

HENDRICKS COUNTY COMMUNITY FOUNDATION, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

December 31, 2021 and 2020



Independent Auditors' Report

Board of Directors
Hendricks County Community Foundation, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hendricks County Community Foundation, Inc., which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years 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 Hendricks County Community Foundation, Inc. as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits 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 Hendricks County Community Foundation, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Hendricks County 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 Hendricks County 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 Hendricks County 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

June 30, 2022

Hendricks County Community Foundation, Inc.

STATEMENTS OF FINANCIAL POSITION

December 31,

| | <u>2021</u> | <u>2020</u> |
|--|----------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 1,031,195 | \$ 6,945,452 |
| Prepaid expenses | 16,206 | 3,427 |
| Annuity receivable | 84,377 | 93,342 |
| Investments | 20,517,417 | 13,377,009 |
| Cash surrender value of life insurance | 89,005 | 81,430 |
| Property and equipment, net | <u>981</u> | <u>1,025</u> |
| | <u>\$ 21,739,181</u> | <u>\$ 20,501,685</u> |
| LIABILITIES | | |
| Accounts payable | \$ 5,469 | \$ 51,558 |
| Grants and scholarships payable | 218,659 | 292,509 |
| Accrued payroll | 6,217 | 3,479 |
| Annuity liability | 84,377 | 93,342 |
| Funds held as agency partner funds | <u>436,462</u> | <u>427,410</u> |
| Total liabilities | 751,184 | 868,298 |
| NET ASSETS | | |
| Without donor restrictions | 1,061,908 | 839,642 |
| With donor restrictions | <u>19,926,089</u> | <u>18,793,745</u> |
| | <u>20,987,997</u> | <u>19,633,387</u> |
| | <u>\$ 21,739,181</u> | <u>\$ 20,501,685</u> |

The accompanying notes are an integral part of these statements.

Hendricks County Community Foundation, Inc.

STATEMENTS OF ACTIVITIES

Years Ended December 31,

| | 2021 | | |
|--|-------------------------------|----------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Operating support and revenue: | | | |
| Contributions and pledges | \$ 222,375 | \$ 1,472,152 | \$ 1,694,527 |
| Administrative fee income | 413,239 | - | 413,239 |
| Special events | 2,500 | - | 2,500 |
| Investment return, net of fees | 14,136 | 2,054,387 | 2,068,523 |
| | <u>652,250</u> | <u>3,526,539</u> | <u>4,178,789</u> |
| Net assets released from restrictions: | | | |
| Satisfaction of purpose restrictions | 316,443 | (316,443) | |
| Pursuant to spending policy | 2,077,752 | (2,077,752) | |
| Operating expenses: | | | |
| Program services | | | |
| Grants and scholarships | 2,007,560 | | 2,007,560 |
| Other grantmaking expenses | 89,965 | | 89,965 |
| Supporting services | | | |
| Management and general | 236,406 | | 236,406 |
| Administrative fees | 403,731 | | 403,731 |
| Fundraising and development | 86,517 | | 86,517 |
| | <u>2,824,179</u> | <u></u> | <u>2,824,179</u> |
| CHANGE IN NET ASSETS | 222,266 | 1,132,344 | 1,354,610 |
| Net assets at beginning of year | <u>839,642</u> | <u>18,793,745</u> | <u>19,633,387</u> |
| Net assets at end of year | <u>\$ 1,061,908</u> | <u>\$ 19,926,089</u> | <u>\$ 20,987,997</u> |

The accompanying notes are an integral part of these statements.

| 2020 | | |
|-------------------------------|----------------------------|----------------------|
| Without Donor Restrictions | With Donor Restrictions | Total |
| \$ 298,738 | \$ 1,216,631 | \$ 1,515,369 |
| 312,989 | - | 312,989 |
| - | 9,485 | 9,485 |
| 19,390 | 1,754,838 | 1,774,228 |
| 631,117 | 2,980,954 | 3,612,071 |
| 590,848 | (590,848) | |
| 1,651,501 | (1,651,501) | |
| 1,776,627 | | 1,776,627 |
| 84,271 | | 84,271 |
| 217,088 | | 217,088 |
| 310,141 | | 310,141 |
| 70,323 | | 70,323 |
| 2,458,450 | | 2,458,450 |
| 415,016 | 738,605 | 1,153,621 |
| 424,626 | 18,055,140 | 18,479,766 |
| <u>\$ 839,642</u> | <u>\$ 18,793,745</u> | <u>\$ 19,633,387</u> |

Hendricks County Community Foundation, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31,

| | 2021 | | | |
|--------------------------------------|---------------------|---------------------------|------------------|---------------------|
| | Grant- making | Management and General | Fundraising | Total |
| Grants, scholarships and awards | \$ 2,007,560 | \$ - | \$ - | \$ 2,007,560 |
| Salaries and wages | 64,280 | 126,264 | 39,027 | 229,571 |
| Payroll taxes | 5,268 | 10,348 | 3,198 | 18,814 |
| Employee benefits | 5,663 | 11,123 | 3,438 | 20,224 |
| Depreciation | - | 44 | - | 44 |
| Occupancy | - | 16,050 | - | 16,050 |
| Equipment rental and maintenance | - | 1,563 | - | 1,563 |
| Meetings and conferences | 6,707 | 13,175 | 4,072 | 23,954 |
| Print materials | - | - | 13,500 | 13,500 |
| Professional fees | - | 16,437 | - | 16,437 |
| Office expense | - | 11,446 | - | 11,446 |
| Insurance | - | 8,191 | - | 8,191 |
| Postage | 333 | 333 | 166 | 832 |
| Communications and technical support | 7,170 | 14,083 | 4,353 | 25,606 |
| Advertising and promotions | - | - | 16,942 | 16,942 |
| Donor development and networking | - | - | 1,549 | 1,549 |
| Administrative fees | - | 403,731 | - | 403,731 |
| Other expenses: | | | | |
| Auto expense | 544 | 544 | 272 | 1,360 |
| Bank charges | - | 1,860 | - | 1,860 |
| Dues and subscriptions | - | 4,945 | - | 4,945 |
| | <u>\$ 2,097,525</u> | <u>\$ 640,137</u> | <u>\$ 86,517</u> | <u>\$ 2,824,179</u> |

The accompanying notes are an integral part of these statements.

| 2020 | | | |
|--------------------------------|---|--------------------|---------------------|
| <u>Grant-</u> <u>making</u> | <u>Management</u> <u>and General</u> | <u>Fundraising</u> | <u>Total</u> |
| \$ 1,776,627 | \$ - | \$ - | \$ 1,776,627 |
| 61,098 | 120,014 | 37,095 | 218,207 |
| 5,148 | 10,112 | 3,125 | 18,385 |
| 6,867 | 13,489 | 4,169 | 24,525 |
| - | 43 | - | 43 |
| - | 14,000 | - | 14,000 |
| - | 3,695 | - | 3,695 |
| 1,310 | 2,572 | 795 | 4,677 |
| - | - | 8,947 | 8,947 |
| - | 14,180 | - | 14,180 |
| - | 8,440 | - | 8,440 |
| - | 7,872 | - | 7,872 |
| 758 | 758 | 379 | 1,895 |
| 8,417 | 16,534 | 5,110 | 30,061 |
| - | - | 9,188 | 9,188 |
| - | - | 1,178 | 1,178 |
| - | 310,141 | - | 310,141 |
| 673 | 673 | 337 | 1,683 |
| - | 2,092 | - | 2,092 |
| - | 2,614 | - | 2,614 |
| <u>\$ 1,860,898</u> | <u>\$ 527,229</u> | <u>\$ 70,323</u> | <u>\$ 2,458,450</u> |

Hendricks County Community Foundation, Inc.

STATEMENTS OF CASH FLOWS

Years Ended December 31,

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 1,354,610 | \$ 1,153,621 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 44 | 43 |
| Realized (gains) losses on investments | (2,777,128) | 42,430 |
| Unrealized (gains) losses on investments | 1,435,050 | (1,400,891) |
| Cash received from contributors for funds held in perpetuity | (448,143) | (225,478) |
| Non-cash contributions | 20,564 | - |
| (Increase) decrease in assets: | | |
| Accrued interest receivable | - | 33,053 |
| Annuity receivable | 8,965 | 561 |
| Promissory note receivable | - | 3,340,000 |
| Prepaid expenses | (12,779) | (88) |
| Pledge receivable | - | 61,900 |
| Cash surrender value of life insurance | (7,575) | 20 |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | (46,089) | 32,336 |
| Grants and scholarships payable | (73,850) | 169,417 |
| Accrued payroll | 2,738 | 1,279 |
| Deferred revenue | - | (158,821) |
| Charitable gift annuity liability | (8,965) | (561) |
| Funds held as agency partner funds | 9,052 | 16,187 |
| Net cash provided by (used in) operating activities | <u>(543,506)</u> | <u>3,065,008</u> |
| Cash flows from investing activities: | | |
| Purchase of investments | (19,138,858) | (1,756,274) |
| Proceeds from sales of investments | 13,319,964 | 2,983,831 |
| Net cash provided by (used in) investing activities | <u>(5,818,894)</u> | <u>1,227,557</u> |
| Cash flows from financing activities: | | |
| Cash received from contributors for funds held in perpetuity | 448,143 | 225,478 |
| Net cash provided by financing activities | <u>448,143</u> | <u>225,478</u> |
| Net change in cash and cash equivalents | (5,914,257) | 4,518,043 |
| Cash and cash equivalents at beginning of year | <u>6,945,452</u> | <u>2,427,409</u> |
| Cash and cash equivalents at end of year | <u>\$ 1,031,195</u> | <u>\$ 6,945,452</u> |

The accompanying notes are an integral part of these statements.

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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 be a trusted community partner in understanding needs, aligning resources, and empowering people to address today's priorities and create lasting impact together. 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, 2021 and 2020, the Foundation exceeded the insured limit by \$655,057 and \$374,658, respectively.

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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, 2021 and 2020, 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, 2021 and 2020, 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. 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.

13. Advertising

Advertising expenses totaled \$16,942 and \$9,188 for the years ended December 31, 2021 and 2020, respectively. The Foundation's policy is to record advertising expenditures in the period in which they are incurred.

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES - Continued

14. 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.

15. 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 - PROPERTY AND EQUIPMENT

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

| | 2021 | 2020 |
|-------------------------------|---------------|-----------------|
| 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>76,710</u> | <u>76,666</u> |
| | <u>\$ 981</u> | <u>\$ 1,025</u> |

NOTE C - RISKS AND UNCERTAINTIES

The Foundation holds a variety of investments (Note D). 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 2020, 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.

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE D - INVESTMENTS

The following is an analysis of the cost and fair value at December 31, 2021 and 2020 by type of investment.

| | <u>2021</u> | <u>2020</u> |
|---------------------------------------|----------------------|----------------------|
| Certificates of deposit | \$ 502,362 | \$ 165,707 |
| Mutual funds - equities: | | |
| Foreign large growth | - | 1,951,999 |
| Foreign large blend | 2,726,130 | 342,106 |
| Foreign small/mid growth | 915,681 | |
| Large value | 141,427 | 1,203,148 |
| Diversified emerging markets | 1,462,020 | 817,244 |
| Large growth | 162,580 | 1,413,532 |
| Small growth | 756,852 | - |
| Small blend | 336,047 | 718,170 |
| Mid-cap blend | 950,211 | - |
| Large blend | 6,162,954 | 2,110,226 |
| Moderate allocation | - | 1,634,902 |
| World allocation | 196,175 | 732,764 |
| Infrastructure | 767,848 | - |
| Real estate | 226,884 | - |
| Total mutual funds - equities | <u>14,804,809</u> | <u>10,924,091</u> |
| Mutual funds - fixed income: | | |
| Nontraditional bonds | 1,381,787 | - |
| Intermediate-term bonds | 3,691,175 | - |
| High yield bonds | 137,284 | - |
| Corporate bonds | - | 2,287,211 |
| Total investments, at fair value | <u>\$ 20,517,417</u> | <u>\$ 13,377,009</u> |
| Total investments, at historical cost | <u>\$ 19,639,694</u> | <u>\$ 10,953,296</u> |

NOTE E - 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, 2021 and 2020

NOTE E - 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.

| | 2021 | | | |
|--|---------------|-----------|---------|---------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Cash surrender value of life insurance | | \$ 89,005 | | \$ 89,005 |
| Annuity | | \$ 84,377 | | \$ 84,377 |
| Investments | \$ 20,015,055 | | | \$ 20,015,055 |
| Liabilities: | | | | |
| Annuity liabilities | | \$ 84,377 | | \$ 84,377 |
| | 2020 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Cash surrender value of life insurance | | \$ 81,430 | | \$ 81,430 |
| Annuity receivable | | \$ 93,342 | | \$ 93,342 |
| Investments | \$ 13,211,302 | | | \$ 13,211,302 |
| Liabilities: | | | | |
| Annuity liabilities | | \$ 93,342 | | \$ 93,342 |

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE E - FAIR VALUE MEASUREMENTS - Continued

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, 2021 and 2020.

- 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. 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.

NOTE F - 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 \$84,377 and \$93,342 at December 31, 2021 and 2020, 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 2 inputs in Note E and annuity assets and investments on the Statements of Financial Position. The present value of future payment obligations at December 31, 2021 and 2020 were \$84,377 and \$93,342, respectively. The liabilities were determined using a discount rate of 1.6%. 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, 2021 and 2020 there were no contributions to charitable gift annuities.

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

NOTE G - OPERATING LEASES

The Foundation leases office equipment and office space under non-cancelable leases expiring through June 2026. Minimum lease payments of \$1,275 per month for the office space and \$125 per month for the office equipment are required for the term of the lease. Future minimum lease payments are as follows.

| | | |
|-------------------|----|--------|
| December 31, 2022 | \$ | 16,800 |
| 2023 | | 9,150 |
| 2024 | | 1,500 |
| 2025 | | 1,500 |
| 2026 | | 750 |
| | | 750 |
| | \$ | 29,700 |

Total lease expense for the year ended December 31, 2021 and 2020 were \$17,357 and \$16,973 respectively.

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE H - LIQUIDITY

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

| | <u>2021</u> | <u>2020</u> |
|---------------------------|-------------------|-------------------|
| Cash and cash equivalents | \$ 677,544 | \$ 700,645 |
| Investments | <u>138,402</u> | <u>134,668</u> |
| | <u>\$ 815,946</u> | <u>\$ 835,313</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.

NOTE I - 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, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Purpose restrictions accomplished: | | |
| Donor advised | \$ 14,521 | \$ 3,808 |
| Designated | 219,014 | 233,127 |
| Field of interest | 68,096 | 353,396 |
| Scholarship | <u>14,812</u> | <u>517</u> |
| | 316,443 | 590,848 |
| Release or appropriated endowment returns without purpose restrictions | | |
| Donor advised | 824,955 | 994,708 |
| Designated | 145,694 | 120,164 |
| Organization specific | 105,707 | 76,077 |
| Field of interest | 189,163 | 143,444 |
| Legacy | 141,191 | 110,465 |
| Scholarship | 368,328 | 45,759 |
| Community grants | <u>302,714</u> | <u>160,884</u> |
| | <u>2,077,752</u> | <u>1,651,501</u> |
| | <u>\$ 2,394,195</u> | <u>\$ 2,242,349</u> |

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE J - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|---|----------------------|----------------------|
| Subject to expenditure for a specific purpose: | | |
| Donor advised | \$ 103,103 | \$ 101,181 |
| Designated | 343,248 | 306,214 |
| Field of interest | 85,139 | 88,104 |
| Scholarship | 176,312 | 12,350 |
| Community grants | <u>1,247</u> | <u>-</u> |
| | 709,049 | 507,849 |
| Endowments: | | |
| Subject to appropriation and expenditure when a specific event occurs: | | |
| Restricted by donors for: | | |
| Donor advised | 2,232,024 | 796,340 |
| Designated | 163,020 | 63,076 |
| Organization specific | - | 1,857 |
| Field of interest | 51,672 | 28,726 |
| Scholarship | - | 27,108 |
| Community grants | <u>41,049</u> | <u>15,515</u> |
| | 2,487,765 | 932,622 |
| Subject to Foundation spending and appropriation: | | |
| Donor advised | 4,811,536 | 6,294,579 |
| Designated | 2,648,799 | 2,431,480 |
| Organization specific | 481,177 | 457,440 |
| Field of interest | 1,470,897 | 1,314,937 |
| Legacy | 3,172,260 | 2,672,719 |
| Scholarship | 952,349 | 1,584,431 |
| Community grants | 3,389,191 | 2,764,286 |
| Underwater endowments | <u>(196,934)</u> | <u>(166,598)</u> |
| | <u>16,729,275</u> | <u>17,353,274</u> |
| | <u>\$ 19,926,089</u> | <u>\$ 18,793,745</u> |

NOTE K - ENDOWMENT FUNDS

At December 31, 2021 and 2020, the Foundation's endowment consists of 198 and 197 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.

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE K - ENDOWMENT FUNDS - 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 and 2020, 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, 2021 and 2020, were as follows:

| | 2021 | | |
|--|-------------------------------|----------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Board-designated endowment funds | \$ 176,663 | \$ - | \$ 176,663 |
| Donor-restricted endowment funds: | | | |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor | - | 13,765,029 | 13,765,029 |
| Accumulated investment gains | - | 5,452,011 | 5,452,011 |
| | <u>\$ 176,663</u> | <u>\$ 19,217,040</u> | <u>\$ 19,393,703</u> |
| | | | |
| | 2020 | | |
| | Without Donor Restrictions | With Donor Restrictions | Total |
| 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 | - | 13,316,886 | 13,316,886 |
| Accumulated investment gains | - | 4,969,010 | 4,969,010 |
| | <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, 2021 and 2020

NOTE K - ENDOWMENT FUNDS - Continued

Changes in endowment net assets for the year ended December 31, 2021 and 2020, were as follows:

| | 2021 | | Total |
|--|-------------------------------|----------------------------|---------------|
| | Without Donor Restrictions | With Donor Restrictions | |
| Revenue and support | | | |
| Contributions and grant income | \$ 3,500 | \$ 1,159,091 | \$ 1,162,591 |
| Investment return, net | 8,754 | 1,849,805 | 1,858,559 |
| Total revenue and support | 12,254 | 3,008,896 | 3,021,150 |
| Appropriation of endowment assets for expenditure | 4,785 | 2,077,752 | 2,082,537 |
| Change in endowment net assets | 7,469 | 931,144 | 938,613 |
| Endowment net assets, beginning of year | 169,194 | 18,285,896 | 18,455,090 |
| Endowment net assets, end of year | \$ 176,663 | \$ 19,217,040 | \$ 19,393,703 |
| | | | |
| | 2020 | | Total |
| | Without Donor Restrictions | With Donor Restrictions | |
| 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 | \$ 169,194 | \$ 18,285,896 | \$ 18,455,090 |

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, 2021, 9 of the 198 endowment funds had deficiencies totaling \$196,934. As of December 31, 2020, 19 of the 197 endowment funds had deficiencies totaling \$166,598. 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.

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE K - ENDOWMENT FUNDS - Continued

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 L - 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, 2021 and 2020, \$413,239 and \$312,989 is included as support and revenue and \$403,731 and \$310,141 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.

NOTE M - 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, 2021 and 2020, the following activity occurred in the agency funds held by the Foundation. These amounts are not reflected on the Statements of Activities.

| | 2021 | 2020 |
|------------------------------|-------------------|-------------------|
| Support and revenue: | | |
| Contributions and pledges | \$ - | \$ 5,160 |
| Investment return, net | 46,217 | 43,689 |
| | <u>\$ 46,217</u> | <u>\$ 48,849</u> |
| Expenses: | | |
| Grants expense | 28,597 | 24,854 |
| Administrative fees | 8,568 | 7,808 |
| | <u>37,165</u> | <u>32,662</u> |
| Change in agency funds | 9,052 | 16,187 |
| Balance at beginning of year | <u>427,410</u> | <u>411,223</u> |
| Balance at end of year | <u>\$ 436,462</u> | <u>\$ 427,410</u> |

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE N - RELATED-PARTY TRANSACTIONS

For the years ended December 31, 2021 and 2020, officers, board members and employees made donations and pledges to the Foundation totaling \$14,865 and \$36,118, respectively.

NOTE O - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through June 30, 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.