

Consolidated Financial Statements

LAGRANGE COUNTY COMMUNITY FOUNDATION, INC.

*Years ended December 31, 2019 and 2018
with Independent Auditor's Report*

LaGrange County Community Foundation, Inc.

Consolidated Financial Statements

Years ended December 31, 2019 and 2018

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Independent Auditor's Report

Board of Directors
LaGrange County Community Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the LaGrange County Community Foundation, Inc. and its affiliate, L.C.C.F. Support Organization, Inc., which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities and changes in net assets, 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 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 financial position of LaGrange County Community Foundation, Inc. and its affiliate, L.C.C.F. Support Organization, Inc., as of December 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Haines, Asenbarger & Skiba, LLC

Fort Wayne, Indiana
June 3, 2020

LaGrange County Community Foundation, Inc.

Consolidated Statements of Financial Position

	December 31	
	2019	2018
Assets		
Cash and cash equivalents	\$ 273,000	\$ 728,341
Investments	16,927,290	14,263,135
Note receivable	182,157	192,637
Property and equipment, net	381,745	187,032
Other assets	7,550	5,356
Total assets	<u>\$ 17,771,742</u>	<u>\$ 15,376,501</u>
Liabilities and net assets		
Liabilities:		
Accounts and other payables	\$ 20,022	\$ 18,127
Funds held for others	186,208	174,737
Total liabilities	<u>206,230</u>	<u>192,864</u>
Net assets:		
Without donor restrictions	7,534,455	6,109,023
With donor restrictions	10,031,057	9,074,614
Total net assets	<u>17,565,512</u>	<u>15,183,637</u>
Total liabilities and net assets	<u>\$ 17,771,742</u>	<u>\$ 15,376,501</u>

See notes to consolidated financial statements.

LaGrange County Community Foundation, Inc.

Consolidated Statements of Activities and Changes in Net Assets

	Year ended December 31					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenues and gains (losses)						
General contributions	\$ 699,215	\$ 155,180	\$ 854,395	\$ 274,113	\$ 364,843	\$ 638,956
Investment income:						
Interest and dividends	172,237	247,549	419,786	136,627	306,457	443,084
Unrealized gains (losses)	781,990	1,180,603	1,962,593	(482,026)	(777,768)	(1,259,794)
Realized gains	79,635	116,684	196,319	42,034	67,426	109,460
Investment fees:						
Fees to Foundation	(317,029)	-	(317,029)	(321,569)	-	(321,569)
Fees to others	(30,478)	-	(30,478)	(26,576)	-	(26,576)
Administrative assessment	319,609	-	319,609	324,205	-	324,205
Other	9,300	-	9,300	13,877	11,720	25,597
Total support, revenue and gains (losses)	<u>1,714,479</u>	<u>1,700,016</u>	<u>3,414,495</u>	<u>(39,315)</u>	<u>(27,322)</u>	<u>(66,637)</u>
Net assets released from restrictions	743,573	(743,573)	-	867,604	(867,604)	-
	<u>2,458,052</u>	<u>956,443</u>	<u>3,414,495</u>	<u>828,289</u>	<u>(894,926)</u>	<u>(66,637)</u>
Expenses						
Program services:						
Grants and scholarships awarded	456,654	-	456,654	637,548	-	637,548
Other program services	298,474	-	298,474	173,641	-	173,641
	<u>755,128</u>	<u>-</u>	<u>755,128</u>	<u>811,189</u>	<u>-</u>	<u>811,189</u>
Supporting activities:						
Management and general	240,389	-	240,389	184,095	-	184,095
Fund-raising	37,103	-	37,103	32,229	-	32,229
	<u>277,492</u>	<u>-</u>	<u>277,492</u>	<u>216,324</u>	<u>-</u>	<u>216,324</u>
Total expenses	<u>1,032,620</u>	<u>-</u>	<u>1,032,620</u>	<u>1,027,513</u>	<u>-</u>	<u>1,027,513</u>
Increase (decrease) in net assets	1,425,432	956,443	2,381,875	(199,224)	(894,926)	(1,094,150)
Transfers	-	-	-	(20,070)	20,070	-
Net assets at beginning of year	6,109,023	9,074,614	15,183,637	6,328,317	9,949,470	16,277,787
Net assets at end of year	<u>\$ 7,534,455</u>	<u>\$ 10,031,057</u>	<u>\$ 17,565,512</u>	<u>\$ 6,109,023</u>	<u>\$ 9,074,614</u>	<u>\$ 15,183,637</u>

See notes to consolidated financial statements.

LaGrange County Community Foundation, Inc.

Consolidated Statements of Functional Expenses

Year ended December 31

	2019						2018					
	Program Services			Supporting Activities			Program Services			Supporting Activities		
	Grants and Scholarships	Other	Total	Management and General	Fund-raising	Total Expenses	Grants and Scholarships	Other	Total	Management and General	Fund-raising	Total Expenses
Grants and scholarships awarded	\$ 456,654	\$ -	\$ 456,654	\$ -	\$ -	\$ 456,654	\$ 637,548	\$ -	\$ 637,548	\$ -	\$ -	\$ 637,548
Program related disbursements	-	205,741	205,741	-	-	205,741	-	92,067	92,067	-	-	92,067
Personnel and related expenses:												
Salaries and wages	-	35,707	35,707	92,839	14,283	142,829	-	41,712	41,712	108,452	16,685	166,849
Payroll taxes	-	2,735	2,735	7,112	1,094	10,941	-	3,256	3,256	8,466	1,302	13,024
	-	38,442	38,442	99,951	15,377	153,770	-	44,968	44,968	116,918	17,987	179,873
Advertising and promotion	-	-	-	-	6,052	6,052	-	-	-	-	7,866	7,866
Conferences and meetings	-	-	-	16,366	-	16,366	-	-	-	6,801	-	6,801
Depreciation	-	-	-	5,825	-	5,825	-	-	-	4,209	-	4,209
Information technology	-	8,145	8,145	21,176	3,258	32,579	-	4,783	4,783	12,435	1,913	19,131
Insurance	-	3,757	3,757	1,252	-	5,009	-	4,548	4,548	1,516	-	6,064
Miscellaneous	-	995	995	19,491	1,808	22,294	-	1,917	1,917	11,689	1,283	14,889
Occupancy	-	14,082	14,082	5,416	2,167	21,665	-	14,380	14,380	5,531	2,212	22,123
Office	-	3,258	3,258	8,471	1,303	13,032	-	2,419	2,419	6,290	968	9,677
Professional fees	-	24,054	24,054	62,441	7,138	93,633	-	8,559	8,559	18,706	-	27,265
Total expenses	\$ 456,654	\$ 298,474	\$ 755,128	\$ 240,389	\$ 37,103	\$ 1,032,620	\$ 637,548	\$ 173,641	\$ 811,189	\$ 184,095	\$ 32,229	\$ 1,027,513

See notes to consolidated financial statements.

LaGrange County Community Foundation, Inc.

Consolidated Statements of Cash Flows

	Year ended December 31	
	2019	2018
Operating activities		
Increase (decrease) in net assets	\$ 2,381,875	\$ (1,094,150)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	5,825	4,209
Unrealized (gains) losses on investments	(1,962,593)	1,259,794
Realized gains on investments	(196,319)	(109,460)
Contributions received for long-term purposes	(70,287)	(24,505)
Changes in operating assets and liabilities:		
Other assets	(2,194)	1,489
Accounts and other payables	1,895	(87,618)
Funds held for others	11,471	(16,726)
Net cash provided by (used in) operating activities	<u>169,673</u>	<u>(66,967)</u>
Investing activities		
Purchases of property and equipment	(200,538)	(19,280)
Purchases of investments	(755,474)	(732,040)
Proceeds from sale and maturities of investments	250,231	857,064
Payments on note receivable	10,480	11,640
Net cash provided by (used in) investing activities	<u>(695,301)</u>	<u>117,384</u>
Financing activity		
Contributions received for long-term purposes	<u>70,287</u>	<u>24,505</u>
Increase in cash and cash equivalents	(455,341)	74,922
Cash and cash equivalents at beginning of year	728,341	653,419
Cash and cash equivalents at end of year	<u>\$ 273,000</u>	<u>\$ 728,341</u>

See notes to consolidated financial statements.

LaGrange County Community Foundation, Inc.

Notes to Consolidated Financial Statements

December 31, 2019

1. Organization

The mission of LaGrange County Community Foundation, Inc. (Foundation) is to inspire and sustain generosity, leadership and service in the community. The Foundation was founded in 1991 and has grown to include endowed funds, which provide ongoing funding for service organizations and projects throughout LaGrange County.

The mission of L.C.C.F. Support Organization, Inc. (Support Organization) is to provide funding of projects in the communities served by LaGrange County Community Foundation, Inc.

The Foundation and Support Organization are exempt from federal income tax under Section 501(c)(3) of the United States Internal Revenue Code and contributions to it are tax deductible within the limitations prescribed by the Internal Revenue Code. The Foundation is not considered a private foundation within the meaning of Section 509(a)(1) of the Internal Revenue Code.

2. Significant Accounting Policies

The consolidated financial statements are presented on the accrual basis. The consolidated financial statements as of and for the years ended December 31, 2019 and 2018 include the Foundation and Support Organization. Significant inter-organization accounts and transactions have been eliminated in consolidation.

The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

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 the reported amounts and disclosures at the date of the consolidated financial statements and during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash held in checking accounts, cash on hand and money market accounts with original maturity dates of less than three months. While the Foundation may maintain cash and cash equivalents in bank deposit accounts which at times

LaGrange County Community Foundation, Inc.

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Cash and Cash Equivalents (continued)

exceed federally insured limits, they have not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investments

Investments are primarily held for long-term purposes such as endowments and scholarships. Investments are reported at fair value with gains and losses included in the statements of activities in net assets without donor restrictions unless a donor or law temporarily or permanently restricts their use. Donated investments are initially reported at fair value on the date of the gift. Other investments are carried at the lower of cost (fair value at date of donation) or current fair value and include assets such as real estate.

Adjustments to the carrying value of the other investments are reported in the statements of activities as a component of realized or unrealized gains (losses). Broker investment fees were \$30,478 and \$26,576 for the years ended December 31, 2019 and 2018, respectively. The Foundation also assesses a management fee on investments and their designated funds.

Note Receivable

The Foundation holds a note receivable from LaGrange County Council on Aging, Inc. The note receivable is unsecured and receivable in monthly installments of \$2,000 including principal and interest at the prime rate plus 1.75 percent (6.5 percent at December 31, 2019) beginning on May 5, 2016 with the remaining amount due March 24, 2024.

Property and Equipment

Property and equipment are stated at cost or estimated historical cost through appraisal or at the market values on the dates the gifts were donated in the case of gifts from nonaffiliated entities. Expenditures greater than \$1,000 are capitalized, and depreciation is computed on the straight-line method. The useful lives of the buildings are 30 years, and useful lives for all other assets range from 5 to 10 years.

LaGrange County Community Foundation, Inc.

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Funds Held for Others

Funds held for others consist of amounts established at the Foundation by separate 501(c)(3) organizations who specify that the resource provider will be the beneficiary of the investment earnings. Under the *Revenue Recognition and Disclosure* topics of the FASB ASC for *Transfers of Assets to a Not-for-Profit Organization that Raises or Holds Contributions for Others*, the amounts held and the investment earnings are required to be reported as a liability for financial reporting purposes.

Revenues and Expenses

Revenue is recognized when earned. Support is recognized when contributions are made, which may be when cash is received, unconditional promises are made or ownership of other assets is transferred to the Foundation.

The Foundation assesses an administrative charge of 2 percent on endowed and non-endowed permanent funds. The amount assessed to these permanent funds is based upon the average quarterly fair value balance of the fund. For funds that are temporary assets of the Foundation, where the Foundation is acting in a fiscal sponsorship role or for pass-through scholarship funds, the Foundation assesses an administrative charge of 5 to 10 percent of the pass-through gift. All administrative fees assessed primarily support the operations of the Foundation and amounted to \$319,609 and \$324,205 for the years ending December 31, 2019 and 2018, respectively.

The Foundation recognizes gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and recognized in the statements of activities as satisfaction of purpose restrictions.

The Foundation recognizes gifts of property and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation recognizes expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses are recognized when incurred in accordance with accrual basis accounting.

LaGrange County Community Foundation, Inc.

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions—Net assets available for use in general operations and not subject to donor- (or certain grantor-) restrictions. Net assets without donor restrictions consist of the following types of internally-designated funds:

- *Operating net assets* – Undesignated net assets that result from the accumulated surplus of operating income over operating expenses and are available for use in the general operations of the Foundation.
- *Board designated quasi endowment* – Assets held with board designation that principal is held in perpetuity and income may be expended at any time.
- *Net investment in property and equipment* – Property and equipment at cost less accumulated depreciation.

Net Assets With Donor Restrictions—Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled or both. Endowment deficits (underwater endowments) occur when the fair value in individual funds fall below the historical gift amounts.

Net assets with donor restrictions are segregated among the following:

- *Field of interest* – A fund established to benefit a specific field (such as health care, education, youth programs, the arts, etc.). Grants are made from the fund to the most appropriate programs or organization in the field chosen and based on current needs. The donor may express preference in determining the field of interest.

LaGrange County Community Foundation, Inc.

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Net Assets (continued)

- *Specified purpose/designated* – A fund established to support other charitable programs or organizations, including churches or synagogues, educational institutions or charitable activities of other organizations. The donor may express preferences as to the charitable program or organization receiving the grant.
- *Scholarships* – A fund established to provide scholarships for the benefit of deserving students' educational opportunities. The donor may express preference regarding which school's students to support, the college or program and the criteria applied.
- *Donor advised* – A fund established to allow the donor to make suggestions on which charities or programs should be supported each year.
- *Accumulated earnings* – Cumulative appreciation and reinvested gains on donor-restricted endowment assets which have not been appropriated by the Board of Directors.

LaGrange County Community Foundation, Inc.

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Fair Value Measurements

The Foundation uses appropriate valuation techniques to determine fair value based on inputs available. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

	Fair Value Measurements at December 31, 2019 Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Money market funds	\$ 642,538	\$ -	\$ -	\$ 642,538
Equity securities:				
Financial services	234,606	-	-	234,606
Mutual and exchange traded funds:				
Short-term bond	616,846	-	-	616,846
Intermediate-term bond	1,927,147	-	-	1,927,147
International bond	615,711	-	-	615,711
International large blend	4,190,657	-	-	4,190,657
Large blend	6,289,333	-	-	6,289,333
Large growth	51,832	-	-	51,832
Large value	56,262	-	-	56,262
Mid blend	806,268	-	-	806,268
Mid growth	13,264	-	-	13,264
Mid value	1,442,620	-	-	1,442,620
Small blend	15,706	-	-	15,706
	16,025,646	-	-	16,025,646
Total investments at fair value	\$ 16,902,790	\$ -	\$ -	\$ 16,902,790

LaGrange County Community Foundation, Inc.

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Fair Value Measurements (continued)

	Fair Value Measurements at December 31, 2018 Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Money market funds	\$ 11,221	\$ -	\$ -	\$ 11,221
Equity securities:				
Financial services	307,295	-	-	307,295
Mutual and exchange traded funds:				
Short-term bond	602,822	-	-	602,822
Intermediate-term bond	1,858,003	-	-	1,858,003
International bond	624,114	-	-	624,114
International large blend	3,315,031	-	-	3,315,031
Large blend	5,220,187	-	-	5,220,187
Large growth	40,169	-	-	40,169
Large value	49,195	-	-	49,195
Mid blend	722,529	-	-	722,529
Mid growth	11,072	-	-	11,072
Mid value	1,463,952	-	-	1,463,952
Small blend	13,045	-	-	13,045
	<u>13,920,119</u>	<u>-</u>	<u>-</u>	<u>13,920,119</u>
Total investments at fair value	<u>\$ 14,238,635</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,238,635</u>

Fair value of assets measured on a recurring basis at December 31, 2019 and 2018, are as follows:

Level 1:

Money market funds: Valued at quoted market prices in an exchange and active market.

Equity securities: Valued at quoted market prices in an exchange and active market.

Mutual and exchange traded funds: Valued at quoted net asset values of the shares held by the Foundation at year-end.

LaGrange County Community Foundation, Inc.

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Fair Value Measurements (continued)

The fair value of the land and buildings used in operations is measured on a nonrecurring basis. One of its buildings was valued at its appraised value on the date of its in-kind contribution to the Support Organization, and the other building was valued at cost.

Functional Allocation of Expenses

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated, based on management's estimate, among the program services and supporting activities benefited. Program services are expenses incurred primarily on behalf of endowment grants. The Foundation incurred no joint costs for the years ending December 31, 2019 and 2018, respectively.

Uncertain Tax Positions

The effects of a tax position taken or expected to be taken are recognized in the consolidated financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statements of activities. As of December 31, 2019 and 2018, the Foundation had no uncertain tax positions that qualify for recognition or disclosure in the consolidated financial statements. The Foundation files returns in the United States federal jurisdiction and the state of Indiana. With few exceptions the Foundation is no longer subject to investigation by the Internal Revenue Service (IRS) for years before 2015.

Concentration of Support Risk

It is common for community foundations to receive the majority of the contributions in any given year from a small number of donors due to bequests received from estates or periodic grants from Lilly Endowment Inc. During the year ending December 31, 2019, the Foundation received grants of \$550,000 from Lilly Endowment Inc. as part of the seventh phase of its Giving Indiana Funds for Tomorrow (GIFT) initiative. There were no such concentrations for the year ending December 31, 2018. Other than grants from Lilly Endowment Inc., the majority of the Foundation's support comes from the area of LaGrange County, Indiana.

LaGrange County Community Foundation, Inc.

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Concentration of Credit Risk

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect amounts reported in the consolidated financial statements. The Foundation has established guidelines relative to diversification and liquidity risk levels. These guidelines are periodically reviewed and modified as necessary.

Newly Adopted Accounting Standard

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard is intended to address questions stemming from FASB ASU No. 2014-09, *Revenue from Contracts with Customers*, regarding its implications on the grants and contracts of not-for-profit organizations. The guidance clarifies how entities determine whether to account for a transfer of assets (or a reduction, settlement or cancellation of a liability) as an exchange transaction or a contribution. The new guidance also clarifies that a contribution is conditional if the agreement includes both a barrier (or barriers) that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets. ASU 2018-08 applies to resource providers and resource recipients. The Foundation adopted ASU 2018-08 prospectively on January 1, 2019 with no impact on its financial statements.

Recently Issued Accounting Standard

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for the Foundation's December 31, 2022 consolidated financial statements. The Foundation is currently evaluating the effect of the pending adoption of the new standard on the consolidated financial statements.

LaGrange County Community Foundation, Inc.

Notes to Consolidated Financial Statements (continued)

3. Liquidity and Availability

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. In addition, the Foundation receives support without donor restrictions. Annual program funding needs are supported by contributions received without donor restrictions, investment income without donor restrictions and appropriated earnings from gifts with donor restrictions.

The Foundation considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation’s fiscal year.

The Foundation manages its cash available to meet general expenditures following three guiding principles: operating within a prudent range of financial soundness and stability; maintaining liquid assets; and maintaining sufficient reserves to provide reasonable assurance that long-term grant commitments and obligations under endowments with donor restrictions and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year from the statement of financial position date, comprise the following:

	December 31	
	2019	2018
Cash and cash equivalents	\$ 306,225	\$ 282,787
Notes receivable	12,532	10,312
	<u>\$ 318,757</u>	<u>\$ 293,099</u>

In addition to these funds available for general expenditures, the Foundation’s Board of Directors has chosen to charge an administrative fee to all funds pursuant to the fund agreement. Certain administrative fees are based on a percentage of the fund balance and are assessed quarterly or annually. Other administrative fees are based on a percentage of annual contributions to the



LaGrange County Community Foundation, Inc.

Notes to Consolidated Financial Statements (continued)

3. Liquidity and Availability (continued)

fund. Estimated administrative fees available for general expenditures during 2020 are \$325,000. In addition, the Board of Directors could vote to undesignate board designated endowment assets to make additional funds available if needed.

The Foundation’s Grant Advisory Committee meets periodically to review and recommend grant requests for approval by the Board of Directors. The Foundation has adopted investment and spending policies for endowment assets that attempt to provide sufficient liquidity for grantmaking and other purposes.

4. Investments

Investments consist of the following:

	December 31	
	2019	2018
Investments:		
Money market funds	\$ 642,538	\$ 11,221
Equity securities	234,606	307,295
Mutual and exchange traded funds	16,025,646	13,920,119
	16,902,790	14,238,635
Other investments:		
Real estate	24,500	24,500
	\$ 16,927,290	\$ 14,263,135

5. Property and Equipment

Property and equipment consist of the following:

	December 31	
	2019	2018
Land, building and improvements	\$ 420,196	\$ 219,658
Furniture and equipment	91,635	91,635
	511,831	311,293
Less accumulated depreciation	(130,086)	(124,261)
	\$ 381,745	\$ 187,032

Depreciation for the years ending December 31, 2019 and 2018, was \$5,825 and \$4,209, respectively.

LaGrange County Community Foundation, Inc.

Notes to Consolidated Financial Statements (continued)

6. Net Assets

Net assets consist of:

	December 31	
	2019	2018
Without donor restrictions:		
Undesignated—operating	\$ 306,225	\$ 282,787
Board-designated endowments	6,846,485	5,639,204
Net equity in property and equipment	381,745	187,032
	7,534,455	6,109,023
With donor restrictions:		
Restricted in perpetuity—endowment	6,621,693	6,541,827
Subject to expenditure for specified purpose:		
Endowment funds:		
Accumulated unappropriated earnings from endowment funds	3,261,055	2,190,417
Non-endowed funds:		
Specified purpose	24,082	232,678
Scholarships	33,236	30,590
Field of interest	90,991	79,102
	10,031,057	9,074,614
Total	\$ 17,565,512	\$ 15,183,637

Endowment

The Foundation’s endowment consists of 111 individual funds established for a variety of purposes. Its endowment is comprised of funds designated by the Board of Directors to function as endowments and by donor-restricted funds. As required by generally accepted accounting principles (GAAP), 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.

Interpretation of Relevant Law

The Board of Directors has interpreted the state of Indiana’s Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value providing for intergenerational equity. The fair value of a donor’s permanent endowment is its market value.

LaGrange County Community Foundation, Inc.

Notes to Consolidated Financial Statements (continued)

6. Net Assets (continued)

Market value includes the original gift value of the assets held in perpetuity, the original value of subsequent gifts to the permanent endowment and net realized and unrealized gains absent explicit donor stipulations to the contrary. Donor-restricted amounts not retained in perpetuity are subject to appropriation by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation 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 Foundation and the donor-restricted endowment funds.
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 Foundation.
7. The investment policies of the Foundation.

LaGrange County Community Foundation, Inc.

Notes to Consolidated Financial Statements (continued)

6. Net Assets (continued)

Endowment net asset composition by type of fund as of December 31, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 9,882,748	\$ 9,882,748
Board-designated endowment funds	6,846,485	-	6,846,485
Total endowment net assets	\$ 6,846,485	\$ 9,882,748	\$ 16,729,233

Changes in endowment net assets for the year ended December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 5,639,204	\$ 8,732,244	\$ 14,371,448
Investment return:			
Interest and dividends	171,356	247,435	418,791
Net appreciation (realized and unrealized)	860,411	1,296,418	2,156,829
Investment fees	(10,866)	(19,490)	(30,356)
Administrative assessments	(128,011)	(186,472)	(314,483)
Total investment return	892,890	1,337,891	2,230,781
Contributions and grant income	583,310	92,319	675,629
Expended for endowment purposes	(188,164)	(277,567)	(465,731)
Other changes	(80,755)	(2,139)	(82,894)
Endowment net assets, end of year	\$ 6,846,485	\$ 9,882,748	\$ 16,729,233

LaGrange County Community Foundation, Inc.

Notes to Consolidated Financial Statements (continued)

6. Net Assets (continued)

Endowment net asset composition by type of fund as of December 31, 2018 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 8,732,244	\$ 8,732,244
Board-designated endowment funds	5,639,204	-	5,639,204
Total endowment net assets	\$ 5,639,204	\$ 8,732,244	\$ 14,371,448

Changes in endowment net assets for the year ended December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 5,949,429	\$ 9,540,651	\$ 15,490,080
Investment return:			
Interest and dividends	136,906	306,357	446,263
Net depreciation (realized and unrealized)	(451,392)	(709,686)	(1,161,078)
Investment fees	(9,703)	(19,770)	(29,473)
Administrative assessments	(116,305)	(187,167)	(303,472)
Total investment return	(437,494)	(610,266)	(1,047,760)
Contributions and grant income	269,249	25,615	294,864
Expended for endowment purposes	(87,194)	(227,021)	(314,215)
Other changes	(51,786)	3,265	(51,521)
Endowment net assets, end of year	\$ 5,639,204	\$ 8,732,244	\$ 14,371,448

Funds with Deficiencies

Occasionally, the fair value of assets associated with individual donor-restricted endowment funds may fall below the historical gift amount. As of December 31, 2019 and 2018, no endowment funds fell below the historical gift amount. Deficiencies may result from

LaGrange County Community Foundation, Inc.

Notes to Consolidated Financial Statements (continued)

6. Net Assets (continued)

Funds with Deficiencies (continued)

unfavorable market fluctuations that occur shortly after the investment of new donor-restricted contributions and continued appropriation for certain programs that is deemed prudent by the Board of Directors.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the

Board of Directors, the endowment assets are invested in a manner to protect the purchasing power of the original investments, to generate returns in excess of the spending policy, to maximize the total return of the Foundation within reasonable and prudent levels of risk and to offer equity and fixed income investments that are diversified among securities and industries, reducing the risk of large losses. Actual returns in any given year will of course vary.

Strategies Employed for Achieving Objectives

The primary objective of the investments will be to provide for long-term growth of principal and income without undue exposure to risk to enable the Foundation to make grants on a continuing and reasonably consistent basis. Therefore, the focus will be on consistent long-term capital appreciation, with income generation as a secondary consideration. More specifically, the investment committee seeks returns during a full market cycle that are large enough to preserve and enhance the real, inflation adjusted purchasing power of the Foundation's assets, while also considering the current spending requirements. In pursuing this objective, the investment committee endeavors to achieve total returns that over time are better than the relevant market averages. The investment committee does not expect that in each and every year the investment objective referred to above will necessarily be achieved.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The distribution rate for endowment funds for the Foundation is based upon a modified total return approach that authorizes both income and net capital appreciation to be withdrawn for spending in certain circumstances. The Foundation is not required to spend the maximum

LaGrange County Community Foundation, Inc.

Notes to Consolidated Financial Statements (continued)

6. Net Assets (continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy (continued)

allowable amount calculated under this policy and may instead accumulate part or the entire amount for investment and use in future periods. The Foundation, in its sole discretion, may revoke, modify or amend this Spending and Distribution Policy at any time. For funds with deficiencies, it is the Foundation's practice to not spend from the fund until it has reached its historical dollar value, unless deemed prudent and necessary by the Board of Directors.

7. Lease

The Foundation leases a copier pursuant to a non-cancelable lease which expires in 2022. Rent expense was \$3,239 and \$4,019 for the years ending December 31, 2019 and 2018, respectively.

Future minimum payments on the aforementioned lease are as follows:

2020	\$ 4,019
2021	4,019
2022	2,680
	<u>\$ 10,718</u>

8. Subsequent Events

Management has evaluated subsequent events through June 3, 2020, the date on which the consolidated financial statements were available to be issued. On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. As a result of the spread of COVID-19 coronavirus, economic uncertainties have arisen which may impact the Program. The extent of the impact on its operational and financial performance will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions, all of which are highly uncertain and cannot be predicted.