

HANCOCK COUNTY COMMUNITY FOUNDATION, INC.
AND AFFILIATE, LEGACY PROPERTIES OF
HANCOCK COUNTY COMMUNITY FOUNDATION, INC.

CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

December 31, 2020 and 2019

CONTENTS

	Page
Independent Auditors' Report	2
Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7
Supplemental Information	
Independent Auditors' Report on	
Supplemental Information	21
Consolidating Statements of Financial Position	22
Consolidating Statements of Activities	23



Independent Auditors' Report

Board of Directors
Hancock County Community Foundation, Inc. and Affiliate

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hancock County Community Foundation, Inc. and Affiliate as of December 31, 2020 and 2019, and the changes in their consolidated net assets and their consolidated 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 17, 2021

Hancock County Community Foundation, Inc. and Affiliate
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
 December 31,

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 2,769,550	\$ 2,874,420
Investments	50,648,932	43,813,752
Tax refund receivable	-	47,538
Pledges receivable	105,000	379,919
Prepaid expenses	22,956	28,875
Trust receivable	71,252	65,752
Property, building and equipment, net	<u>797,586</u>	<u>795,076</u>
	<u>\$ 54,415,276</u>	<u>\$ 48,005,332</u>
LIABILITIES		
Accounts payable	\$ 7,785	\$ 24,315
Grants payable	152,130	116,247
Deferred revenue	-	25,760
Annuity reserves	213,777	200,876
Agency funds	<u>517,018</u>	<u>434,614</u>
Total liabilities	890,710	801,812
NET ASSETS		
Without donor restrictions	1,705,700	1,347,331
With donor restrictions	<u>51,818,866</u>	<u>45,856,189</u>
	<u>53,524,566</u>	<u>47,203,520</u>
	<u>\$ 54,415,276</u>	<u>\$ 48,005,332</u>

The accompanying notes are an integral part of these statements.

Hancock County Community Foundation, Inc. and Affiliate

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended December 31,

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Contributions	\$ 2,100	\$ 1,903,785	\$ 1,905,885
Investment return, net	141,191	6,273,007	6,414,198
Change in value of split-interest agreements		(25,126)	(25,126)
Change in cash surrender value of life insurance		289	289
Rental income	27,133		27,133
Farm income		31,609	31,609
Loss on disposal of assets			
Other income	40,433		40,433
	<u>210,857</u>	<u>8,183,564</u>	<u>8,394,421</u>
Net assets released from restrictions			
Satisfaction of purpose restrictions	376,118	(376,118)	
Pursuant to spending policy	1,209,925	(1,209,925)	
Expenses			
Program services	1,572,626		1,572,626
Supporting services			
Management and general	285,199		285,199
Development expenses	220,172		220,172
	<u>2,077,997</u>		<u>2,077,997</u>
Transfer of administrative fees	639,466	(634,844)	4,622
CHANGE IN NET ASSETS	<u>358,369</u>	<u>5,962,677</u>	<u>6,321,046</u>
Net assets at beginning of year	<u>1,347,331</u>	<u>45,856,189</u>	<u>47,203,520</u>
Net assets at end of year	<u>\$ 1,705,700</u>	<u>\$ 51,818,866</u>	<u>\$ 53,524,566</u>

The accompanying notes are an integral part of these statements.

2019		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 459	\$ 2,516,969	\$ 2,517,428
102,829	7,763,253	7,866,082
	28,629	28,629
	315	315
27,015		27,015
	34,169	34,169
(1,536)		(1,536)
89,243		89,243
218,010	10,343,335	10,561,345
225,470	(225,470)	
1,062,753	(1,062,753)	
1,498,611		1,498,611
262,493		262,493
239,896		239,896
2,001,000		2,001,000
592,153	(587,825)	4,328
97,386	8,467,287	8,564,673
1,249,945	37,388,902	38,638,847
\$ 1,347,331	\$ 45,856,189	\$ 47,203,520

Hancock County Community Foundation, Inc. and Affiliate

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31,

	2020			
	Programming	Management & General	Development	Total
Grants and scholarships	\$ 1,268,076			\$ 1,268,076
Salaries and wages	157,543	\$ 152,248	\$ 103,356	413,147
Payroll taxes and benefits	28,416	27,460	18,642	74,518
Program expenses	29,146			29,146
Insurance	4,205	8,667	2,102	14,974
Property repairs and maintenance		18,921		18,921
Legal and professional fees	16,210	30,936	8,105	55,251
Utilities		6,883		6,883
Telephone and internet	1,258	1,398	629	3,285
Merchant and bank fees	1,406	234	703	2,343
Dues and subscriptions	5,204	867	2,602	8,673
Travel and meetings	2,488	415	1,244	4,147
Staff and committee development	4,422	737	2,211	7,370
Office and building supplies	7,952	1,326	3,976	13,254
Postage	5,377	896	2,688	8,961
Technology	33,269	5,545	16,635	55,449
Human resources	2,354	392	1,177	3,923
Development expenses			50,145	50,145
Miscellaneous expenses	151	2,742	3,382	6,275
Depreciation	5,149	25,532	2,575	33,256
	<u>\$ 1,572,626</u>	<u>\$ 285,199</u>	<u>\$ 220,172</u>	<u>\$ 2,077,997</u>

The accompanying notes are an integral part of these statements.

2019

Programming	Management & General	Development	Total
\$ 1,183,490			\$ 1,183,490
147,576	\$ 145,086	\$ 95,406	388,068
31,125	29,650	22,791	83,566
28,933			28,933
3,442	8,465	1,721	13,628
	25,665		25,665
18,887	4,247	9,443	32,577
	7,444		7,444
1,489	1,436	744	3,669
1,826	304	913	3,043
3,830	638	1,915	6,383
6,270	1,045	3,135	10,450
12,669	2,111	6,335	21,115
11,362	4,031	5,681	21,074
6,193	1,032	3,096	10,321
29,482	4,914	14,741	49,137
5,083	847	2,541	8,471
		69,217	69,217
2,833	52	157	3,042
4,121	25,526	2,060	31,707
\$ 1,498,611	\$ 262,493	\$ 239,896	\$ 2,001,000

Hancock County Community Foundation, Inc. and Affiliate

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31,

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 6,321,046	\$ 8,564,673
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	33,256	31,707
Realized gains on investments	(1,033,487)	(3,291,289)
Unrealized gains on investments	(4,299,445)	(3,421,867)
Loss on disposal of assets		1,536
Change in gift annuity reserve	25,126	(28,629)
Change in cash surrender value of life insurance	(289)	(315)
Non-cash stock contributions	(90,741)	(31,284)
Contributions to restricted funds	(1,797,999)	(1,615,760)
(Increase) decrease in assets:		
Accounts receivable	47,538	(47,538)
Pledges receivable	274,919	(177,702)
Prepaid expenses	5,919	(10,282)
Estate receivable		329,882
Trust receivable	(5,500)	(9,658)
Increase (decrease) in liabilities:		
Accounts payable	(16,530)	17,368
Grants payable	35,883	(26,389)
Deferred revenue	(25,760)	(404,016)
Annuity reserves	12,901	(36,691)
Agency funds	82,404	100,995
Net cash used in operating activities	<u>(430,759)</u>	<u>(55,259)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	11,751,255	19,239,956
Purchases of investments	(13,187,599)	(21,253,764)
Capital expenditures	(35,766)	(8,643)
Net cash used in investing activities	<u>(1,472,110)</u>	<u>(2,022,451)</u>
Cash flows from financing activities:		
Cash received from contributors for restricted funds	1,797,999	1,615,760
Net cash provided by financing activities	<u>1,797,999</u>	<u>1,615,760</u>
Net decrease in cash and cash equivalents	(104,870)	(461,950)
Cash and cash equivalents at beginning of year	<u>2,874,420</u>	<u>3,336,370</u>
Cash and cash equivalents at end of year	<u>\$ 2,769,550</u>	<u>\$ 2,874,420</u>
<u>Supplemental Disclosures</u>		
Non-cash contributions	\$ 90,741	\$ 31,284

The accompanying notes are an integral part of these statements.

Hancock County Community Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

1. Nature of Activities

The Hancock County Community Foundation, Inc. and its affiliate, Legacy Properties of Hancock County Community Foundation, Inc. (Foundation) are not-for-profit corporations organized under the laws of the State of Indiana. The Hancock County Community Foundation, Inc. was organized to perpetuate the rich heritage of philanthropy in Hancock County, Indiana and to provide new opportunities for donors. The Foundation is committed to strengthening and enhancing all aspects of the quality of life in Hancock County by providing individuals and organizations wishing to contribute their resources with an effective and attractive way to channel their gifts to worthy community endeavors. Its contributions are received from private and public organizations or individuals.

Legacy Properties of Hancock County Community Foundation, Inc. was incorporated in Indiana on June 7, 2013 to support the Hancock County Community Foundation by accepting, purchasing, holding, disposing, and managing real and personal property for the benefit of the Foundation.

2. Basis of Accounting

The consolidated 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

The consolidated financial statements include the accounts of the Hancock County Community Foundation, Inc. and its affiliated organization, Legacy Properties of Hancock County Community Foundation, Inc. Inter-organization balances have been eliminated in the consolidated financial statements.

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 financial institutions, which are insured by agencies of the U.S. Government. For purposes of the statement of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

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

Hancock County Community Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES - Continued

7. 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 restrictions 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 \$500 are capitalized. Depreciation is computed according to the estimated useful lives of the respective assets using the straight-line method.

8. Deferred Revenue

During 2018, the Foundation received a \$1,000,000 gift from Lilly Endowment, Inc. GIFT VII, which has a matching requirement. The Foundation raised \$4,712 and \$214,420 towards the matching requirement and recorded \$2,356 and \$427,420 as contribution revenue from the matching gift for the years ending December 31, 2020 and 2019, respectively. The unmatched portion of the Lilly Endowment, Inc. GIFT VII is \$-0- and \$2,356 as of December 31, 2020 and 2019, respectively, and is recorded as deferred revenue on the Consolidated Statements of Financial Position.

The Foundation recorded deferred revenue in the amount of \$23,404 for funds received but not earned as part of the Lilly Endowment, Inc. GIFT VII community leadership planning grant and funds received for an intern grant as of December 31, 2019. These funds were earned during the year ended December 31, 2020.

9. Net Assets and Spending Policy

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 board designated funds and unrestricted investment income.

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.

The Foundation's endowment consists of 300 and 287 individual funds established for a variety of purposes as of December 31, 2020 and 2019, respectively. The endowment includes both funds established by donors and funds designated by the Board to function as endowments (board-designated endowment funds). The Foundation maintains variance power over all of the endowment funds (including those established by donors) as provided within the fund agreements. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions. While the Foundation ultimately has variance power over all of the assets maintained in endowment funds, the Foundation considers the following factors in making a determination to appropriate or accumulate endowment funds:

Hancock County Community Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES - Continued

9. Net Assets and Spending Policy (Continued)

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

The investment objective of this Portfolio is to grow the assets of the Hancock County Community Foundation by an average of 1% per year, above and beyond the Payout Policy, average administrative fee, and inflation. Controlling portfolio volatility to help provide stable distributions from year to year is an additional objective.

The Foundation has a policy (the Payout Policy) of appropriating for expenditure each year 3.75% of its endowment fund's average fair value over the prior twelve quarters beginning with June 30 of the current year and looking back. In establishing this policy, the Foundation considered the long-term expected return on its endowment.

10. Concentration of Credit Risk

The Foundation maintains its cash in bank deposit accounts at high credit quality financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2020 and 2019, the Foundation exceeded the insured limit by approximately \$312,408 and \$173,912, respectively.

11. 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.

12. Contributed Services

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

13. Grants and scholarships

Grants and scholarships, including multi-year awards, are recorded as an expense and a payable when grants are approved and communicated to the grantees. Grants and scholarships expense for the years ended December 31, 2020 and 2019 was \$1,268,076 and \$1,183,490, respectively.

14. Functional Allocation of Expenses

The consolidated 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.

Hancock County Community Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES - Continued

15. Compensated Absences

The employees of the Foundation qualify for earned time off based upon length of service. Earned time off is intended to be used by the end of the calendar year, but can be carried over to the subsequent year and used within six months. Any unused earned time off is paid to an employee upon termination based upon the employee's hourly rate. The Foundation's policy is to recognize the cost of compensated absences when actually paid to employees.

16. Advertising Costs

Advertising costs are expensed as incurred. Total advertising expense was \$8,120 and \$8,739 for the years ended December 31, 2020 and 2019, respectively.

17. 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.

18. Estimates

The preparation of consolidated 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, BUILDING AND EQUIPMENT

The amounts of fixed assets, net of depreciation, consist of the following at December 31,

	<u>2020</u>	<u>2019</u>
Land	\$ 374,600	\$ 374,600
Land improvements	4,397	4,397
Building and improvements	819,431	785,166
Furniture and equipment	115,310	115,193
	<u>1,313,738</u>	<u>1,279,356</u>
Less accumulated depreciation	516,152	484,280
	<u>\$ 797,586</u>	<u>\$ 795,076</u>

Hancock County Community Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

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 consolidated financial statements.

In early March, the COVID-19 virus was declared a global. Market risks could be severely impacted for months or more, as organizations and governments take 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 consolidated financial statements as a result of this uncertainty.

NOTE D - 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>
	<u>Fair Value</u>	<u>Fair Value</u>
Common stocks	\$ 738,274	\$ 730,463
Cash surrender value of life insurance	8,937	8,648
Land and land improvements	791,838	791,838
Investment in partnership	3,437,920	
Mutual funds - equities:		
Foreign large blend	3,140,696	5,233,672
Large value	2,219,997	4,424,022
Small growth	1,992,546	3,833,384
Mid-cap blend	2,074,311	1,754,316
Small blend	1,433,637	1,520,783
Large growth	8,651,565	7,282,961
Large blend	11,554,102	8,750,474
Foreign large growth	3,265,304	
Diversified emerging markets	2,373,147	1,906,596
Conservative allocation	1,520,997	1,272,678
Total mutual funds - equities	<u>38,226,302</u>	<u>35,978,886</u>
Mutual funds - fixed income:		
Corporate bonds	1,605,867	686,884
Intermediate-term bonds	2,599,326	2,374,863
Short-term bonds	3,240,468	3,242,170
Total mutual funds - fixed income	<u>7,445,661</u>	<u>6,303,917</u>
Total investments, at fair value	<u>\$ 50,648,932</u>	<u>\$ 43,813,752</u>
Total investments, at historical cost	<u>\$ 39,884,067</u>	<u>\$ 37,265,368</u>

Hancock County Community Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE E - PLEDGES RECEIVABLE

Donors have made pledges to various funds held by the Foundation. Outstanding pledges at December 31, 2020 and 2019 totaled \$105,000 and \$141,657, respectively. Pledges receivable are due from individuals and organizations and are deemed to be fully collectible; therefore, no provision has been made for uncollectible pledges. Pledges deemed uncollectible are written off using the direct write-off method when that determination is made.

During 2018, the Foundation began a campaign to raise funds for the Lilly Endowment, Inc. GIFT VII matching program. Outstanding pledges at December 31, 2020 and 2019 totaled \$-0- and \$238,262, respectively. Pledges receivable are due from individuals and are deemed to be fully collectible; therefore, no provision has been made for uncollectible pledges. Pledges deemed uncollectible are written off using the direct write-off method when that determination is made.

The pledges made are payable over several years and have not been discounted. The following summarizes the amounts due for the next five years for the campaigns.

December 31, 2021	\$	40,000
2022	\$	40,000
2023	\$	25,000
2024	\$	-0-
2025	\$	-0-

NOTE F - TRUST RECEIVABLE

During 2018, the Foundation was notified that it was a residual beneficiary of a trust with a local bank naming the Foundation as a 10% residual beneficiary of a charitable remainder unitrust. Under this type of charitable remainder trust, the current income beneficiary is to receive distributions in the amount of 5% of the fair value of the trust annually until death. Upon the death of the current income beneficiary, 10% of the remaining assets in the trust pass to the Foundation for investment in a field of interest endowment fund. Based on the current income beneficiary's life expectancy and a 0.6% and 2.0% discount rate as of December 31, 2020 and 2019, respectively, the present value of future benefits expected to be received by the Foundation was estimated to be \$71,252 and \$65,752 at December 31, 2020 and 2019, respectively.

NOTE G - GRANTS PAYABLE

Grants approved and committed for future payments are payable in the following years.

December 31, 2021	\$	134,652
2022	\$	10,957
2023	\$	6,521
2024	\$	-0-
2025 and thereafter	\$	-0-

NOTE H - RETIREMENT PLAN

During 2019, the Foundation adopted the Synergy Multiple Employer Retirement Savings Plan. Under the plan, the employees may contribute a specified portion of their compensation, and the Foundation will match the employee contributions up to 5%. The Foundation can also make additional contributions to the plan at its discretion. The Foundation contributed \$18,540 and \$13,320 for the years ended December 31, 2020 and 2019, respectively.

Hancock County Community Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE I - SPLIT-INTEREST AGREEMENTS

The Foundation's split-interest agreements with donors consist of eight charitable gift annuities. The assets received are recorded at their fair value. The fair value of assets held for the charitable gift annuities totaled \$424,320 and \$391,331 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. The present value of future payment obligations at December 31, 2020 and 2019 was \$213,777 and \$200,876, respectively. The liabilities were determined using discount rates ranging from 0.6% to 2.0%. Changes in fair value of the charitable gift annuities are reflected as changes in net assets without donor restrictions in the Consolidated Statements of Activities.

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 Consolidated Statements of Activities in their respective net asset classification.

NOTE J - FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

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.

The following tables set forth financial assets measured at fair value in the Consolidated Statements of Financial Position and the respective levels to which the fair value measurements are classified within the fair value hierarchy as of December 31, 2020 and 2019, respectively:

Hancock County Community Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE J - FAIR VALUE MEASUREMENTS - Continued

	2020			
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Investments				
Common stocks	\$ 738,274	\$ 738,274		
Cash surrender value of life insurance	\$ 8,937		\$ 8,937	
Land and land improvements	\$ 791,838			\$ 791,838
Investment in partnership*	\$ 3,437,920			
Mutual funds - equities	\$ 38,226,302	\$ 38,226,302		
Mutual funds - fixed income	\$ 7,445,661	\$ 7,445,661		
Total investments	\$ 50,648,932			
Trust receivable	\$ 71,252		\$ 71,252	
Liabilities:				
Annuity reserves	\$ 213,777		\$ 213,777	
2019				
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Investments				
Common stocks	\$ 730,463	\$ 730,463		
Cash surrender value of life insurance	\$ 8,648		\$ 8,648	
Land and land improvements	\$ 791,838			\$ 791,838
Mutual funds - equities	\$ 35,978,886	\$ 35,978,886		
Mutual funds - fixed income	\$ 6,303,917	\$ 6,303,917		
Total investments	\$ 43,813,752			
Trust receivable	\$ 65,752		\$ 65,752	
Liabilities:				
Annuity reserves	\$ 200,876		\$ 200,876	

* 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 Consolidated Statements of Financial Position.

Hancock County Community Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE J - FAIR VALUE MEASUREMENTS - Continued

The following schedule provides further detail of the land being held as a Level 3 fair value measurement using significant unobservable inputs at December 31, 2020 and 2019:

	Level 3	
	2020	2019
Beginning balance	\$ 791,838	\$ 779,183
Additions	-	12,655
Ending balance	<u>\$ 791,838</u>	<u>\$ 791,838</u>

Investment in partnership, including balances, restrictions on redemptions, and investment objectives consist of the following as of December 31, 2020. This investment was purchased during the year ended December 31, 2020.

	2020		
	Net Asset Value	Redemption Notice	Redemption Frequency
Baxter Street Fund II, L.P.	3,437,920	30 days notice	Monthly

Fair values for Level 1 investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value for the trust receivable is determined by calculating the present value of future payments to beneficiaries using published life expectancy tables with a discount rate of 3.6 percent. Fair value for the gift annuity payable is determined by calculating the present value of future payments to beneficiaries using published life expectancy tables using the applicable discount rate. Fair value for the land in Level 3 investments is determined by appraisals and the value of land improvements.

NOTE K - ENDOWMENT FUNDS

Endowment net assets composition by type of fund as of December 31, 2020 and 2019 was as follows:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 265,093		\$ 265,093
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor		\$ 36,834,744	36,834,744
Accumulated investment gains		14,031,905	14,031,905
	<u>\$ 265,093</u>	<u>\$ 50,866,649</u>	<u>\$ 51,131,742</u>

Hancock County Community Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE K - ENDOWMENT FUNDS - Continued

	2019		Total
	Without Donor Restrictions	With Donor Restrictions	
Board-designated endowment funds	\$ 243,912		\$ 243,912
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor		\$ 35,036,745	35,036,745
Accumulated investment gains		9,958,707	9,958,707
	<u>\$ 243,912</u>	<u>\$ 44,995,452</u>	<u>\$ 45,239,364</u>

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

	2020		Total
	Without Donor Restrictions	With Donor Restrictions	
Revenue and support			
Contributions		\$ 1,364,186	\$ 1,364,186
Investment return, net	\$ 31,697	6,345,549	6,377,246
Total revenue and support	31,697	7,709,735	7,741,432
Appropriation of endowment assets for expenditure	10,516	1,838,538	1,849,054
Change in endowment net assets	21,181	5,871,197	5,892,378
Endowment net assets, beginning of year	243,912	44,995,452	45,239,364
Endowment net assets, end of year	<u>\$ 265,093</u>	<u>\$ 50,866,649</u>	<u>\$ 51,131,742</u>
	2019		Total
	Without Donor Restrictions	With Donor Restrictions	
Revenue and support			
Contributions	\$ 3,499	\$ 2,267,077	\$ 2,270,576
Investment return, net	63,117	7,652,058	7,715,175
Total revenue	66,616	9,919,135	9,985,751
Appropriation of endowment assets for expenditure	33,859	1,741,213	1,775,072
Change in endowment net assets	32,757	8,177,922	8,210,679
Endowment net assets, beginning of year	211,155	36,817,530	37,028,685
Endowment net assets, end of year	<u>\$ 243,912</u>	<u>\$ 44,995,452</u>	<u>\$ 45,239,364</u>

Hancock County Community Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE K - ENDOWMENT FUNDS - Continued

Occasionally, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor of UPMIFA requires the Foundation to retain as a fund of perpetual duration. As of December 31, 2020, none of the endowment funds had deficiencies. As of December 31, 2019, 2 of the 287 endowment funds had deficiencies totaling \$171,273. Deficiencies resulted mainly from the sale of donated investment property and investment returns lower than the required payout rates for charitable gift annuities.

NOTE L - ADMINISTRATION MANAGEMENT

The Foundation assesses an administrative charge of 1% to 2.5% on endowment and pass-through funds. Fees are assessed quarterly based on the quarterly balance one prior quarter. This amount is used primarily to support the operations of the Foundation.

NOTE M - OPERATING LEASE

The Foundation leases office equipment under a five-year lease agreement. Monthly lease payments are \$294 per month. Total lease expense for the years ended December 31, 2020 and 2019 was \$3,821 and \$3,528, respectively. Future minimum payments on the above lease are as follows.

December 31, 2021	\$	3,528
2022	\$	588
2023	\$	-0-
2024	\$	-0-
2025	\$	-0-

NOTE N - NET ASSETS RELEASED FROM RESTRICTIONS

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:		
Designated	\$ 174,845	\$ 138,726
Donor advised	25,118	25,000
Field of interest	<u>176,155</u>	<u>61,744</u>
	376,118	225,470
Restricted-purpose spending-rate distributions and appropriations:		
Designated	447,231	490,682
Imagination Library	51,026	48,221
Donor advised	10,750	21,672
Scholarship	325,209	289,101
Field of interest	364,294	209,015
Operating	<u>11,415</u>	<u>4,062</u>
	<u>1,209,925</u>	<u>1,062,753</u>
	<u>\$ 1,586,043</u>	<u>\$ 1,288,223</u>

Hancock County Community Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE O - 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:		
Designated	\$ 361,267	\$ 298,026
Donor advised	292,937	269,169
Field of interest	<u>193,013</u>	<u>38,596</u>
	847,217	605,791
Subject to the passage of time:		
Estate and tax receivable, the proceeds from which have been restricted by donors for designated purposes		5,500
Pledges receivable, the proceeds from which have been restricted by donors for:		
Designated	105,000	120,000
Imagination Library		21,250
Field of interest		<u>406</u>
	<u>105,000</u>	<u>147,156</u>
Endowments:		
Subject to appropriation and expenditure when a specific event occurs:		
Restricted by donors for:		
Designated	1,672	2,415
Imagination Library	5,037	12,106
Donor advised	24,103	15,083
Scholarship	135,420	135,647
Field of interest	43,919	
Operating		<u>59,535</u>
	<u>210,151</u>	<u>224,786</u>
Trust receivable, the proceeds from which have been restricted by donors for field of interest	71,252	65,752
Subject to appropriation and expenditure when a specific event occurs:		
Proceeds from gift annuity upon death of the annuitant	210,543	191,501
Subject to Foundation spending and appropriation:		
Designated	19,846,142	20,143,583
Imagination Library	2,456,201	2,101,365
Donor advised	1,268,961	1,145,093
Scholarship	10,880,916	9,130,908
Field of interest	12,007,044	8,665,499
Operating	3,915,439	3,606,028
Underwater endowments		<u>(171,273)</u>
	<u>50,374,703</u>	<u>44,621,203</u>
	<u>\$ 51,818,866</u>	<u>\$ 45,856,189</u>

Hancock County Community Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE P - LIQUIDITY

The Foundation has financial assets without donor restrictions available within one year of the Consolidated Statements of Financial Position date consisting of the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 600,414	\$ 558,046

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 Consolidated 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 Q - AGENCY FUNDS

The Foundation reports contributions as a liability when third party organizations transfer these assets to the Foundation and specify themselves, or their affiliates, as the beneficiary. These liabilities are offset by the Foundation's investments.

During the 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 Consolidated Statements of Activities.

	<u>2020</u>	<u>2019</u>
Support and revenue		
Contributions	\$ 28,156	\$ 32,109
Investment return, net	<u>70,655</u>	<u>84,318</u>
	\$ 98,811	\$ 116,427
Expenses		
Grants	11,785	11,317
Administrative fees	<u>4,622</u>	<u>4,115</u>
	<u>16,407</u>	<u>15,432</u>
Increase in agency funds	82,404	100,995
Balance at beginning of year	<u>434,614</u>	<u>333,619</u>
Balance at end of year	<u>\$ 517,018</u>	<u>\$ 434,614</u>

Hancock County Community Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE R - RENTAL INCOME

The Foundation leases office space and farm land to various organizations. The leases run through October 31, 2023 and contain options for extension. Future minimum lease revenue is as follows.

December 31, 2021	\$	52,753
2022		7,310
2023		-0-
2024		-0-
2025		-0-
		<hr/>
	\$	<u>60,063</u>

During the years ended December 31, 2020 and 2019, the Foundation received rental income for the office space of \$27,133 and \$27,015, respectively, and \$31,609 and \$34,169, respectively, for the farm land.

NOTE S - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through June 17, 2021, which is the date these consolidated financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2020, have been incorporated into these consolidated financial statements herein.

On February 13, 2020, the Foundation entered into a Contract for Purchase of Real Estate with a third party for the sale of farm land held as an investment. The purchase price per the contract is \$1,650,863 and is contingent on the sale of other farm land owned by the buyer. The sale was closed on February 26, 2021. The sale is not reflected in these financial statements.

On May 6, 2021, the Foundation executed a line of credit for up to \$650,000 for a building renovation project. As of the date of the consolidated financial statements, no funds have been drawn on the line of credit.

SUPPLEMENTAL INFORMATION



Independent Auditors' Report on
Supplemental Information

**Board of Directors
Hancock County Community Foundation, Inc. and Affiliate**

We have audited the consolidated financial statements of Hancock County Community Foundation, Inc. and Affiliate as of and for the years ended December 31, 2020 and 2019, and have issued our report thereon dated June 17, 2021, which contained an unqualified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and consolidating statements of activities are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Estep Burkey Simmons, LLC

Muncie, Indiana
June 17, 2021

Hancock County Community Foundation, Inc. and Affiliate

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

December 31,

2020

	Hancock County Community Foundation, Inc.	Legacy Properties of Hancock County Community Foundation, Inc.	Eliminations	Total
ASSETS				
Cash and cash equivalents	\$ 2,723,607	\$ 45,943	\$ -	\$ 2,769,550
Investments	49,857,094	791,838	-	50,648,932
Tax refund receivable	-	-	-	-
Pledges receivable	105,000	-	-	105,000
Prepaid expenses	18,790	4,166	-	22,956
Trust receivable	71,252	-	-	71,252
Property, building and equipment, net	19,870	777,716	-	797,586
	<u>\$ 52,795,613</u>	<u>\$ 1,619,663</u>	<u>\$ -</u>	<u>\$ 54,415,276</u>
LIABILITIES				
Accounts payable	\$ 6,959	\$ 826	\$ -	\$ 7,785
Grants payable	152,130	-	-	152,130
Deferred revenue	-	-	-	-
Annuity reserves	213,777	-	-	213,777
Agency funds	517,018	-	-	517,018
	<u>889,884</u>	<u>826</u>	<u>-</u>	<u>890,710</u>
NET ASSETS				
Without donor restrictions	1,138,738	566,962	-	1,705,700
With donor restrictions	50,766,991	1,051,875	-	51,818,866
	<u>51,905,729</u>	<u>1,618,837</u>	<u>-</u>	<u>53,524,566</u>
	<u>\$ 52,795,613</u>	<u>\$ 1,619,663</u>	<u>\$ -</u>	<u>\$ 54,415,276</u>

2019

Hancock County Community Foundation, Inc.	Legacy Properties of Hancock County Community Foundation, Inc.	Eliminations	Total
\$ 2,820,437	\$ 53,983	\$ -	\$ 2,874,420
43,021,914	791,838	-	43,813,752
47,538	-	-	47,538
379,919	-	-	379,919
25,075	3,800	-	28,875
65,752	-	-	65,752
26,952	768,124	-	795,076
<u>\$ 46,387,587</u>	<u>\$ 1,617,745</u>	<u>\$ -</u>	<u>\$ 48,005,332</u>
\$ 23,265	\$ 1,050	\$ -	\$ 24,315
116,247	-	-	116,247
25,760	-	-	25,760
200,876	-	-	200,876
434,614	-	-	434,614
800,762	1,050	-	801,812
775,471	571,860	-	1,347,331
44,811,354	1,044,835	-	45,856,189
<u>45,586,825</u>	<u>1,616,695</u>	<u>-</u>	<u>47,203,520</u>
<u>\$ 46,387,587</u>	<u>\$ 1,617,745</u>	<u>\$ -</u>	<u>\$ 48,005,332</u>

Hancock County Community Foundation, Inc. and Affiliate

CONSOLIDATING STATEMENTS OF ACTIVITIES

Year Ended December 31, 2020

	Hancock County Community Foundation, Inc.		Legacy Properties of Hancock County Community Foundation, Inc.		Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions		
Support and revenue						
Contributions and grants	\$ 63,413	\$ 1,903,785	\$ 14,837		\$ (76,150)	\$ 1,905,885
Investment return, net	58,627	6,273,007	82,564			6,414,198
Change in value of split-interest agreements		(25,126)				(25,126)
Change in cash surrender value of life insurance		289				289
Farm and rental income			27,133	\$ 31,609		58,742
Other income	40,433					40,433
	<u>162,473</u>	<u>8,151,955</u>	<u>124,534</u>	<u>31,609</u>	<u>(76,150)</u>	<u>8,394,421</u>
Net assets released from restrictions						
Restrictions satisfied by payments	362,964	(362,964)	13,154	(13,154)		
Pursuant to spending policy	1,209,925	(1,209,925)				
Expenses						
Program services	1,585,363		63,413		(76,150)	1,572,626
Supporting services						
Management and general	194,611		90,588			285,199
Development expenses	220,172					220,172
	<u>2,000,146</u>		<u>154,001</u>		<u>(76,150)</u>	<u>2,077,997</u>
Transfer of administrative fees	628,051	(623,429)	11,415	(11,415)		4,622
CHANGE IN NET ASSETS	<u>363,267</u>	<u>5,955,637</u>	<u>(4,898)</u>	<u>7,040</u>		<u>6,321,046</u>
Net assets at beginning of year	<u>775,471</u>	<u>44,811,354</u>	<u>571,860</u>	<u>1,044,835</u>		<u>47,203,520</u>
Net assets at end of year	<u>\$ 1,138,738</u>	<u>\$ 50,766,991</u>	<u>\$ 566,962</u>	<u>\$ 1,051,875</u>		<u>\$ 53,524,566</u>

Hancock County Community Foundation, Inc. and Affiliate

CONSOLIDATING STATEMENTS OF ACTIVITIES

Year Ended December 31, 2019

	Hancock County Community Foundation, Inc.		Legacy Properties of Hancock County Community Foundation, Inc.		Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions		
Operating support and revenue						
Contributions		\$ 2,516,969	\$ 12,752		\$ (12,293)	\$ 2,517,428
Investment return, net	\$ 102,787	7,763,253	42			7,866,082
Change in value of split-interest agreements		28,629				28,629
Change in cash surrender value of life insurance		315				315
Farm and rental income		2,173	27,015	\$ 34,169	(2,173)	61,184
Loss on disposal of assets	(1,536)					(1,536)
Other income	89,243					89,243
	<u>190,494</u>	<u>10,311,339</u>	<u>39,809</u>	<u>34,169</u>	<u>(14,466)</u>	<u>10,561,345</u>
Net assets released from restrictions						
Satisfaction of purpose restrictions	214,402	(214,402)	11,068	(11,068)		
Pursuant to spending policy	1,064,926	(1,064,926)				
Operating expenses						
Program services	1,510,904		2,173		(14,466)	1,498,611
Supporting services						
Management and general	192,229		70,264			262,493
Development expenses	239,896					239,896
	<u>1,943,029</u>	<u></u>	<u>72,437</u>	<u></u>	<u>(14,466)</u>	<u>2,001,000</u>
Transfer of administrative fees	588,736	(584,408)	3,417	(3,417)		4,328
CHANGE IN NET ASSETS	115,529	8,447,603	(18,143)	19,684		8,564,673
Net assets at beginning of year	659,942	36,363,751	590,003	1,025,151		38,638,847