Community Foundation of Morgan County, Inc.

Financial Statements

December 31, 2020 and 2019

Community Foundation of Morgan County, Inc.

Contents

INDEPENDENT AUDITORS' REPORT

Board of Directors
Community Foundation of
Morgan County, Inc.
Martinsville, Indiana

We have audited the accompanying financial statements of Community Foundation of Morgan County, Inc. (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Foundation of Morgan County, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Cox, Beckman, Goss & Company

Indianapolis, Indiana
August 19, 2021

Community Foundation of Morgan County, Inc.

Statements of Financial Position

December 31,		2020		2019
ASSETS				
Current assets:				
Cash and cash equivalents	$	2,016,021	$	2,111,354
Prepaid expenses		1,932		6,631
Total current assets		2,017,953		2,117,985
Investments, at fair value		8,406,588		7,462,772
Property and equipment:				
Building and building improvements		188,972		188,972
Furniture and equipment		84,859		83,032
		273,831		272,004
Less: accumulated depreciation		(112,553)		(92,685)
Net property and equipment		161,278		179,319
Other assets:				
Charitable trust		298,334		304,793
Total other assets		298,334		304,793
TOTAL ASSETS	$	10,884,153	$	10,064,869
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable, trade	$	-	$	770
Accrued payroll, taxes and benefits		5,162		30,050
Note payable, short-term		55,200		-
Total current liabilities		60,362		30,820
Other liabilities:				
Liability under charitable trust		298,334		304,793
Funds held for others		1,364,229		1,321,767
Total liabilities		1,722,925		1,657,380
Net assets:				
Net assets without donor restrictions		1,700,265		1,395,874
Net assets with donor restrictions		7,460,963		7,011,615
Total net assets		9,161,228		8,407,489
TOTAL LIABILITIES AND NET ASSETS	$	10,884,153	$	10,064,869

See summary of significant accounting policies
and notes to financial statements

Community Foundation of Morgan County, Inc.

Statements of Activities and Net Assets

Years ended December 31,	2020	2019
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues and other support:		
Contributions and grants	$ 289,855	$ 168,807
Investment return, net	194,590	196,726
Administrative fees	436,695	420,257
Special events income	-	2,180
Total revenues and other support without donor restrictions	921,140	787,970
Net assets released from restrictions	624,856	534,985
Total revenues and other support without donor restrictions and reclassifications	1,545,996	1,322,955
Operating expenses:		
Program services	893,883	764,088
Supporting services:		
General and administrative	247,058	240,158
Fundraising	100,664	90,742
Total operating expenses	1,241,605	1,094,988
Increase in net assets without donor restrictions	304,391	227,967
NET ASSETS WITH DONOR RESTRICTIONS		
Revenues and other support:		
Contributions and grants	427,645	1,012,341
Investment return, net	645,407	980,045
Special events income	1,152	-
Total revenues and other support with donor restrictions	1,074,204	1,992,386
Net assets released from restrictions	(624,856)	(534,985)
Increase in net assets with donor restrictions	449,348	1,457,401
Increase in net assets	753,739	1,685,368
Net assets, beginning of year	8,407,489	6,722,121
Net assets, end of year	$ 9,161,228	$ 8,407,489

See summary of significant accounting policies and notes to financial statements

Community Foundation of Morgan County, Inc.

Statements of Functional Expenses

Years ended December 31,	2020				2019			
Description	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Grants	$ 418,496	$ -	$ -	$ 418,496	$ 217,261	$ -	$ -	$ 217,261
Salaries and wages	134,968	106,047	80,338	321,353	127,568	100,232	75,933	303,733
Administrative fees	187,765	-	-	187,765	164,453	-	-	164,453
Pass-through programming	127,418	-	-	127,418	201,166	-	-	201,166
Professional development	-	28,032	-	28,032	-	8,004	-	8,004
Payroll taxes	11,092	8,715	6,602	26,409	9,477	7,446	5,641	22,564
Equipment rental and maintenance	-	20,611	-	20,611	-	22,539	-	22,539
Professional fees	-	20,388	-	20,388	-	18,974	-	18,974
Depreciation	-	19,868	-	19,868	-	14,899	-	14,899
Employee benefits	7,931	6,232	4,721	18,884	6,272	4,928	3,734	14,934
Occupancy	-	9,631	-	9,631	-	20,566	-	20,566
Insurance	-	9,354	-	9,354	-	9,223	-	9,223
Donor development	-	-	9,003	9,003	-	-	3,618	3,618
Office supplies	-	5,873	-	5,873	-	5,981	-	5,981
Advertising	4,845	-	-	4,845	30,603	-	-	30,603
Travel and entertainment	-	4,337	-	4,337	-	10,638	-	10,638
Telephone	-	2,621	-	2,621	-	3,037	-	3,037
Printing and postage	-	2,114	-	2,114	-	4,987	-	4,987
Service charges	-	1,756	-	1,756	-	799	-	799
Dues and subscriptions	-	1,390	-	1,390	-	1,305	-	1,305
Events	1,368	-	-	1,368	7,012	-	-	7,012
Miscellaneous	-	89	-	89	276	-	-	276
Loss on disposal of property and equipment	-	-	-	-	-	6,600	-	6,600
Fundraising	-	-	-	-	-	-	1,816	1,816
	$ 893,883	$ 247,058	$ 100,664	$ 1,241,605	$ 764,088	$ 240,158	$ 90,742	$ 1,094,988

See summary of significant accounting policies and notes to financial statements

Community Foundation of Morgan County, Inc.

Statements of Cash Flows

Years ended December 31,	2020	2019
Cash Flows from operating activities:		
Increase in net assets	$ 753,739	$ 1,685,368
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Realized and unrealized gains on investments	(731,235)	(1,051,930)
Loss on disposal of property and equipment	-	6,600
Depreciation	19,868	14,899
Contributions restricted to endowment funds	(150,000)	(80,899)
(Increase) decrease in operating assets:		
Prepaid expenses	4,699	(3,109)
Increase (decrease) in operating liabilities:		
Accounts payable, trade	(770)	(1,078)
Accrued payroll, taxes and benefits	(24,888)	7,844
Funds held for others, net	42,462	201,793
Net cash provided by (used in) operating activities	(86,125)	779,488
Cash flows from investing activities:		
Proceeds from sale of investments	413,276	573,425
Purchase of investments	(625,857)	(1,019,980)
Capital expenditures	(1,827)	(24,844)
Net cash used in investing activities	(214,408)	(471,399)
Cash flows from financing activities:		
Proceeds from note payable, short-term	55,200	-
Contributions restricted to endowment funds	150,000	80,899
Net cash provided by financing activities	205,200	80,899
Net increase (decrease) in cash and cash equivalents	(95,333)	388,988
Cash and cash equivalents, beginning of year	2,111,354	1,722,366
Cash and cash equivalents, end of year	$ 2,016,021	$ 2,111,354
Supplemental information:		
Interest paid	$ -	$ -

See summary of significant accounting policies and notes to financial statements

Nature of activities

The Community Foundation of Morgan County, Inc. (the "Foundation") is a not-for-profit organization. The Foundation was established primarily to serve Morgan County by managing and distributing charitable contributions, supporting qualified not-for-profit organizations, and providing philanthropic leadership to improve the quality of life in the county.

Basis of accounting

The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of presentation

The Foundation's activities are reported in the following functional expense categories: program services are expenses principally related to the Foundation's programs described above and supporting services including fundraising and general and administrative expenses which consist of all other non-program expenses. Expenses that are common to these categories are periodically allocated based upon management's estimate. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification.

The net assets and revenues, expenses, and gains and losses of the Foundation 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, net assets of the Foundation and changes therein are classified and reported as follows:

> Net Assets without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations. The Foundation's Board of Directors makes voluntary restrictions on net assets without donor restrictions as considered necessary. The designated net assets set aside by the Board of Directors are included in net assets without donor restrictions. See Note 5.
>
> 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 are subject to donor-imposed restrictions. Included in this classification are endowment funds that are subject to the restrictions of gift instruments requiring that the principal be maintained in perpetuity and invested for the purpose of producing present and future income. In accordance with the Foundation's spending policy, the historic gift value of those funds that specifically request that the principal shall not be invaded are classified as net assets with donor restrictions.

Cash and cash equivalents

For the purposes of the statements of financial position and cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments, at fair value

Investments in marketable securities with readily determinable fair values, including debt and equity securities, are reported at their fair values in the statements of financial position. 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.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the dividend date. Unrealized gains and losses are included in the change in net assets in the period in which such changes occur. Investment income and gains restricted by a donor are reported as increases in net assets with donor restrictions until the restrictions are met (either by passage of time or by use) or are based on the related fund appropriations for expenditures in accordance with the Foundation's spending policy.

Property and equipment

Property and equipment with a purchase price of $1,000 or greater is capitalized at cost or, if donated, at the approximate fair value at the date of donation. Such donations are reported as support without donor restrictions unless the donor has explicit time or use restrictions. Major expenses incurred which substantially increase the useful lives of the existing assets are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. The Foundation depreciates property and equipment using the straight-line method over the following estimated useful lives:

Description	Life
Building and building improvements	5-39
Furniture and equipment	3-5

Depreciation expense totaled $19,868 and $14,899 for the years ended December 31, 2020 and 2019, respectively.

Use of 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 effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Estimates are used by the Foundation when accounting for depreciation, accrued expenses, and allocation of functional expenses.

Income taxes

The Foundation is a not-for-profit organization under the laws of the State of Indiana and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Revenue recognition

The Foundation receives grants and contributions from various not-for-profit organizations, corporate, and individual sources that are recognized as revenue when they are received or unconditionally pledged. The Foundation reports grants and contributions as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, or amounts have been allocated for expenditure by the Board of Directors, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue for administrative fees are recognized as income as the related services are provided according to the terms of the administrative fee arrangement with the Kendrick Foundation (See Note 7) and the various management fee arrangements with individual funds held by the Organization. At December 31, 2020 and 2019, there are no amounts receivable related to administrative fee income. The Foundation does not have any significant financing components as payment is received at or shortly after the delivery of products and services.

The Foundation recognizes administrative fees for financial reporting purposes at points in time throughout the respective administrative fee agreements as performance obligations are achieved; typically quarterly or as funds are deposited, as governed by the specific agreements. Administrative fees are recorded in amounts that reflect the consideration the Foundation expects to be entitled to in exchange for those services.

The Foundation pays incremental costs upon the signing of contracts. Because the amount of incremental costs expected to occur is not considered significant, the Foundation charges incremental costs to expense as incurred.

Administrative fees

Administrative fees from endowed funds are expensed from the funds to support the operations of the Foundation. Administrative fees from all funds are reflected as revenue on the statements of activities and net assets. The administrative fees from funds held from others are not included as expenses on the statements of activities and net assets since they are included in the change in funds held for others.

Advertising costs

The Foundation incurs advertising costs in the normal course of business, which are expensed as incurred. Advertising costs incurred totaled $4,845 and $30,603 during the years ended December 31, 2020 and 2019, respectively.

Funds held for others

The Foundation receives contributions from other not-for-profit organizations in which the donor organization specifies itself as the beneficiary of the fund. In such instances, the Foundation records the contributed assets and any accumulated investments earnings as a liability in the statements of financial position.

Going concern

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

Accounting for uncertainty in income taxes

The Foundation is subject to audit by federal, state or local authorities in the area of income taxes. Along with a federal tax filing, the Foundation files in the State of Indiana. The Foundation's federal and state income tax returns for 2017 through 2020 are subject to examination by the applicable tax authorities, generally for three years after the later of the original or extended due date. These audits could include questioning the Foundation's tax-exempt status and compliance with federal, state, and local tax laws. Management is not aware of any tax positions that are more likely than not to change in the next twelve months or that would not sustain an examination by applicable taxing authorities. Therefore, there is no effect recorded in these financial statements for assets or liabilities resulting from unrecognized tax benefits. The Foundation's policy is to recognize penalties and interest as incurred in the statements of activities and net assets, which totaled $0 for the years ended December 31, 2020 and 2019.

Note 1 – Charitable trust

The Foundation is the trustee and has been named the beneficiary of a charitable trust. The charitable trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (the designated beneficiaries' lifetimes). Upon termination of the trust, the Foundation will receive the entire amount remaining in the trust. However, the trust agreement specifies that the donors can change the beneficiary of the trust up until the death of both donors. Therefore, the Foundation records the fair value of the trust investments as an asset in the statements of financial position, but also recognizes a liability for the entire trust amount. Trust assets and corresponding liability totaled $298,334 and $304,793 at December 31, 2020 and 2019.

Note 2 - Investments, at fair value

Investments are stated at fair value and consist of fixed income debt securities, common stocks, and exchange-traded funds. Fair values and unrealized appreciation (depreciation) are summarized as follows:

December 31, 2020:	Cost	Fair Value	Unrealized Appreciation
Fixed income debt securities:			
U.S. Government	$ 154,487	$ 159,911	$ 5,424
State and municipal	109,364	116,972	7,608
Corporate mortgage/asset backed	2,041,673	2,148,451	106,778
Foreign obligations	102,478	107,195	4,717
Common stock:			
Industrials	232,721	413,275	180,554
Communications services	518,555	754,766	236,211
Consumer discretionary	383,775	624,107	240,332
Financial	811,396	1,041,468	230,072
Health care	247,912	268,359	20,447
Information technology	418,848	857,185	438,337
Exchange-traded funds:			
Developed markets	868,262	937,691	69,429
Emerging markets	488,453	551,711	63,258
Small-cap	285,179	425,497	140,318
Totals	$ 6,663,103	$ 8,406,588	$ 1,743,485

Note 2 - Investments, at fair value (continued)

December 31, 2019:	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Fixed income debt securities:			
U.S. Government	$ 105,268	$ 107,744	$ 2,476
State and municipal	108,228	112,556	4,328
Corporate mortgage/asset backed	1,906,467	1,950,646	44,179
Foreign obligations	103,591	105,677	2,086
Common stock:			
Industrials	232,721	335,829	103,108
Communications services	307,094	410,336	103,242
Consumer discretionary	383,775	551,783	168,008
Financial	808,190	1,001,488	193,298
Health care	296,130	308,863	12,733
Information technology	538,247	843,296	305,049
Exchange-traded funds:			
Developed markets	824,896	832,734	7,838
Emerging markets	488,453	489,615	1,162
Short-term bond	56,356	54,718	(1,638)
Small-cap	309,038	357,487	48,449
Totals	$ 6,468,454	$ 7,462,772	$ 994,318

The following schedule summarizes the investment return and its classification in the statements of activities and net assets for the years ended December 31, 2020 and 2019:

	2020	2019
Interest and dividend income	$ 168,876	$ 182,495
Realized and unrealized gains on investments	731,235	1,051,930
Investment fees	(60,114)	(57,654)
Investment return, net	$ 839,997	$ 1,176,771

Note 3 – Concentration of credit risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of temporary cash investments and investments in various securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the account balances.

The Foundation places its cash investments with high quality financial institutions and are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The bank accounts, at times, may exceed federally insured limits. At December 31, 2020 and 2019, there were cash and cash equivalents in the bank in excess of insured amounts and cash held in uninsured investment accounts of $1,682,561 and $1,780,379. The Foundation has not experienced any losses on such accounts.

Note 3 – Concentration of credit risk (continued)

During the year ended December 31, 2019, the Foundation was awarded a grant from Lilly Endowment, Inc. totaling $1,000,000 to encourage and assist in the raising of qualifying matching funds to the Foundation. The grant is restricted to match qualifying fund donations to the Foundation through September 30, 2021. There are no provisions for reversion to the granting agency if all funds are not matched. See Notes 8 and 9. During the years ended December 31, 2020 and 2019, this grant represented 0% and 85% of the total contributions and grants revenue of the Foundation, respectively.

The Foundation's operations have been affected by the ongoing outbreak of the Coronavirus Disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. As a result of the spread of the COVID-19 pandemic and related governmental responses, economic uncertainties have arisen which have impacted the Foundation. The ultimate disruption which may be caused by the outbreak, which is on-going, is uncertain; however, it may result in a material adverse impact on the Foundation's financial position, operations, and cash flows. Possible effects may include, but are not limited to, disruption to the Foundation's contributions and grants and investment return.

Note 4 – Fair value measurements

The Foundation's financial assets and liabilities are reported at fair value in the accompanying statements of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial assets or liabilities could result in a different fair value measurement at the reporting date.

The Foundation uses a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of inputs used to measure fair value are as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date. The fair values of common stocks and exchange-traded funds are based on quoted market prices which represent the last reported sales price for these instruments on the last business day at year end.

- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, similar assets and liabilities in markets that are not active or can be corroborated by observable market data. The fair value of fixed income debt securities, including U.S. Government securities, state and municipal securities, corporate mortgage/asset backed bonds, and foreign obligations, are valued using pricing models maximizing the use of observable inputs for similar securities. The fair value of the charitable trust is based on the closing price reported on the active market on which the individual securities are traded. The fair value of the liability under charitable trust is based on the reported value of the charitable trust, as the named beneficiary may be changed.

Note 4 – Fair value measurements (continued)

- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

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

The carrying amounts reflected in the statements of financial position for cash and cash equivalents approximates its respective fair value.

The following tables present information on these assets and liabilities as well as the fair value hierarchy used to determine their fair value:

	Level 1: Quoted Prices In Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Total Fair Value
December 31, 2020:			
Assets:			
Fixed income debt securities:			
U.S. Government	$ -	$ 159,911	$ 159,911
State and municipal	-	116,972	116,972
Corporate mortgage/asset backed	-	2,148,451	2,148,451
Foreign obligations	-	107,195	107,195
Common stock:			
Industrials	413,275	-	413,275
Communications services	754,766	-	754,766
Consumer discretionary	624,107	-	624,107
Financial	1,041,468	-	1,041,468
Health care	268,359	-	268,359
Information technology	857,185	-	857,185
Exchange-traded funds:			
Developed markets	937,691	-	937,691
Emerging markets	551,711	-	551,711
Small-cap	425,497	-	425,497
Charitable trust	-	298,334	298,334
Totals	$ 5,874,059	$ 2,830,863	$ 8,704,922
Liabilities:			
Liability under charitable trust	-	298,334	298,334
Totals	$ -	$ 298,334	$ 298,334

Note 4 – Fair value measurements (continued)

December 31, 2019:	Level 1: Quoted Prices In Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Total Fair Value
Assets:			
Fixed income debt securities:			
U.S. Government	$ -	$ 107,744	$ 107,744
State and municipal	-	112,556	112,556
Corporate mortgage/asset backed	-	1,950,646	1,950,646
Foreign obligations	-	105,677	105,677
Common stock:			
Industrials	335,829	-	335,829
Communications services	410,336	-	410,336
Consumer discretionary	551,783	-	551,783
Financial	1,001,488	-	1,001,488
Health care	308,863	-	308,863
Information technology	843,296	-	843,296
Exchange-traded funds:			
Developed markets	832,734	-	832,734
Emerging markets	489,615	-	489,615
Short-term bond	54,718	-	54,718
Small-cap	357,487	-	357,487
Charitable trust	-	304,793	304,793
Totals	$ 5,186,149	$ 2,581,416	$ 7,767,565
Liabilities:			
Liability under charitable trust	-	304,793	304,793
Totals	$ -	$ 304,793	$ 304,793

Note 5 – Board of Directors designations

At December 31, 2020 and 2019, the Foundation's Board of Directors has designated $1,331,593 and $1,039,811 from net assets without donor restrictions as an endowment for the Foundation and the Foundation's building. See Notes 8 and 10. These designated net assets are included in net assets without donor restrictions.

Note 6 – Funds held for others

Funds held for others represent funds placed on deposit with the Foundation by other organizations based on their individual board resolutions or the Foundation has entered into an agreement to serve as a fiscal agent for the organizations. The Foundation accounts for these transfers as a liability. Income is added to these funds periodically in accordance with the Foundation's investment allocation policies. Contributions, net investment return, and distributions to those organizations are reflected as adjustments to the liability account and are not reflected in the accompanying statements of activities and net assets.

The following is a progression of funds held for others during the years ended December 31, 2020 and 2019:

	2020	2019
Beginning balance	$ 1,321,767	$ 1,119,974
Contributions	149,981	447,591
Investment return, net	104,365	133,300
Administrative fees	(30,337)	(30,339)
Grants paid	(179,779)	(346,938)
Other program expenses	(1,768)	(1,821)
Ending balance	$ 1,364,229	$ 1,321,767

Note 7 – Administrative fees revenue

During the year ended December 31, 2019, the Foundation renewed the existing agreement with the Kendrick Foundation, Inc. to provide general administrative services in exchange for an annual administrative fee. The term of the contract is for a five-year period ending June 30, 2024. The agreement was subject to amendment for a one-year period after signing, and the base service fee was adjusted during the year ended December 31, 2020. During the years ended December 31, 2020 and 2019, the Foundation received $218,592 and $226,634 of administrative fees related to this agreement which represented 11% and 8% of the total revenues of the Foundation during the years ended December 31, 2020 and 2019, respectively.

The remaining fees to be earned on this agreement are as follows:

Year ending December 31:	
2021	$ 200,056
2022	201,598
2023	207,108
2024	104,952
Total	$ 713,714

Note 8 – Financial assets available

The following reflects the Foundation's financial assets as of the statements of financial position dates, reduced by amounts not available for general use because of restrictions within one year of the date of the statements of financial position. Amounts not available include amounts set aside for long-term investing in the Foundation's board-restricted endowment that could be drawn upon if the board of directors approves that action. However, amounts already appropriated from either the donor-restricted endowment funds or board-restricted endowment funds for general expenditure within one year of the balance sheet date and have not been reduced from available financial assets at year end. Financial assets available include the balance of cash and cash equivalents and investments at fair value in the accompanying statements of financial position.

	2020	2019
Financial assets, at year-end	$ 10,422,609	$ 9,574,126
Less: Financial assets unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions:		
Donor restricted for endowment funds	(5,020,221)	(4,870,221)
Donor restricted with purpose restrictions	(1,823,285)	(1,379,786)
Donor restricted with matching or time restrictions	(617,457)	(761,608)
Funds held for others	(1,364,229)	(1,321,767)
Board designated:		
Board restricted net assets	(1,331,593)	(1,039,811)
Financial assets available to meet cash needs for general expenditures within one year	$ 265,824	$ 200,933

The Foundation is supported by donor restricted contributions and grants and administrative fees on donor restricted endowment funds. Because a donor's restriction requires resources to be used in a particular manner or future period, the Foundation must maintain sufficient resources to meet responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year. As part of the Foundation's liquidity management, it has a policy to have financial assets available for general expenditures, liabilities, and other obligations that are due.

Note 9 – Net assets with donor restrictions

At December 31, 2020 and 2019, net assets with donor restrictions are restricted for the following purposes or periods:

	2020	2019
Historic gift value of funds that are restricted perpetually in nature	$ 5,020,221	$ 4,870,221
Funds restricted with matching or time restrictions	617,457	761,608
Purpose restricted and endowed funds not yet appropriated for expenditure	1,823,285	1,379,786
Total net assets with donor restrictions	$ 7,460,963	$ 7,011,615

Note 10 – Endowment

The majority of the Foundation's funds consist of endowed funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. The Foundation maintains variance power over all endowment funds (including those established by donors) as provided within all fund agreements. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the historic gift value as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies the following 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, (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 is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard procedure prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate the endowment funds:

a. The duration and preservation of the fund
b. The purposes of the Foundation and the endowment fund
c. General economic conditions
d. The possible effect of inflation and deflation
e. The expected total return from income and the appreciation of investments
f. Other resources of the Foundation
g. The investment policies of the Foundation

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for granting purposes while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must use for a donor-specified purpose as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce long-term growth of capital without undue exposure to risk.

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

Note 10 – Endowment (continued)

The Foundation has a policy of appropriating for distribution each year 4.5 percent of its endowment funds' average fair value over the prior 36 months, or a lesser percentage as voted upon annually by the Board of Directors. In establishing this policy, the Foundation considered the long-term expected return on its endowment.

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

	Without Donor Restrictions	With Donor Restrictions	Total
Year ended December 31, 2020:			
Endowment net assets, beginning of year	$ 1,039,811	$ 5,803,847	$ 6,843,658
Investment return, net	141,303	643,979	785,282
Contributions and grants	252,137	168,450	420,587
Appropriation of endowment assets for expenditures	(101,658)	(290,797)	(392,455)
Endowment net assets, end of year	$1,331,593	$ 6,325,479	$ 7,657,072
Year ended December 31, 2019:			
Endowment net assets, beginning of year	$ 786,994	$ 5,037,882	$ 5,824,876
Investment return, net	133,384	978,149	1,111,533
Contributions and grants	164,925	80,899	245,824
Appropriation of endowment assets for expenditures	(45,492)	(293,083)	(338,575)
Endowment net assets, end of year	$1,039,811	$ 5,803,847	$ 6,843,658

Note 11 – Underwater endowments

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the UPMIFA requires the Foundation to retain as a fund of perpetual duration. At December 31, 2020 deficiencies of this nature existed in 10 donor-restricted endowment funds, which together have an original gift value of $571,224, a current fair value of $474,788, and a deficiency of $96,436. At December 31, 2019 deficiencies of this nature existed in 10 donor-restricted endowment funds, which together have an original gift value of $472,604, a current fair value of $356,832, and a deficiency of $115,772. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that were deemed prudent by the Board of Directors.

The Foundation has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless precluded by donor intent or relevant laws and regulations.

Note 12 – Paycheck Protection Program Loan

On May 5, 2020, the Foundation received loan proceeds in the amount of $55,200 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying not-for-profit organizations for amounts up to 2.5 times the average monthly payroll expenses of the qualified organization. The loan and accrued interest, if any, are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1% per annum, with a deferral of payments for the first six months. The Foundation intends to use the proceeds for purposes consistent with the PPP. While the Foundation currently believes that its use of the loan proceeds will meet the conditions for the forgiveness of the loan, there is no guarantee that actions taken may not cause the Foundation to be ineligible for forgiveness of the loan, either in whole or in part. At December 31, 2021, the entire balance of the loan payable of $55,200 is included in note payable, short-term in the statements of financial position. See Note 13.

Note 13 – Subsequent events

The Foundation has evaluated subsequent events through August 19, 2021, which is the date these financial statements were available to be issued and has determined that the following subsequent event requires disclosure in the financial statements:

In April 2021, the bank determined that the use of the PPP loan proceeds for the $55,200 PPP loan included in the statement of financial position at December 31, 2020 met the conditions for forgiveness of the loan and the entire balance of the PPP loan was forgiven. See Note 12.

Note 14 – Change in accounting principle

During the year ended December 31, 2019, the Foundation adopted Financial Accounting Standards Board ("FASB") Accounting Standards Updates ("ASU"s) No. 2014-09 and ASU 2015-14, *Revenue from Contracts with Customers (Topic 606)*. The core principle of this new guidance is that "an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services". These standards deal with the timing of reporting revenues from contracts with customers and disclosures thereto, and have been retrospectively applied to the financial statements for the year ended December 31, 2018.

As part of the adoption of the ASUs, the Foundation elected the following transition practical expedients: (i) to reflect the aggregate of all contract modifications that occurred prior to the date of the initial application when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price; and (ii) to apply the standard only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients. Due to the nature of the Foundation's revenues, there were no changes to the amount of revenues or other financial statement amounts reported as of and for the year ended December 31, 2018.

Note 15 – Recently issued accounting standards

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which will require leases to be recorded as an asset on the statements of financial position for the right to use the leased asset and a liability for the corresponding lease obligation for leases with terms of more than twelve months. ASU 2016-02 is effective for non-profit organizations for the fiscal years beginning after December 15, 2021, with early adoption permitted.

The Foundation is currently evaluating the effect this ASU will have on its future financial statements, including related disclosures.