN INDIANA COMMUNITY FOUNDATION, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

December 31, 2021

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Independent Auditors' Report

Board of Directors
Northern Indiana Community Foundation, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Northern Indiana Community Foundation, Inc., which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Northern Indiana Community Foundation, Inc. as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Northern Indiana Community Foundation, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Northern Indiana Community Foundation, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Northern Indiana Community Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Northern Indiana Community Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Estep Burkey Simmons, LLC

Muncie, Indiana
April 20, 2022

Northern Indiana Community Foundation, Inc.

STATEMENT OF FINANCIAL POSITION

December 31, 2021

ASSETS

Cash and cash equivalents	\$ 2,843,400
Accounts receivable	657
Prepaid expenses	28,163
Pledges receivable, net	3,332,961
Beneficial interest in charitable annuity trust	59,970
Beneficial interest in charitable remainder trust	184,475
Investments	57,402,088
Investment - charitable remainder trust	140,164
Property and equipment	
Building and improvements	367,225
Land	26,910
Office and computer equipment	117,984
	<u>512,119</u>
Less accumulated depreciation	<u>113,897</u>
	<u>398,222</u>
	<u><u>\$ 64,390,100</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 10,905
Capital leases	17,254
Charitable remainder trust liability	140,164
Charitable gift annuity	35,321
Agency funds	4,534,863
	<u>4,738,507</u>

NET ASSETS

Without donor restrictions	924,897
With donor restrictions	58,726,696
	<u>59,651,593</u>
	<u><u>\$ 64,390,100</u></u>

The accompanying notes are an integral part of this statement.

Northern Indiana Community Foundation, Inc.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating revenue and support			
Contributions	\$ 237,566	\$ 1,581,655	\$ 1,819,221
Investment return, net	87	7,650,251	7,650,338
Administrative fees	922,007		922,007
Amortization of discount on receivables		116,241	116,241
Change in value of split-interest agreements		10,771	10,771
Forgiveness of PPP loan	101,680		101,680
Miscellaneous income	595		595
	<hr/>	<hr/>	<hr/>
Total operating revenue and support	1,261,935	9,358,918	10,620,853
Net assets released from restrictions:			
Satisfaction of purpose restrictions	293,532	(293,532)	
Pursuant to spending policy	2,977,787	(2,977,787)	
Operating expenses			
Program services	2,709,553		2,709,553
Supporting services:			
Management and general	1,063,836		1,063,836
Fundraising expenses	348,961		348,961
	<hr/>	<hr/>	<hr/>
	4,122,350		4,122,350
	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	410,904	6,087,599	6,498,503
Net assets at beginning of year	513,993	52,639,097	53,153,090
	<hr/>	<hr/>	<hr/>
Net assets at end of year	<u>\$ 924,897</u>	<u>\$ 58,726,696</u>	<u>\$ 59,651,593</u>

The accompanying notes are an integral part of this statement.

Northern Indiana Community Foundation, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2021

	<u>Grant- making</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 163,339	\$ 121,338	\$ 182,007	\$ 466,684
Payroll taxes	13,158	9,774	14,661	37,593
Employee benefits	24,308	18,056	27,084	69,448
Conferences and meetings	9,706	7,210	10,815	27,731
Grants	2,207,917			2,207,917
Program expenses	227,388			227,388
Postage	934	694	1,041	2,669
Administrative fees		852,742		852,742
Dues and subscriptions	2,316	1,720	2,580	6,616
Office supplies	4,265	3,168	4,752	12,185
Legal and accounting	13,066	9,706	14,559	37,331
Occupancy	4,881	3,626	5,439	13,946
Telephone	5,008	3,720	5,580	14,308
Insurance expense	3,353	2,491	3,737	9,581
Fundraising			43,374	43,374
Interest expense		4,452		4,452
Equipment leases and software	20,453	15,193	22,790	58,436
Miscellaneous		2,919		2,919
Depreciation	9,461	7,027	10,542	27,030
	<u>\$ 2,709,553</u>	<u>\$ 1,063,836</u>	<u>\$ 348,961</u>	<u>\$ 4,122,350</u>

The accompanying notes are an integral part of this statement.

Northern Indiana Community Foundation, Inc.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2021

Cash flows from operating activities:	
Increase in net assets	\$ 6,498,503
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	27,030
Amortization of discount on trust receivable	(116,241)
Realized and unrealized gains	(5,208,830)
Contributions to funds held in perpetuity	(1,372,399)
Non-cash contributions	(130,544)
Forgiveness of PPP loan	(101,680)
Beneficial interest in charitable annuity trust	(59,970)
Beneficial interest in charitable remainder trust	(15,496)
(Increase) decrease in assets:	
Accounts receivable	82
Pledges receivable	36,463
Prepaid expenses	(577)
Increase (decrease) in liabilities:	
Accounts payable	1,266
Grants payable	(7,140)
Charitable remainder trust liability	8,240
Charitable gift annuity	(4,485)
Agency funds	716,290
Net cash provided by operating activities	<u>270,512</u>
Cash flows from investing activities:	
Purchases of property and equipment	(25,106)
Payments on trust receivable	151,230
Proceeds from the sales of investments	13,420,380
Purchase of investments	(15,830,817)
Net cash used in investing activities	<u>(2,284,313)</u>
Cash flows from financing activities:	
Payments on capital leases	(2,224)
Cash received from contributors for funds held in perpetuity	1,372,399
Net cash provided by financing activities	<u>1,370,175</u>
Net decrease in cash and cash equivalents	(643,626)
Cash and cash equivalents at beginning of year	<u>3,487,026</u>
Cash and cash equivalents at end of year	<u>\$ 2,843,400</u>
<u>Supplemental Disclosure</u>	
Non-cash contributions	\$ 130,544

The accompanying notes are an integral part of this statement.

Northern Indiana Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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, 2021

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, 2021, the Foundation exceeded the insured limit by \$1,711,192.

9. Contributed Services

During the year ended December 31, 2021, 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. 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 2018, 2019, and 2020 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.

12. 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.

Northern Indiana Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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

13. 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 ANNUITY TRUST

During 2021, a donor established a trust with a local bank naming the Foundation as the remainder beneficiary of a charitable annuity trust. Under this type of charitable remainder trust, the donor is to receive distributions in the amount of \$76,583 annually until January 1, 2027. Upon the termination of the trust, the remaining assets in the trust pass to the Foundation for a donor restricted use. Based on the term of the trust and a 1.6% discount rate, the present value of future benefits expected to be received by the Foundation was estimated to be \$59,970 at December 31, 2021, 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, 2021 was \$(5,394) and is reflected in the Statement of Activities.

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 use. Based on the donor's life expectancy and a 1.6% discount rate, the present value of future benefits expected to be received by the Foundation was estimated to be \$184,475 at December 31, 2021, 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, 2021 was \$15,496 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 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. The trust receivable was paid in full during the year ending December 31, 2021.

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, 2021 were \$3,332,961.

	2022	\$	-0-
	2023		-0-
	2024		-0-
	2025		-0-
	2026 and later		4,500,000
			<u>4,500,000</u>
	Present value discount		1,122,039
	Allowance for uncollectible pledges		<u>45,000</u>
		\$	<u><u>3,332,961</u></u>

Northern Indiana Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE F - INVESTMENTS

Investments are stated at fair value as of December 31, 2021 and are summarized as follows.

	<u>Fair Value</u>
Common stocks	\$ 22,850,323
Preferred stocks	1,255,523
Mutual funds - equities:	
Large growth	2,862,115
Foreign small/mid value	803,040
Foreign large value	1,631,947
Foreign large blend	4,180
Foreign large growth	799,073
Diversified emerging markets	1,460,068
Large blend	3,055,894
Small blend	3,563
World large stock	5,759,189
Small value	772,682
Large value	2,214,004
Moderate allocation	4,232
Europe stock	833,934
Commodities broad basket	1,322
Real estate	2,900
Miscellaneous sector	786
Total mutual funds - equities	<u>20,208,929</u>
Mutual funds - fixed income:	
High yield municipal bond	3,233,777
High yield bond	1,740
Ultrashort bond	332,032
Emerging markets bond	1,712
Intermediate-term bond	2,572,841
Multi-sector bond	800,832
World bond	4,728
Nontraditional bond	3,363,682
Corporate bonds	2,775,969
Total mutual funds - fixed income	<u>13,087,313</u>
Total investments, at fair value	<u>\$ 57,402,088</u>
Total investments, at historical cost	<u>\$ 42,840,675</u>

Northern Indiana Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE G - RISKS AND UNCERTAINTIES

The Foundation holds a variety of investments (Note F). 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 H - 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 \$140,164 at December 31, 2021 and is classified on the Statement of Financial Position as an asset and corresponding liability.

NOTE I - 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 \$73,247 at December 31, 2021. These assets are included in the level 1 inputs in Note L. 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, 2021 was \$35,321. The liabilities were determined using a discount of 1.6%. 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, 2021 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 J - NOTE PAYABLE

The note payable with Fund-Ex Solutions Group represented net borrowings under a commercial promissory note. The interest rate at December 31, 2020 was 1.00%. The note was forgiven on March 1, 2021.

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.

Northern Indiana Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE K - CAPITAL LEASES

Property held under capital lease, included with owned property on the Statement of Financial Position at December 31, 2021, consists of the following.

Classification: Equipment	
Copy machines	\$ 19,478
Less accumulated depreciation	<u>2,026</u>
Equipment under capital lease, net	<u><u>\$ 17,452</u></u>

The Foundation has leased office equipment under agreements which have been classified as capital leases. The leases are non-cancelable and expire through December 2026. The future minimum lease payments under the capital lease and the net present value of the future minimum lease payments at December 31, 2021, are as follows.

Year ending December 31, 2022	\$ 4,050
2023	4,200
2024	4,200
2025	4,200
2026	<u>1,800</u>
Total minimum lease payments	18,450
Amount representing interest	<u>1,196</u>
Present value of minimum lease payments	<u><u>\$ 17,254</u></u>

NOTE L - 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.

Northern Indiana Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE L - FAIR VALUE MEASUREMENTS - Continued

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Beneficial interest in charitable annuity trust	\$ 59,970		\$ 59,970	
Beneficial interest in charitable remainder trust	\$ 184,475		\$ 184,475	
Investments - charitable remainder trust	\$ 140,164		\$ 140,164	
Investments				
Common stocks	\$ 22,850,323	\$ 22,850,323		
Preferred stocks	\$ 1,255,523	\$ 1,255,523		
Mutual funds - equities	\$ 20,208,929	\$ 20,208,929		
Mutual funds - fixed income	\$ 13,087,313	\$ 13,087,313		
Liabilities:				
Charitable gift annuities	\$ 35,321		\$ 35,321	
Charitable remainder trust	\$ 140,164		\$ 140,164	

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 annuity trust is determined by calculating the present value of the annuity using published life expectancy tables with a discount rate of 1.6 percent. Fair value for the beneficial interest in charitable remainder trust is determined by calculating the present value of the trust using published life expectancy tables with a discount rate of 1.6 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 1.6 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.

NOTE M - ENDOWMENTS

At December 31, 2021, the Foundation's endowment consists of 538 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.

Northern Indiana Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE M - ENDOWMENTS - Continued

The Board of Directors of the Foundation has interpreted the Indiana Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2021, 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, 2021 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	\$ 40,943,294
Accumulated investment gains	<u>15,772,884</u>
	<u>\$ 56,716,178</u>

Changes in endowment net assets for the year ended December 31, 2021, were as follows:

	<u>With Donor Restrictions</u>
Revenue and support	
Contributions	\$ 1,438,301
Amortization of discount on receivables	116,241
Investment return, net	<u>6,967,885</u>
Total revenue and support	8,522,427
Appropriation of endowment assets for expenditure	<u>2,977,787</u>
Change in endowment net assets	5,544,640
Endowment net assets, beginning of year	<u>51,171,538</u>
Endowment net assets, end of year	<u>\$ 56,716,178</u>

Northern Indiana Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE M - ENDOWMENTS - Continued

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, 2021, 1 of the 542 endowment funds had deficiencies totaling \$493. 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 N - NET ASSETS BY COUNTY

At December 31, 2021, net assets were allocated to individual counties and to Foundation operations as follows:

Fulton County	\$ 25,538,140
Miami County	16,330,072
Starke County	15,184,679
Foundation operations	<u>2,598,702</u>
	<u>\$ 59,651,593</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, 2021:

Purpose restrictions accomplished:	
Donor designated	\$ 293,532
Restricted-purpose spending-rate distributions and appropriations:	
Donor designated	412,578
Donor advised	1,116,619
Field of interest	57,682
Operations	140,196
Scholarships	571,536
Community grants	<u>679,176</u>
	<u>2,977,787</u>
	<u>\$ 3,271,319</u>

Northern Indiana Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE P - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2021:

Subject to expenditure for a specific purpose:	
Donor designated	\$ 2,010,094
Field of interest	<u>424</u>
	2,010,518
Endowments:	
Subject to appropriation and expenditure when a specific event occurs:	
Restricted by donors for:	
Donor designated	346,941
Donor advised	448,419
Field of interest	123,629
Scholarships	530,477
Community grants	<u>11,635</u>
	1,461,101
Subject to the passage of time:	
Receivables, the proceeds from which have been restricted by donors for:	
Donor designated funds	<u>3,332,961</u>
	3,332,961
Proceeds from gift annuity upon death of the annuitant	37,926
Subject to Foundation spending and appropriation:	
Donor designated	9,358,559
Donor advised	14,733,290
Field of interest	1,490,751
Scholarships	10,877,186
Operating	2,616,558
Community grants	12,808,339
Underwater endowments	<u>(493)</u>
	<u>51,884,190</u>
	<u>\$ 58,726,696</u>

NOTE Q - 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, 2021 were \$19,849.

Northern Indiana Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

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NOTE R - 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, 2021, 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	\$ 65,567	
Investment return, net	<u>884,321</u>	\$ 949,888
Expenses		
Grants expense	165,012	
Administrative fees	<u>68,586</u>	<u>233,598</u>
Increase in agency funds		716,290
Balance at beginning of year		<u>3,818,573</u>
Balance at end of year		<u><u>\$4,534,863</u></u>

NOTE S - 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, 2021 was \$10,642.

Future minimum lease payments required under the operating leases that have remaining terms in excess of one year as of December 31, 2021 are as follows:

2022	\$ 6,570
2023	5,400
2024	1,350
2025	-
2026	-
	<u>\$ 13,320</u>

NOTE T - 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 \$525,969.

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, 2021

NOTE U - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through April 20, 2022, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2021, have been incorporated into these financial statements herein.