

HENDRICKS COUNTY COMMUNITY FOUNDATION, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

December 31, 2020 and 2019



Independent Auditors' Report

Board of Directors
Hendricks County Community Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Hendricks County Community Foundation, Inc., which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 Hendricks County Community Foundation, Inc. as of December 31, 2020 and 2019, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Estep Burkey Simmons, LLC

Muncie, Indiana
June 24, 2021

Hendricks County Community Foundation, Inc.

STATEMENTS OF FINANCIAL POSITION

December 31,

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 6,945,452	\$ 2,427,409
Accrued interest receivable	-	33,053
Prepaid expenses	3,427	3,339
Promissory note receivable	-	3,340,000
Pledges receivable	-	61,900
Annuity receivable	93,342	93,903
Investments	13,377,009	13,246,105
Cash surrender value of life insurance	81,430	81,450
Property and equipment, net	1,025	1,068
	<u>\$ 20,501,685</u>	<u>\$ 19,288,227</u>
LIABILITIES		
Accounts payable	\$ 51,558	\$ 19,222
Grants and scholarships payable	292,509	123,092
Accrued payroll	3,479	2,200
Deferred revenue	-	158,821
Annuity liability	93,342	93,903
Funds held as agency partner funds	427,410	411,223
	<u>868,298</u>	<u>808,461</u>
NET ASSETS		
Without donor restrictions	839,642	424,626
With donor restrictions	18,793,745	18,055,140
	<u>19,633,387</u>	<u>18,479,766</u>
	<u>\$ 20,501,685</u>	<u>\$ 19,288,227</u>

The accompanying notes are an integral part of these statements.

Hendricks County Community Foundation, Inc.

STATEMENTS OF ACTIVITIES

Years Ended December 31,

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating support and revenue:			
Contributions and pledges	\$ 298,738	\$ 1,216,631	\$ 1,515,369
Administrative fee income	312,989	-	312,989
Special events, net of \$0- in 2020 and \$14,616 in 2019 of expenses	-	9,485	9,485
Investment return, net of fees	19,390	1,754,838	1,774,228
Change in value of annuity	-	-	-
Total operating support and revenue	631,117	2,980,954	3,612,071
Net assets released from restrictions:			
Satisfaction of purpose restrictions	590,848	(590,848)	
Pursuant to spending policy	1,651,501	(1,651,501)	
Operating expenses:			
Program services			
Grants and scholarships	1,776,627		1,776,627
Other grantmaking expenses	84,271		84,271
Supporting services			
Management and general	217,088		217,088
Administrative fees	310,141		310,141
Fundraising and development	70,323		70,323
Total operating expenses	2,458,450		2,458,450
CHANGE IN NET ASSETS	415,016	738,605	1,153,621
Net assets at beginning of year	424,626	18,055,140	18,479,766
Net assets at end of year	\$ 839,642	\$ 18,793,745	\$ 19,633,387

The accompanying notes are an integral part of these statements.

2019		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 233,706	\$ 5,734,789	\$ 5,968,495
249,690	-	249,690
13,781	30,437	44,218
40,592	2,014,373	2,054,965
-	72,937	72,937
537,769	7,852,536	8,390,305
87,219	(87,219)	
1,722,922	(1,722,922)	
1,614,682		1,614,682
99,821		99,821
233,692		233,692
261,020		261,020
82,066		82,066
2,291,281		2,291,281
56,629	6,042,395	6,099,024
367,997	12,012,745	12,380,742
\$ 424,626	\$ 18,055,140	\$ 18,479,766

Hendricks County Community Foundation, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31,

	2020			
	Grant- making	Management and General	Fundraising	Total
Grants, scholarships and awards	\$ 1,776,627	\$ -	\$ -	\$ 1,776,627
Salaries and wages	61,098	120,014	37,095	218,207
Payroll taxes	5,148	10,112	3,125	18,385
Employee benefits	6,867	13,489	4,169	24,525
Depreciation	-	43	-	43
Occupancy	-	14,000	-	14,000
Equipment rental and maintenance	-	3,695	-	3,695
Meetings and conferences	1,310	2,572	795	4,677
Print materials	-	-	8,947	8,947
Professional fees	-	14,180	-	14,180
Staff education and development	-	-	-	-
Office expense	-	8,440	-	8,440
Insurance	-	7,872	-	7,872
Postage	758	758	379	1,895
Communications and technical support	8,417	16,534	5,110	30,061
Advertising and promotions	-	-	9,188	9,188
Donor development and networking	-	-	1,178	1,178
Special events	-	-	-	-
Administrative fees	-	310,141	-	310,141
Other expenses:				
Auto expense	673	673	337	1,683
Bank charges	-	2,092	-	2,092
Dues and subscriptions	-	2,614	-	2,614
Scholarship-related expenses	-	-	-	-
	<u>1,860,898</u>	<u>527,229</u>	<u>70,323</u>	<u>2,458,450</u>
Less: direct expenses of special events netted with revenues on the statement of activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,860,898</u>	<u>\$ 527,229</u>	<u>\$ 70,323</u>	<u>\$ 2,458,450</u>

The accompanying notes are an integral part of these statements.

2019			
Grant-making	Management and General	Fundraising	Total
\$ 1,614,682	\$ -	\$ -	\$ 1,614,682
57,268	112,490	34,770	204,528
5,129	10,074	3,114	18,317
10,082	19,803	6,121	36,006
-	1,669	-	1,669
-	15,300	-	15,300
-	3,212	-	3,212
1,325	2,602	804	4,731
-	-	21,233	21,233
-	13,075	-	13,075
-	2,018	-	2,018
-	9,703	-	9,703
-	6,597	-	6,597
758	758	379	1,895
14,897	29,262	9,045	53,204
-	-	3,224	3,224
-	-	2,628	2,628
2,923	-	11,693	14,616
-	261,020	-	261,020
1,497	1,497	748	3,742
-	2,825	-	2,825
-	2,807	-	2,807
8,865	-	-	8,865
1,717,426	494,712	93,759	2,305,897
(2,923)	-	(11,693)	(14,616)
<u>\$ 1,714,503</u>	<u>\$ 494,712</u>	<u>\$ 82,066</u>	<u>\$ 2,291,281</u>

Hendricks County Community Foundation, Inc.

STATEMENTS OF CASH FLOWS

Years Ended December 31,

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,153,621	\$ 6,099,024
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	43	1,669
Realized (gains) losses on investments	42,430	(417,084)
Unrealized gains on investments	(1,400,891)	(1,180,925)
Cash received from contributors for funds held in perpetuity	(225,478)	(5,662,288)
Non-cash contributions	-	(94,419)
(Increase) decrease in assets:		
Accrued interest receivable	33,053	(33,053)
Annuity receivable	561	(57,349)
Promissory note receivable	3,340,000	(3,340,000)
Prepaid expenses	(88)	694
Pledge receivable	61,900	(11,900)
Cash surrender value of life insurance	20	(4,218)
Increase (decrease) in operating liabilities:		
Accounts payable	32,336	10,883
Grants and scholarships payable	169,417	38,064
Accrued payroll	1,279	(8,641)
Deferred revenue	(158,821)	(772,092)
Charitable gift annuity liability	(561)	(15,589)
Funds held as agency partner funds	16,187	8,952
Net cash provided by (used in) operating activities	<u>3,065,008</u>	<u>(5,438,272)</u>
Cash flows from investing activities:		
Purchase of investments	(1,756,274)	(2,502,167)
Proceeds from sales of investments	2,983,831	3,034,824
Net cash provided by investing activities	<u>1,227,557</u>	<u>532,657</u>
Cash flows from financing activities:		
Cash received from contributors for funds held in perpetuity	225,478	5,662,288
Net cash provided by financing activities	<u>225,478</u>	<u>5,662,288</u>
Net increase in cash and cash equivalents	4,518,043	756,673
Cash and cash equivalents at beginning of year	<u>2,427,409</u>	<u>1,670,736</u>
Cash and cash equivalents at end of year	<u><u>\$ 6,945,452</u></u>	<u><u>\$ 2,427,409</u></u>

The accompanying notes are an integral part of these statements.

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

1. Nature of Activities

The Hendricks County Community Foundation, Inc. (Foundation) is a not-for-profit corporation organized under the laws of the State of Indiana. The Foundation was organized to help meet the charitable needs of the community by accepting, investing and administering funds established by donors and making grants to charitable organizations. Hendricks County is a vibrant, giving community. The Foundation partners with generous people to realize their charitable goals while addressing community needs in meaningful and lasting ways.

2. Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and reflect all significant receivables, payables and other liabilities.

3. Financial Statement 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 Statements of Activities as net assets released from restrictions.

4. 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.

5. Cash and Cash Equivalents

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

6. Concentration of Credit Risk

The Foundation maintains its cash in bank deposit accounts at high credit quality financial institutions. The balances, at times, may exceed federally insured limits. At December 31, 2020 and 2019, the Foundation exceeded the insured limit by \$374,658 and \$705,956, respectively.

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES - Continued

7. 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 Statements of Financial Position. Net investment return/(loss) is reported in the Statements of Activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

8. 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 support without donor restriction 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. Expenditures for routine maintenance and repairs are expensed as incurred. Depreciation is computed according to the estimated useful lives of the respective assets using the straight-line method.

9. 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.

10. Contributed Services

During the year ended December 31, 2020 and 2019, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

11. Compensated Absences

The employees of the Foundation qualify for earned time off based upon length of service. Earned time off must be used by the end of the calendar year. Any unused earned time off is paid to an employee upon termination based upon the employee's hourly rate. For the years ended December 31, 2020 and 2019, the Board of Directors voted to waive this policy and allow staff members to carryover up to five days of vacation to the next calendar year or cash out up to five days of vacation. The Foundation's policy is to recognize the cost of compensated absences when actually paid to employees.

12. Deferred Revenue

During 2018, the Foundation received a \$1,105,722 grant from Lilly Endowment, Inc. GIFT VII, which has a matching requirement. The Foundation raised \$79,411 and \$386,046 towards the matching requirement and recorded \$158,821 and \$772,092 as contribution revenue from the matching grant for the years ending December 31, 2020 and 2019, respectively. The unmatched portion of the Lilly Endowment, Inc. GIFT VII is \$0- and \$158,821 as of December 31, 2020 and 2019, respectively, and is recorded as deferred revenue on the Statements of Financial Position.

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, insurance, printing and publications, rent, telephone, repairs and maintenance, office supplies, postage, salaries and wages, payroll taxes, benefits, conferences and meetings, and miscellaneous expenses. These expenses are allocated on the basis of estimates of time and effort.

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES - Continued

14. Advertising

Advertising expenses totaled \$9,188 and \$3,224 for the years ended December 31, 2020 and 2019, respectively. The Foundation's policy is to record advertising expenditures in the period in which they are incurred.

15. 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.

16. 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 - PLEDGES RECEIVABLE

Pledges receivable have been adjusted to reflect the net present value of the future cash flows. Pledges receivable at December 31, 2020 and 2019 were \$-0- and \$61,900, respectively.

NOTE C - PROMISSORY NOTE RECEIVABLE

On September 5, 2019, the Foundation received an assignment of a promissory note in the amount of \$3,450,000. The note bears interest at 3% per annum and matured on December 12, 2020. The note was paid in full during the year ended December 31, 2020.

NOTE D - PROPERTY AND EQUIPMENT

The amounts of property and equipment, net of depreciation, consist of the following:

	2020	2019
Software	\$ 30,380	\$ 30,380
Office furniture	8,724	8,724
Office equipment	36,887	36,887
Leasehold improvements	1,700	1,700
	<u>77,691</u>	<u>77,691</u>
Less accumulated depreciation	<u>76,666</u>	<u>76,623</u>
	<u>\$ 1,025</u>	<u>\$ 1,068</u>

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE E - 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 F - INVESTMENTS

The following is an analysis of the cost and fair value at December 31, 2020 and 2019 by type of investment.

	<u>2020</u>	<u>2019</u>
Certificates of deposit	\$ 165,707	\$ 165,281
Investment in Limited Partnership	-	2,324,369
Mutual funds - equities:		
Foreign large growth	1,951,999	1,257,601
Foreign large blend	342,106	-
Large value	1,203,148	876,798
Diversified emerging markets	817,244	560,493
Large growth	1,413,532	800,549
Small blend	718,170	473,594
Large blend	2,110,226	1,046,886
Moderate allocation	1,634,902	1,478,310
World allocation	732,764	994,471
Total mutual funds - equities	<u>10,924,091</u>	<u>7,488,702</u>
Mutual funds - fixed income:		
Corporate bonds	<u>2,287,211</u>	<u>3,267,753</u>
Total investments, at fair value	<u>\$ 13,377,009</u>	<u>\$ 13,246,105</u>
Total investments, at historical cost	<u>\$ 10,953,296</u>	<u>\$ 11,881,379</u>

NOTE G - FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A hierarchy of inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Foundation. Unobservable inputs are inputs that reflect the Foundation's assumptions about the assumptions that market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE G - FAIR VALUE MEASUREMENTS - Continued

- 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.

	2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash surrender value of life insurance		\$ 81,430		\$ 81,430
Annuity		\$ 93,342		93,342
Investments	\$ 13,211,302			13,211,302
Liabilities:				
Annuity liabilities		\$ 93,342		\$ 93,342
	2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash surrender value of life insurance		\$ 81,450		\$ 81,450
Annuity receivable		\$ 93,903		93,903
Investments	\$ 10,756,455			10,756,455
Alternative investments*				2,324,369
Total investments at fair value				\$ 13,080,824
Liabilities:				
Annuity liabilities		\$ 93,903		\$ 93,903

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE G - FAIR VALUE MEASUREMENTS - Continued

* In accordance with Accounting Standards, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented at fair value in the Statements of Financial Position.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used for the years ended December 31, 2020 and 2019.

- Cash surrender value of life insurance: Fair value is determined by reference to the annual statement provided by the insurance provider.
- Annuity: Fair value is determined by the remaining value of the assets to be paid to the insurance companies.
- Investments: Valued at the daily closing price as reported by the mutual fund or exchange traded fund. Mutual funds and exchange traded funds ("funds") are held by the Foundation and are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The funds held by the Foundation are deemed to be actively traded.
- Annuity liabilities: Fair value is determined by calculating the present value of future payments to beneficiaries using published life expectancy tables, and discount rates ranging from 3.8 percent to 5.8 percent.
- Capital lease: Fair value is determined by the calculation of the value of the principle payments over the term of the lease.

Alternative investments, including balances, restrictions on redemptions, and investment objectives consist of the following as of December 31, 2019. The investment was liquidated during the year ended December 31, 2020.

	2019		
	Net Asset Value	Redemption Notice	Redemption Frequency
TIFF Centerstone Fund, L.P.	\$ 2,324,369	7 days	Not applicable

NOTE H - SPLIT-INTEREST AGREEMENTS

The Foundation's split-interest agreements with donors consist of charitable gift annuities. The assets received are recorded at their fair value. The fair value of assets held for the charitable gift annuities totaled \$93,342 and \$93,903 at December 31, 2020 and 2019, respectively. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. These assets are included in the Level 1 and Level 2 inputs in Note G and annuity assets and investments on the Statements of Financial Position. The present value of future payment obligations at December 31, 2020 and 2019 were \$93,342 and \$93,903, respectively. The liabilities were determined using a discount rate of 0.6%. Changes in fair value of the charitable gift annuities are reflected as changes in net assets with donor restrictions in the Statements of Activities. During the years ending December 31, 2020 and 2019 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 Statements of Activities in their respective net asset classification.

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE I - OPERATING LEASES

The Foundation leases office space under a non-cancelable lease expiring through June 2023. Minimum office lease payments of \$1,275 per month are required for the term of the lease. Future minimum lease payments are as follows.

December 31, 2021	\$	15,300
2022		15,300
2023		7,650
2024		-
2025		-
		<u> </u>
	\$	<u>38,250</u>

Total lease expense for the year ended December 31, 2020 and 2019 were \$16,973 and \$18,499 respectively.

NOTE J - 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 years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Purpose restrictions accomplished:		
Donor advised	\$ 3,808	\$ 15,100
Designated	233,127	21,843
Field of interest	353,396	49,461
Scholarship	<u>517</u>	<u>815</u>
	590,848	87,219
Release or appropriated endowment returns without purpose restrictions		
Donor advised	994,708	1,065,004
Designated	120,164	104,345
Agency	76,077	65,728
Field of interest	143,444	75,931
Legacy	110,465	95,226
Scholarship	45,759	82,119
Community grants	<u>160,884</u>	<u>234,569</u>
	<u>1,651,501</u>	<u>1,722,922</u>
	<u>2,242,349</u>	<u>1,810,141</u>

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE K - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for a specific purpose:		
Donor advised	\$ 101,181	\$ 86,343
Designated	306,214	16,749
Field of interest	88,104	157,456
Scholarship	<u>12,350</u>	<u>26,108</u>
	507,849	286,656
Pledges receivable, the proceeds from which are not restricted by donors, but which are unavailable for expenditure until due	-	1,400
Endowments:		
Subject to appropriation and expenditure when a specific event occurs:		
Restricted by donors for:		
Donor advised	796,340	1,173,874
Designated	63,076	4,894
Organization specific	1,857	-
Field of interest	28,726	79,300
Legacy	-	13,367
Scholarship	27,108	-
Community grants	<u>15,515</u>	<u>-</u>
	932,622	1,271,435
Receivables, the proceeds from which have been restricted by donors for:		
Donor advised	-	3,373,053
Legacy	<u>-</u>	<u>60,500</u>
	-	3,433,553
Subject to Foundation spending and appropriation:		
Donor advised	6,294,579	2,587,359
Designated	2,431,480	2,246,611
Organization specific	457,440	362,279
Field of interest	1,314,937	1,189,268
Legacy	2,672,719	2,235,259
Scholarship	1,584,431	1,559,636
Community grants	2,764,286	3,100,589
Underwater endowments	<u>(166,598)</u>	<u>(218,905)</u>
	<u>17,353,274</u>	<u>13,062,096</u>
	<u>\$ 18,793,745</u>	<u>\$ 18,055,140</u>

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE L - ENDOWMENT FUNDS

At December 31, 2020 and 2019, the Foundation's endowment consists of 197 and 195 donor-restricted permanent endowment funds established to support designated charitable purposes and organizations, and 2 funds designated by the Board of Directors to function as endowments to provide unrestricted support for Foundation programs. As required by generally accepted accounting principles, 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 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 and 2019, there were no such donor stipulations. As a result of this interpretation, the Foundation retains 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 the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. The Foundation considers 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 assets composition by type of fund as of December 31, 2020 and 2019, were as follows:

	2020		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 169,194	\$ -	\$ 169,194
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	15,271,886	15,271,886
Accumulated investment gains	-	3,014,010	3,014,010
	<u>\$ 169,194</u>	<u>\$ 18,285,896</u>	<u>\$ 18,455,090</u>

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE L - ENDOWMENT FUNDS - Continued

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 162,279	\$ -	\$ 162,279
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	15,046,408	15,046,408
Accumulated investment gains	-	2,395,298	2,395,298
	<u>\$ 162,279</u>	<u>\$ 17,441,706</u>	<u>\$ 17,603,985</u>

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

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Contributions and grant income	\$ 1,000	\$ 789,819	\$ 790,819
Investment return, net	10,336	1,705,872	1,716,208
Total revenue and support	11,336	2,495,691	2,507,027
Appropriation of endowment assets for expenditure	4,421	1,651,501	1,655,922
Change in endowment net assets	6,915	844,190	851,105
Endowment net assets, beginning of year	162,279	17,441,706	17,603,985
Endowment net assets, end of year	<u>\$ 169,194</u>	<u>\$ 18,285,896</u>	<u>\$ 18,455,090</u>

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE L - ENDOWMENT FUNDS - Continued

	2019		Total
	Without Donor Restrictions	With Donor Restrictions	
Revenue and support			
Contributions and grant income	\$ 1,045	\$ 5,651,929	\$ 5,652,974
Investment loss, net	9,397	1,764,945	1,774,342
Total revenue and support	10,442	7,416,874	7,427,316
Appropriation of endowment assets for expenditure	4,771	1,722,922	1,727,693
Change in endowment net assets	5,671	5,693,952	5,699,623
Endowment net assets, beginning of year	156,608	11,747,754	11,904,362
Endowment net assets, end of year	\$ 162,279	\$ 17,441,706	\$ 17,603,985

Occasionally, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. As of December 31, 2020, 19 of the 197 endowment funds had deficiencies totaling \$166,598. As of December 31, 2019, 31 of the 195 endowment funds had deficiencies totaling \$218,905. 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.

The investment objective of this Portfolio is long-term growth of principal without undue exposure to risk, through capital appreciation, income, diversification, asset allocation, and donor development. The Foundation seeks returns over the time horizon that are sufficient to meet spending needs, preserve and enhance the real, inflation-adjusted purchasing power of the investments, and cover operating expenses. The long-term target return goal is at least the rate of inflation as measured by the Consumer Price Index plus 5%.

The Foundation has a policy (the spending policy) of appropriating for expenditure a percentage of the total portfolio fair value in order to provide for grants and to cover operating expenses. The purpose of the spending policy is to balance the short-term grant making obligations with its goal to provide grants into perpetuity, and, therefore, design a spending policy that is flexible. The Foundation may average the previous twelve quarters of fund's ending account balance, beginning with the September balance, and applying the determined spending rate to the resulting average balance. The spending rate of up to 5% applied to the average balance of an endowed fund shall be used to determine the spendable amount each year. From which, the Board determines the spending policy for the coming year.

NOTE M - ADMINISTRATION MANAGEMENT

The Foundation assesses an administrative charge on endowment and pass-through funds. This charge is used primarily to support the operations of the Foundation. For the years ended December 31, 2020 and 2019, \$312,989 and \$249,690 is included as support and revenue and \$310,141 and \$261,020 as an expense, respectively. Due to the fact that administrative charges to various funds are considered a significant measure of the operations of community foundations, these fees have not been eliminated in the financial statements.

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE N - RELATED-PARTY TRANSACTIONS

For the years ended December 31, 2020 and 2019, officers, board members and employees made donations and pledges to the Foundation totaling \$36,118 and \$106,886, respectively.

NOTE O - AGENCY PARTNER 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 years ended December 31, 2020 and 2019, the following activity occurred in the agency funds held by the Foundation. These amounts are not reflected on the Statements of Activities.

	<u>2020</u>	<u>2019</u>
Support and revenue:		
Contributions and pledges	\$ 5,160	\$ 6,955
Investment return, net	<u>43,689</u>	<u>57,904</u>
	\$ 48,849	\$ 64,859
Expenses:		
Grants expense	24,854	47,510
Administrative fees	<u>7,808</u>	<u>8,397</u>
	<u>32,662</u>	<u>55,907</u>
Change in agency funds	16,187	8,952
Balance at beginning of year	<u>411,223</u>	<u>402,271</u>
Balance at end of year	<u><u>\$ 427,410</u></u>	<u><u>\$ 411,223</u></u>

NOTE P - LIQUIDITY

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 700,645	\$ 489,449
Pledges receivable	-	1,400
Investments	<u>134,668</u>	<u>110,079</u>
	<u><u>\$ 835,313</u></u>	<u><u>\$ 600,928</u></u>

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 Statements 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.

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE Q - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through June 24, 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.