

**OWEN COUNTY COMMUNITY
FOUNDATION, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

CPAs / ADVISORS



OWEN COUNTY COMMUNITY FOUNDATION, INC.

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Owen County Community Foundation, Inc.
Spencer, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of the Owen County Community Foundation, Inc. (the "Organization") which comprise the statements of financial position as of December 31, 2019 and 2018, 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 audits 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 the Organization as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Blue & Co., LLC

Seymour, Indiana

October 8, 2020

OWEN COUNTY COMMUNITY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2019 AND 2018

ASSETS

	2019	2018
Cash and cash equivalents	\$ 685,943	\$ 980,479
Certificates of deposit	215,653	210,000
Investments	7,787,995	6,243,506
Contributions receivable	135,370	190,500
Other assets	-0-	2,398
Property and equipment, net	<u>27,245</u>	<u>31,657</u>
	<u>\$ 8,852,206</u>	<u>\$ 7,658,540</u>

LIABILITIES AND NET ASSETS

Accrued wages	\$ 1,309	\$ 1,136
Charitable gift annuities payable	62,547	64,978
Custodial funds	46,040	41,957
Deferred revenue	<u>-0-</u>	<u>455,772</u>
Total liabilities	109,896	563,843

Net assets

Without donor restrictions		
Operating	431,623	467,336
Board designated endowment	<u>155,009</u>	<u>144,029</u>
Total net assets without donor restrictions	586,632	611,365
With donor restrictions		
Restricted for specified purpose	253,070	163,142
Restricted due to time restrictions	135,370	190,500
Endowment funds	<u>7,767,238</u>	<u>6,129,690</u>
	8,155,678	6,483,332
Total net assets	<u>8,742,310</u>	<u>7,094,697</u>
	<u>\$ 8,852,206</u>	<u>\$ 7,658,540</u>

See accompanying notes to financial statements.

OWEN COUNTY COMMUNITY FOUNDATION, INC.

STATEMENTS OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2019
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018)

	2019			2018
	Without donor Restrictions	With donor Restrictions	Total	Total
Support and revenues				
Contributions and grants	\$ 63,170	\$ 914,551	\$ 977,721	\$ 503,414
Investment return, net	18,313	1,225,394	1,243,707	(365,880)
Change in value of split-interest agreement	-0-	(4,911)	(4,911)	(3,456)
In-kind contributions	-0-	-0-	-0-	11,700
Administrative fees	131,960	-0-	131,960	128,083
Other income	-0-	-0-	-0-	2,054
Loss on disposal of equipment	-0-	-0-	-0-	(1,053)
Net assets released from restrictions	<u>462,688</u>	<u>(462,688)</u>	<u>-0-</u>	<u>-0-</u>
Total support and revenues	676,131	1,672,346	2,348,477	274,862
Expenses				
Program services	517,741	-0-	517,741	382,189
General and administrative	64,221	-0-	64,221	58,645
Fundraising and development	<u>118,902</u>	<u>-0-</u>	<u>118,902</u>	<u>99,244</u>
Total expenses	<u>700,864</u>	<u>-0-</u>	<u>700,864</u>	<u>540,078</u>
Change in net assets	(24,733)	1,672,346	1,647,613	(265,216)
Net assets, beginning of year	<u>611,365</u>	<u>6,483,332</u>	<u>7,094,697</u>	<u>7,359,913</u>
Net assets, end of year	<u>\$ 586,632</u>	<u>\$ 8,155,678</u>	<u>\$ 8,742,310</u>	<u>\$ 7,094,697</u>

See accompanying notes to financial statements.

OWEN COUNTY COMMUNITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2018

	Without donor Restrictions	With donor Restrictions	Total
Support and revenues			
Contributions and grants	\$ 65,795	\$ 437,619	\$ 503,414
Investment return, net	4,064	(369,944)	(365,880)
Change in value of split-interest agreement	-0-	(3,456)	(3,456)
In-kind contributions	11,700	-0-	11,700
Administrative fees	128,083	-0-	128,083
Other income	2,054	-0-	2,054
Loss on disposal of equipment	(1,053)	-0-	(1,053)
Net assets released from restrictions	<u>378,440</u>	<u>(378,440)</u>	<u>-0-</u>
Total support and revenues	589,083	(314,221)	274,862
Expenses			
Program services	382,189	-0-	382,189
General and administrative	58,645	-0-	58,645
Fundraising and development	<u>99,244</u>	<u>-0-</u>	<u>99,244</u>
Total expenses	<u>540,078</u>	<u>-0-</u>	<u>540,078</u>
Change in net assets	49,005	(314,221)	(265,216)
Net assets, beginning of year	<u>562,360</u>	<u>6,797,553</u>	<u>7,359,913</u>
Net assets, end of year	<u>\$ 611,365</u>	<u>\$ 6,483,332</u>	<u>\$ 7,094,697</u>

See accompanying notes to financial statements.

OWEN COUNTY COMMUNITY FOUNDATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019				2018			
	Program Services	General and Administrative	Fundraising and Development	Total	Program Services	General and Administrative	Fundraising and Development	Total
Grants	\$ 319,401	\$ -0-	\$ -0-	\$ 319,401	\$ 200,119	\$ -0-	\$ -0-	\$ 200,119
Salaries and wages	41,061	32,566	67,963	141,590	32,927	27,048	57,623	117,598
Payroll taxes and employee benefits	3,455	2,740	5,719	11,914	2,378	1,954	4,163	8,495
Administrative fees	131,090	-0-	-0-	131,090	126,704	-0-	-0-	126,704
Advertising	2,301	-0-	9,206	11,507	1,076	-0-	4,303	5,379
Office supplies	2,598	1,299	2,598	6,495	3,119	1,560	3,119	7,798
Postage and printing	1,565	522	8,347	10,434	1,207	403	6,441	8,051
Telephone	635	424	1,059	2,118	692	462	1,154	2,308
Rent	3,998	3,998	4,119	12,115	7,029	7,029	7,242	21,300
Repairs and maintenance	1,363	1,363	1,404	4,130	-0-	-0-	-0-	-0-
Events	3,104	-0-	7,243	10,347	2,927	-0-	6,830	9,757
Depreciation	1,612	1,613	1,662	4,887	540	540	557	1,637
Professional fees	-0-	13,667	3,417	17,084	-0-	16,924	4,231	21,155
Dues and subscriptions	1,103	-0-	1,104	2,207	677	-0-	677	1,354
Travel and entertainment	547	122	547	1,216	572	127	572	1,271
Meetings and conferences	909	606	1,516	3,031	163	109	273	545
Insurance	1,758	1,811	1,758	5,327	1,266	1,305	1,266	3,837
Utilities	-0-	2,212	-0-	2,212	-0-	367	-0-	367
Miscellaneous	1,241	1,278	1,240	3,759	793	817	793	2,403
Total expense	\$ 517,741	\$ 64,221	\$ 118,902	\$ 700,864	\$ 382,189	\$ 58,645	\$ 99,244	\$ 540,078

See accompanying notes to financial statements.

OWEN COUNTY COMMUNITY FOUNDATION, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Operating activities		
Change in net assets	\$ 1,647,613	\$ (265,216)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	4,887	1,637
Reinvested interest and dividends	(228,275)	(267,292)
Realized and unrealized (gains) losses on investments	(1,057,021)	596,141
Loss on disposal of equipment	-0-	1,053
Restricted contributions for endowment	(684,664)	(338,176)
Change in value of split-interest agreement	4,911	3,456
Changes in assets and liabilities:		
Contributions receivable	55,130	(60,500)
Other assets	2,398	2,893
Accrued wages	173	(2,612)
Custodial funds	4,083	(11,538)
Deferred revenue	<u>(455,772)</u>	<u>455,772</u>
Net cash flows from operating activities	(706,537)	115,618
Investing activities		
Purchase of office equipment	(475)	(32,807)
Purchases of certificates of deposit	(142,444)	(70,219)
Maturities of certificate of deposit	136,791	70,219
Purchases of investments	(6,509,435)	(2,614,427)
Proceeds on sales of investments	<u>6,250,242</u>	<u>2,823,573</u>
Net cash flows from investing activities	(265,321)	176,339
Financing activities		
Payments on charitable gift annuities	(7,342)	(7,069)
Restricted contributions for endowment	<u>684,664</u>	<u>338,176</u>
Net cash flows from financing activities	<u>677,322</u>	<u>331,107</u>
Net change in cash and cash equivalents	(294,536)	623,064
Cash and cash equivalents, beginning of year	<u>980,479</u>	<u>357,415</u>
Cash and cash equivalents, end of year	<u><u>\$ 685,943</u></u>	<u><u>\$ 980,479</u></u>

See accompanying notes to financial statements.

OWEN COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Owen County Community Foundation, Inc. (the "Organization") is a not-for-profit entity that began operations in February 1994. The Organization is located in Spencer, Indiana, and was organized to help make the Owen County communities become better places to grow, work, and live by gathering and growing charitable assets and giving back to the community through grants and scholarships.

Management's Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported amounts of support, revenues and expenses. Actual results could vary from the estimates that were used.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis, and have been prepared with a focus on the entity as a whole. Net assets, support, revenues, gains, and losses are classified based on the existence or absence of donor restrictions. Accordingly, the net assets of the Organization are classified and reported as follows:

Net assets without donor restrictions: Net assets that are currently available for operating purposes under the direction of the board of directors ("Board") or designated by the Board for specific use. The Organization maintains net assets without donor restrictions as follows:

Operating – used to fund current operations of the Organization

Board designated endowment – established with the expectation that the principal be maintained in perpetuity to generate grants, subject to the spending policy, used to support the general operations of the Organization as designated by the Board

Net assets with donor restrictions: Net assets subject to donor stipulations for specific purposes or time restrictions. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term to support operations or specific purposes. The Organization maintains net assets with donor restrictions as follows:

Restricted for specified purpose – all contributions to the Organization with the intention of the donor to be held for a specific program or in a donor-restricted non-endowed fund

OWEN COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Restricted due to time restrictions – all contributions of the Organization with donor restrictions that will be met by the passage of time

Endowment funds – all contributions to the Organization with the intention of the donor that the assets be held in perpetuity and related investment earnings managed in accordance with the Organization's spending policy

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers cash equivalents to include all unrestricted investments with an original maturity of ninety days or less, but excludes cash equivalents held by various managers included in investments.

Investments and Investment Return

The Organization carries its investments at fair value for financial reporting purposes. Changes in unrealized appreciation or depreciation of investments are reflected in the Statements of Activities in the periods in which such changes occur.

Interest and dividend income and net unrealized and realized gains and losses on investments are recognized as net assets with or without donor restrictions based upon the existence or absence of donor-imposed restrictions or the related fund classification in accordance with the Organization's spending policy.

Contributions Receivable

Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received. Management estimates an allowance for doubtful contributions receivable based on an evaluation of historical losses, current economic conditions, and other factors unique to the Organization's donors. No allowance for doubtful contributions receivable was determined necessary as of December 31, 2019 and 2018.

Property and Equipment

Property and equipment, including expenditures that substantially increase the useful lives of existing assets, is recorded at cost except for donations, which are recorded at fair value at the date of the donation. Costs of ordinary maintenance and repairs are expensed as incurred.

The Organization provides for depreciation of property and equipment utilizing the straight-line method at rates designed to depreciate the cost of such assets over their estimated useful lives, which range from five to twenty years.

OWEN COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Deferred Revenue

During 2018, the Organization received a \$500,000 grant from Lilly Endowment through its GIFT Phase VII initiative. The grant is required to be matched with new contributions to help build the Organization's unrestricted endowments and provide support for specified charitable projects and needs. Therefore, deferred revenue relates to the portion of the grant that has not yet been matched and earned. The matching period is from October 1, 2018 through December 31, 2020. As qualifying contributions are received, the related match amount is recognized as revenue. Deferred revenue related to this grant was \$455,772 at December 31, 2018.

Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU require that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. In accordance with ASU 2018-08, the Organization has adopted the requirements using the modified prospective approach, which applies to the portion of agreements at the effective date that had not previously been recognized and any new agreements after the effective date. Therefore, since the Lilly Endowment GIFT VII matching grant does not contain a right of return, the remaining unrecognized portion of this grant is recognized in 2019 regardless of any amount still unmatched.

Support, Revenue and Expense Recognition

Contributions, which include unconditional promises to give (contributions receivable), are recognized as revenues in the period the contribution is received or the promise is made. Contributions received with donor imposed restrictions are reported as restricted support and increases net assets with donor restrictions.

Support and revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in either net assets with or without donor restrictions in accordance with the classification of the fund.

The Organization recognizes grant revenue in the period the related expenses are incurred.

All other support and revenue is recorded when earned.

In-Kind Contributions

Previous to moving locations in 2018, the Organization received in-kind rent. It is the policy of the Organization to record the estimated fair value of the in-kind rent as an expense in its financial statements, and similarly increase contribution revenue by a like amount. For the year

OWEN COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

ended December 31, 2018, revenue recognized as in-kind contributions was \$11,700. No in-kind contributions were received in 2019.

Administrative Fees

Administrative fees are expensed from the funds to support the operations of the Organization and are considered program expenses. Administrative fees from all funds are reflected as revenue on the Statements of Activities. The administrative fees from custodial funds are not included as expenses on the Statements of Activities because they are included in the change in custodial funds.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the Statements of Activities and Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Those expenses include salaries and wages, payroll taxes and employee benefits, various occupancy expenses and office supplies. All expenses are allocated on the basis of estimates of time, effort and usage. While the methods of allocation are considered appropriate, other methods could produce different results.

Income Taxes

The Organization is organized as a not-for-profit corporation under Section 501(c)(3) of the United States Internal Revenue Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2019 and 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements.

As such, the Organization is generally exempt from income taxes. However, the Organization is required to file Federal Form 990 – Return of Organization Exempt from Income Tax which is an informational return only. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

OWEN COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Going Concern Evaluation

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

Subsequent Events

The Organization has evaluated events or transactions occurring subsequent to the Statement of Financial Position date for recognition and disclosure in the accompanying financial statements through the date the financial statements were available to be issued, which is October 8, 2020.

2. CERTIFICATES OF DEPOSIT

The Organization held certificates of deposit totaling \$215,653 and \$210,000 at December 31, 2019 and 2018, respectively, with interest rates ranging from 1.15 to 1.80 percent. Maturity dates of these certificates of deposit vary from November 2020 through November 2021. Certificates of deposits are recorded at cost plus accrued interest.

OWEN COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

3. INVESTMENTS

Investments consist of the following at December 31, 2019 and 2018:

	2019	2018
Cash and cash equivalents	\$ 431,869	\$ 387,536
Common stock		
Technology	252,505	663,502
Services	370,608	293,552
Healthcare	621,999	449,891
Consumer and industrial goods	267,259	599,188
Basic materials	137,031	187,914
Financial	16,740	291,217
Other	147,369	-0-
Equity mutual funds		
Mid/small	229,832	109,354
Large	1,360,194	1,715,219
Fixed income mutual funds		
Short	513,485	-0-
Nontraditional	179,515	-0-
Equity exchange traded funds		
Mid/small	854,298	368,730
Large	1,073,670	25,259
High yield	-0-	111,513
Fixed income exchange traded funds		
Short	471,990	-0-
Corporate bonds		
Financial	-0-	149,800
Technology	146,558	163,324
Consumer goods	93,486	94,688
Other	90,957	84,856
Municipal bonds	30,000	40,908
Real estate investment trusts	498,630	507,055
	<u>\$ 7,787,995</u>	<u>\$ 6,243,506</u>

4. RISKS AND UNCERTAINTIES

The Organization holds investments (Note 3). 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

OWEN COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

5. FAIR VALUE MEASUREMENTS

Effective January 1, 2019, the Organization early adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments in this ASU removed certain disclosure requirements in Topic 820. As such, the fair value measurement disclosures for 2018 have been restated for these changes.

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The 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 the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any 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.

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 at December 31, 2019 and 2018.

- *Common stocks*: Valued at the closing price reported on the active market on which the individual securities are traded. For shares held of non-publicly traded stock, the fair value is based upon the last known sale.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

- *Mutual funds and exchange traded funds:* Valued at the daily closing price as reported by the fund. Mutual funds and exchange traded funds held by the Organization 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 Organization are deemed to be actively traded.
- *Corporate and municipal bonds:* Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.
- *Real estate investment trusts:* Valued at the net asset value (NAV) of units of the fund. The NAV, as provided by the investment manager, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities.
- *Charitable gift annuities payable:* Fair value is determined by calculating the present value of the annuities using published life expectancy tables with discount rates ranging from 1.8 and 6.6 percent.

The following table sets forth by level, within the hierarchy, the Organization's assets and liabilities measured at fair value on a recurring basis as of December 31, 2019 and 2018:

	2019		
	Level 1	Level 2	Total
Assets:			
Common stock	\$ 1,796,771	\$ 16,740	\$ 1,813,511
Mutual funds	2,283,026	-0-	2,283,026
Exchange traded funds	2,399,958	-0-	2,399,958
Corporate bonds	-0-	331,001	331,001
Municipal bonds	-0-	30,000	30,000
Total assets in the fair value hierarchy	<u>\$ 6,479,755</u>	<u>\$ 377,741</u>	6,857,496
Real estate investment trusts*			498,630
Total assets at fair value			<u>\$ 7,356,126</u>
Liabilities:			
Charitable gift annuities payable	<u>\$ -0-</u>	<u>\$ 62,547</u>	<u>\$ 62,547</u>

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

	2018		
	Level 1	Level 2	Total
Assets:			
Common stock	\$ 2,468,524	\$ 16,740	\$ 2,485,264
Mutual funds	1,824,573	-0-	1,824,573
Exchange traded funds	505,502	-0-	505,502
Corporate bonds	-0-	492,668	492,668
Municipal bonds	-0-	40,908	40,908
Total assets in the fair value hierarchy	<u>\$ 4,798,599</u>	<u>\$ 550,316</u>	5,348,915
Real estate investment trusts*			507,055
Total assets at fair value			<u>\$ 5,855,970</u>
Liabilities:			
Charitable gift annuities payable	<u>\$ -0-</u>	<u>\$ 64,978</u>	<u>\$ 64,978</u>

* In accordance with Subtopic 820-10, 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 statement of financial position.

The objective of the real estate investment trusts is to invest in a diversified portfolio that will achieve attractive total returns, preserve invested capital, and provide increasing distributions. To achieve these objectives, investment managers seek to invest in a portfolio of income-producing commercial properties. The investments may be redeemed at the net asset value after the one-year anniversary date of the investment and with proper notice. The redemptions may be done monthly, quarterly, or semi-annually with various notices ranging from one day to five days. Due to the nature of the investments, changes in market conditions and the economic environment may significantly impact the net asset value and, consequently, the fair value of the Organization's interest in the investments. There were no unfunded commitments of these real estate investment trusts as of December 31, 2019 and 2018.

OWEN COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

6. CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable consist of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Amounts due in:		
Less than one year	\$ 36,100	\$ 50,500
One to five years	89,264	120,000
Five to ten years	<u>10,006</u>	<u>20,000</u>
Ending balance	<u>\$ 135,370</u>	<u>\$ 190,500</u>

Contributions receivable have not been discounted due to the immaterial effect.

7. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2019 and 2018, is as follows:

	<u>2019</u>	<u>2018</u>
Office equipment	\$ 27,095	\$ 27,095
Furniture and fixtures	19,912	19,437
Leasehold improvements	<u>13,370</u>	<u>13,370</u>
	60,377	59,902
Less accumulated depreciation	<u>(33,132)</u>	<u>(28,245)</u>
	<u>\$ 27,245</u>	<u>\$ 31,657</u>

8. CHARITABLE GIFT ANNUITIES

The Organization has six charitable gift annuities. The Organization is required to make payments to the donors in quarterly and semiannual amounts ranging from annual amounts of \$620 to \$2,465. Upon the death of the specified persons, the remaining amount of the gifts is to be used by the Organization for unrestricted purposes. The Organization has recognized a liability for the present value of the amounts expected to be paid to the third-party beneficiaries at December 31, 2019 and 2018, under these agreements. The liability was calculated based on the life expectancy of the beneficiaries, derived from the applicable annuity expected return multiples for the annuities. The present value was calculated using IRS discount rates ranging from 1.8% to 6.6%. The present value of amounts to be paid to the third party beneficiaries was \$62,547 and \$64,978 at December 31, 2019 and 2018, respectively.

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9. CUSTODIAL FUNDS

Custodial funds represent funds placed on deposit with the Organization by other organizations based on their individual board resolutions. The Organization accounts for these transfers as a liability in accordance with standards set forth by the Financial Accounting Standards Board. Income is added to these funds periodically in accordance with the Organization's investment allocation policies. Contributions by, investment interest credits for, and distributions to those organizations are reflected as adjustments to the liability account and are not reflected on the Statements of Activities.

Following is a progression of custodial funds during 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 41,957	\$ 53,495
Contributions	1,200	5,725
Investment return, net	7,449	(2,378)
Grant payments	(3,696)	(13,956)
Administrative fees	<u>(870)</u>	<u>(929)</u>
Ending balance	<u>\$ 46,040</u>	<u>\$ 41,957</u>

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Restricted for specified purposes		
Various based on fund agreements	\$ 188,830	\$ 117,373
My Path	64,240	45,769
Restricted due to time restrictions		
Pledges receivable	135,370	190,500
Endowment funds		
Restricted in perpetuity	6,665,478	6,003,235
Restricted subject to the Organization's spending policy	1,101,760	346,871
Underwater endowments	<u>-0-</u>	<u>(220,416)</u>
Total net assets with donor restrictions	<u>\$ 8,155,678</u>	<u>\$ 6,483,332</u>

OWEN COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

11. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from donor restrictions for the years ended December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Purpose restrictions related to:		
MyPath	\$ 25,713	\$ 18,757
Funds appropriated for expenditure for various purposes based on fund agreements	<u>436,975</u>	<u>359,683</u>
	<u>\$ 462,688</u>	<u>\$ 378,440</u>

12. ENDOWMENT

The majority of the Organization'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. 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 fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulation to the contrary. As a result of this interpretation, we retain in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate endowment funds:

- (1) The duration and preservation of the fund
 - (2) The purposes of the Organization and the donor-restricted endowment fund
 - (3) General economic conditions
 - (4) The possible effect of inflation and deflation
 - (5) The expected total return from income and the appreciation of investments
 - (6) Other resources of the Organization
 - (7) The investment policies of the Organization
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The Organization 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 Organization 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. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately 6.5 percent plus the Consumer Price Index annually, which will preserve the purchasing power of the Organization's assets while considering the spending requirements. Actual returns in any given year may vary.

To satisfy its long-term rate of return objectives, the Organization relies on a total return 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).

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

Endowed funds by net asset type at December 31, 2019 and 2018 were as follows:

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Board Designated Funds	\$ 155,009	\$ -0-	\$ 144,029	\$ -0-
Donor Restricted Funds	<u>-0-</u>	<u>7,767,238</u>	<u>-0-</u>	<u>6,129,690</u>
	<u>\$ 155,009</u>	<u>\$ 7,767,238</u>	<u>\$ 144,029</u>	<u>\$ 6,129,690</u>

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Changes in endowed funds for the years ending December 31, 2019 and 2018 were as follows:

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Endowment net assets,				
beginning of year	\$ 144,029	\$ 6,129,690	\$ 152,242	\$ 6,487,599
Contributions and other revenues	-0-	791,947	-0-	357,161
Investment return, net	14,569	1,202,513	(5,396)	(362,387)
Interfund activity, net	-0-	(41,180)	-0-	(59,602)
Appropriation of endowment assets for expenditure	(3,589)	(315,732)	(2,817)	(293,081)
Endowment net assets, end of year	\$ 155,009	\$ 7,767,238	\$ 144,029	\$ 6,129,690

13. UNDERWATER ENDOWMENTS

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2018, funds with original gift values of \$3,296,360, fair values of \$3,075,945, and deficiencies of \$220,416 were reported in net assets with donor restrictions. At December 31, 2019, there were no funds with underwater balances.

14. RENT

The Organization uses its existing office space under a term lease for \$1,000 per month which began October 1, 2018 and includes an annual payment escalation through September 30, 2028, which is when the lease expires. The lease also offers renewal options for two additional five-year terms. Previously, the Organization leased its space under a month-to-month lease for \$400 per month with \$1,300 per month being recognized as in-kind to approximate fair value of the space. In 2019 and 2018, rent expense for office space was \$12,115 and \$21,300, respectively, and the related in-kind revenue to approximate the total fair value of the previous space was \$0 and \$11,700, respectively.

OWEN COUNTY COMMUNITY FOUNDATION, INC.

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Future minimum lease payments subsequent to December 31, 2019, are as follows:

<u>Year Ending December 31,</u>	
2020	\$ 12,300
2021	12,540
2022	12,780
2023	13,020
2024	13,275
Thereafter	<u>52,425</u>
	<u>\$ 116,340</u>

15. RELATED PARTY TRANSACTIONS

The Organization received \$46,175 and \$113,783 in contributions from members of the Organization's board of directors and staff during 2019 and 2018, respectively. Contributions receivable at December 31, 2019 and 2018 included outstanding pledges from members of the Organization's board of directors of \$97,870 and \$124,000, respectively.

16. LIQUIDITY AND AVAILABILITY

As part of the Organization's liquidity management, it structures its financial assets to be available as its awarded grants, general expenditures and other obligations become due. The Organization invests cash in excess of daily requirements in money market accounts, certificates of deposit, and other short-term investments. Financial assets available for general expenditures within one year of the Statements of Financial Position date are comprised of the following as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Operating cash and cash equivalents	\$ 191,406	\$ 216,186
Maturing certificates of deposit	142,001	140,000
Other assets	<u>-0-</u>	<u>2,398</u>
	<u>\$ 333,407</u>	<u>\$ 358,584</u>

The Organization's endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments. Income from donor-restricted endowments is restricted for specific purposes with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure. The Organization has an annual grant approval process. This process includes evaluating a number of factors

OWEN COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

relative to the spending rate to be applied to the Organization's fund balances in accordance with its spending policy. Once the Organization's Board approves the spending rate, the related dollar amount of the funds becomes available for general expenditures.

While not subject to the Organization's spending policy, expenditures from donor-restricted non-endowed funds must be approved by the Board and, therefore, are not available for general expenditure until that time. Non-endowed funds are held in cash and cash equivalents or liquid investments and are made available upon appropriation.

The administrative endowment is subject to an annual spending rate of 4.5 percent as described in Note 12. Although the Organization does not intend to spend from this administrative endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available, if necessary.

The Organization also relies on the administrative fees, which it charges its funds annually 2 percent of the fund balance, to fund operational expenditures.

17. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash in bank deposit accounts insured by the Federal Deposit Insurance Corporation at its current coverage levels. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash.

Marketable securities and money market funds are managed by various investment firms. Such balances exceed the Securities Investor Protection Corporation insured limits of up to \$500,000.

18. RECENTLY ISSUED ACCOUNTING STANDARD

On February 25, 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This new standard, which the Organization is not required to adopt until its year ending December 31, 2022, is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their balance sheet the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in the ASU) of twelve months or less are not required to be reflected on an entity's statement of financial position.

The Organization is presently evaluating the effect that this ASU will have on its future financial statements, including related disclosures.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

19. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may adversely impact the local, regional, national and global economies. The extent to which COVID-19 impacts the Organization's operating results is dependent on the breadth and duration of the pandemic and could be affected by other factors management is not currently able to predict. Potential impacts include, but are not limited to, additional costs for responding to COVID-19, increased demand for grants, delays, loss of, or reduction to contributions and funding, and investment portfolio declines. Management believes the Organization is taking appropriate actions to respond to the pandemic, however, the full impact is unknown and cannot be reasonably estimated at the date the financial statements were available to be issued.

Subsequent to the Statement of Financial Position date, the Organization received a low interest loan in the amount of \$26,269 under the Paycheck Protection Program (PPP) administered by the Small Business Administration. The PPP loan is unsecured and bears interest at 1%. Funds advanced under the program are subject to forgiveness if certain criteria is met with the remaining balance repayable within two years of disbursement. The PPP loan may be forgivable to the extent that employers incur and spend the funds on qualified expenditures, which include payroll, employee health insurance, rent, utilities and interest costs during the covered period (the 24-week period beginning on loan origination). In addition, employers must maintain specified employment and wage levels during the pandemic and submit adequate documentation of such expenditures to qualify for loan forgiveness.