

WABASH VALLEY COMMUNITY FOUNDATION, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

CPAs / ADVISORS



WABASH VALLEY COMMUNITY FOUNDATION, INC.

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
Wabash Valley Community Foundation, Inc.
Terre Haute, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Wabash Valley Community Foundation, Inc. (the "Foundation") which comprise the statement of financial position as of September 30, 2020 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of September 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Blue & Co., LLC

Seymour, Indiana

March 4, 2021

WABASH VALLEY COMMUNITY FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION SEPTEMBER 30, 2020

ASSETS

Cash	\$ 924,984
Investments	61,098,322
Contributions receivable	350,000
Property and equipment, net	922,842
Cash surrender value of life insurance	<u>112,755</u>
	<u>\$ 63,408,903</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 10,202
Scholarships and grants payable	1,212,010
Agency endowments	3,351,160
Mortgage payable	490,089
Other liabilities	<u>33,566</u>
Total liabilities	5,097,027

Net assets

Without donor restrictions	55,052,899
With donor restrictions	<u>3,258,977</u>
Total net assets	<u>58,311,876</u>
	<u>\$ 63,408,903</u>

See accompanying notes to financial statements.

WABASH VALLEY COMMUNITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES YEAR ENDED SEPTEMBER 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenues, and other			
Contributions and grants	\$ 2,769,285	\$ 350,000	\$ 3,119,285
Investment return, net	1,081,793	38,120	1,119,913
Administrative fees	805,229	-0-	805,229
Change in cash surrender value of life insurance	7,525	-0-	7,525
Miscellaneous income	31,716	-0-	31,716
Net assets released from restrictions	182,407	(182,407)	-0-
Total support and revenues	<u>4,877,955</u>	<u>205,713</u>	<u>5,083,668</u>
Expenses			
Program services	3,254,262	-0-	3,254,262
General and administrative	420,512	-0-	420,512
Fundraising	217,568	-0-	217,568
Total expenses	<u>3,892,342</u>	<u>-0-</u>	<u>3,892,342</u>
Change in net assets	985,613	205,713	1,191,326
Net assets, beginning of year	<u>54,067,286</u>	<u>3,053,264</u>	<u>57,120,550</u>
Net assets, end of year	<u>\$ 55,052,899</u>	<u>\$ 3,258,977</u>	<u>\$ 58,311,876</u>

See accompanying notes to financial statements.

WABASH VALLEY COMMUNITY FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2020

	Program Services			Supporting Activities		Total
	Grants & Scholarships	Community Leadership	Total Program Services	Management & General	Fundraising	
Grants and distributions	\$ 2,130,388	\$ -0-	\$ 2,130,388	\$ -0-	\$ -0-	\$ 2,130,388
Administrative fees	780,101	-0-	780,101	-0-	-0-	780,101
Salaries and wages	129,129	75,409	204,538	224,514	72,154	501,206
Worker's comp insurance	4,655	2,685	7,340	8,057	2,506	17,903
Retirement plan	10,808	6,236	17,044	18,706	5,820	41,570
Payroll taxes	9,956	5,744	15,700	17,231	5,361	38,292
Annual report	-0-	-0-	-0-	28,848	-0-	28,848
Depreciation expense	9,550	9,020	18,570	20,161	14,325	53,056
Newsletter	-0-	-0-	-0-	5,775	5,776	11,551
Office supplies	2,264	2,138	4,402	4,779	3,396	12,577
Postage and shipping	1,509	1,401	2,910	4,959	2,910	10,779
Printing and copying	1,212	1,144	2,356	2,558	1,817	6,731
Professional fees	3,866	3,866	7,732	38,660	18,042	64,434
Scholarship administration	11,012	-0-	11,012	-0-	-0-	11,012
Other administrative costs	8,680	5,425	14,105	15,191	24,955	54,251
Building maintenance	8,155	7,702	15,857	17,215	12,232	45,304
Interest	2,402	2,268	4,670	5,070	3,603	13,343
Other occupancy costs	2,255	2,129	4,384	4,760	3,382	12,526
Special events	7,518	-0-	7,518	-0-	-0-	7,518
Gift VII planning expenses	-0-	600	600	-0-	-0-	600
Other development expenses	3,021	2,014	5,035	4,028	41,289	50,352
	<u>\$ 3,126,481</u>	<u>\$ 127,781</u>	<u>\$ 3,254,262</u>	<u>\$ 420,512</u>	<u>\$ 217,568</u>	<u>\$ 3,892,342</u>

See accompanying notes to financial statements.

WABASH VALLEY COMMUNITY FOUNDATION, INC.

STATEMENT OF CASH FLOWS YEAR ENDED SEPTEMBER 30, 2020

Operating activities

Change in net assets	\$ 1,191,326
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	53,056
Reinvested interest and dividends received on investments	(1,950,488)
Realized and unrealized losses on investments	621,548
Change in cash surrender value of life insurance	(7,525)
Changes in assets and liabilities:	
Contributions receivable	(350,000)
Other assets	1,005
Accounts payable	10,202
Scholarships and grants payable	129,718
Agency endowments	(97,849)
Deferred revenue	(515,987)
Other liabilities	<u>5,148</u>
Net cash flows from operating activities	(909,846)

Investing activities

Purchase of investments	(4,957,157)
Proceeds from sales of investments	<u>6,666,197</u>
Net cash flows from investing activities	1,709,040

Financing activities

Payments on mortgage payable	<u>(19,316)</u>
Net cash flows from financing activities	<u>(19,316)</u>
Net change in cash and cash equivalents	779,878

Cash and cash equivalents, beginning of year 145,106

Cash and cash equivalents, end of year \$ 924,984

Supplemental disclosure of cash flow information

Cash payments made during the year for interest	\$ 13,343
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See accompanying notes to financial statements.

WABASH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Wabash Valley Community Foundation, Inc. (the "Foundation") was established as a not-for-profit organization in 1991. The Foundation engages people, builds resources, and enriches lives in the Wabash Valley. The vision of the Foundation is for a healthy, educated, and thriving community by being the primary steward of endowed funds and a leader that encourages broad-based charitable activities in the Wabash Valley.

Management's Estimates

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

Basis of Presentation

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

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions (time or purpose). Net assets without donor restrictions are amounts designated by the Foundation's board of directors for operating purposes and funds designated to function as endowments, including donor-designated funds that have granted the Foundation variance power to alter the terms of the gifts.

Net assets with donor restrictions: Net assets subject to donor stipulations for specific purposes or time restrictions. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term to support operations or specific purposes. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying Statements of Activities as net assets released from restriction.

Investments and Investment Return

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

WABASH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020

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

Property and Equipment

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

The property and equipment of the Foundation are being depreciated over their estimated useful lives ranging from three to thirty-nine years using the straight-line method.

Deferred Revenue

During 2018, the Foundation received grants totaling \$2,000,000 from Lilly Endowment through its GIFT Phase VII initiative, which was allocated among its three-county service area. The grants are required to be matched with new contributions to help build the Foundation's unrestricted endowments and provide support for specified charitable projects and needs. Therefore, in the prior year deferred revenue related to the portion of the grant that had not yet been matched and earned. The matching period is from October 1, 2018 through September 30, 2021. As qualifying contributions were received, the related match amount was recognized as revenue.

Effective October 1, 2019, the Foundation adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU require that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. In accordance with ASU 2018-08, the Foundation has adopted the requirements using the modified prospective approach, which applies to the portion of agreements at the effective date that had not previously been recognized and any new agreements after the effective date. Since the Lilly Endowment GIFT VII matching grant does not contain a right of return due to opting to reduce the funding of future grants, the remaining unrecognized portion of this grant, which was deferred revenue of \$515,987 as of September 30, 2019, is recognized in 2020 as contributions regardless of any amount still unmatched.

Support, Revenues and Expense Recognition

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

WABASH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020

increases net assets with donor restrictions, unless given to a fund with variance power, whereby the contribution is reported as an increase to net assets without donor restrictions.

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

All other revenue is recorded when earned.

Administrative Fees

Administrative fees are expensed from the funds to support the operations of the Foundation. Administrative fees from all funds are reflected as revenue on the Statement of Activities. The administrative fees from agency endowments are not included as expenses on the Statement of Activities because they are included in the change in agency endowments.

Functional Allocation of Expenses

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

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

Income Taxes

The Wabash Valley Community Foundation, Inc. is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal taxes on related income pursuant to Section 501(a) of the Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Foundation, and has concluded that as of September 30, 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure

WABASH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020

in the accompanying financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

As such, the Foundation is generally exempt from income taxes. However, the Foundation is required to file Federal Form 990 – Return of Organization Exempt from Income Tax, which is an informational return only.

Going Concern Evaluation

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

Subsequent Events

The Foundation has evaluated events or transactions occurring subsequent to the Statement of Financial Position date for recognition and disclosure in the accompanying financial statements through the date the financial statements are available to be issued, which is March 4, 2021.

WABASH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020

2. INVESTMENTS

Investments consist of the following at September 30, 2020:

Cash	\$	111,556
Money market funds		567,725
Exchange traded funds		
Ultrashort bond		410,797
Large		4,036,493
International small		1,798,895
Mutual funds		
Equities		
Large		16,467,266
International large		7,754,462
Domestic growth real estate		2,716,094
Global growth real estate		1,099,701
Small		9,734,825
International small		2,046,217
Energy and natural resources		4,497,205
Fixed income		
Government		62,022
Short term		2,359,433
Intermediate		2,158,674
Treasury inflation protected		2,017,023
International		<u>3,259,934</u>
	\$	<u>61,098,322</u>

3. RISKS AND UNCERTAINTIES

The Foundation holds investments (Note 2). Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the

WABASH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020

lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

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

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2020 and 2019.

- *Money market funds*: Generally transact subscription and redemption activity at \$1 stable net asset value (NAV); however, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of the securities held in the fund.
- *Mutual funds and exchange traded funds*: Valued at the daily closing price as reported by the fund. Mutual funds and exchange traded funds ("funds") held by the Foundation are funds registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The funds held by the Foundation are deemed to be actively traded.

WABASH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020

The following tables set forth financial assets measured at fair value in the Statement of Financial Position and the respective levels to which the fair value measurements are classified within the fair value hierarchy on a recurring basis at September 30, 2020:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Assets			
Money market funds	\$ 567,725	\$ -0-	\$ 567,725
Exchange traded funds	6,246,185	6,246,185	-0-
Mutual funds	<u>54,172,856</u>	<u>54,172,856</u>	<u>-0-</u>
Total	<u>\$ 60,986,766</u>	<u>\$ 60,419,041</u>	<u>\$ 567,725</u>

5. PROPERTY AND EQUIPMENT

A summary of property and equipment at September 30, 2020 is as follows:

Buildng	\$ 905,319
Land	59,000
Office equipment	<u>247,894</u>
	1,212,213
Less accumulated depreciation	<u>(289,371)</u>
	<u>\$ 922,842</u>

6. AGENCY ENDOWMENTS

Agency endowments, also known as custodial funds, represent assets that are transferred by a nonprofit 501(c)(3) organization to the Foundation to be placed into a fund for the benefit of the transferring charitable organization or its affiliate. The transferred funds are maintained in perpetuity by the Foundation and the earnings of these funds, less a management fee are transferred to the donor or its affiliate once a year. The Foundation accounts for these transfers as a liability in accordance with applicable accounting standards. Income is added to these funds periodically in accordance with the Foundation's investment allocation policies. Contributions by, investment interests credit for and distributions to those organizations are reflected as adjustments to the liability account and are not reflected in the Statement of Activities.

WABASH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020

Following is a progression of agency endowments during 2020:

Beginning balance	\$ 3,449,009
Contributions	10,679
Investment return, net	59,484
Administrative fees	(25,128)
Grant payments	<u>(142,884)</u>
Ending balance	<u>\$ 3,351,160</u>

7. MORTGAGE PAYABLE

The Foundation has a loan from a financial institution for renovations of a building. The loan is secured by real estate with a net book value of \$805,300 at September 30, 2020, and has an interest rate of 3.08%. Interest and principal payments are due in monthly installments of \$2,722 and the loan matures in January 2041. Maturities of payments on the mortgage payable subsequent to September 30, 2020 are as follows:

Year ending September 30.

2021	\$ 17,800
2022	18,357
2023	18,931
2024	19,486
2025	20,133
Thereafter	<u>395,382</u>
	<u>\$ 490,089</u>

WABASH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020

8. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions as of September 30, 2020 are as follows:

Operating	\$ 877,824
Board designated non-endowments:	
Donor advised	198,890
Scholarship	19,326
Field of interest	113,537
Special project	<u>110,619</u>
	442,372
Board designated for endowments:	
Donor advised	3,687,931
Scholarship	17,467,423
Designated	8,549,770
Agency	4,069,637
Field of interest	3,366,965
Special project	48,400
Unrestricted granting	<u>16,542,577</u>
	<u>53,732,703</u>
	<u>\$ 55,052,899</u>

WABASH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020

9. NET ASSETS WITH DONOR RESTRICTIONS AND NET ASSETS RELEASED FROM RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of September 30, 2020:

Restricted due to time restrictions:	
Charitable gift annuities	\$ 75,655
Implementation grants from Lilly Endow	350,000
Endowment funds:	
Restricted in perpetuity	2,612,491
Restricted subject to the Foundation's spending policy	<u>220,831</u>
	<u>\$ 3,258,977</u>

Restrictions due to time and endowment funds appropriated for expenditure and released from donor restrictions for the year ended September 30, 2020 was \$182,407. Endowment funds appropriated for expenditure primarily consist of grants, as well as fees and other program expenses.

10. ENDOWMENT

The majority of the Foundation's funds consist of endowed funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring endowment funds to be classified without donor restrictions due to the variance power granted to the Foundation. These funds are designated by the Board of Directors to function as endowments. Other donor-restricted endowment funds not granting variance power are classified as net assets with donor restrictions. The Board of Directors further interpreted UPMIFA as requiring the preservation of the fair value of the original gift to endowments as of the gift date absent explicit donor stipulation to the contrary. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Endowment funds are subject

WABASH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020

to appropriation for expenditure 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 fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for granting purposes while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must use for a donor-specified purpose as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that provide some growth greater than current interest rates with moderate year-to-year volatility. The Foundation expects its endowment funds, over time, to provide an average rate of return equal to the spending rate plus inflation and administrative costs. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment decisions shall be made with the intent of maximizing the long-term total return of the portfolio through market value changes (realized and unrealized) and through earned income (dividends and interest).

The Foundation has a policy of appropriating for distribution each year 4 percent of its endowment funds' average market value over the prior 20 quarters, or a lesser percentage as voted upon annually by the Board of Directors. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Endowed funds by net asset type at September 30, 2020 were as follows:

	Without Donor Restrictions	With Donor Restrictions
Board Designated Funds	\$ 53,732,703	\$ -0-
Donor Restricted Funds	<u>-0-</u>	<u>2,833,322</u>
	<u>\$ 53,732,703</u>	<u>\$ 2,833,322</u>

WABASH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

Changes in endowed funds for the year ended September 30, 2020 were as follows:

	Without Donor Restrictions	With Donor Restrictions
Endowment net assets, beginning of year	\$ 52,784,351	\$ 2,972,461
Contributions and other revenues	2,611,556	-0-
Investment return, net	1,052,022	38,120
Interfund activity, net	3,891	(2,797)
Appropriation of endowment assets for expenditure	<u>(2,719,117)</u>	<u>(174,462)</u>
Endowment net assets, end of year	<u>\$ 53,732,703</u>	<u>\$ 2,833,322</u>

11. LIQUIDITY AND AVAILABILITY

As part of the Foundation's liquidity management, it structures its financial assets to be available as its awarded grants, general expenditures, and other obligations become due. The Foundation invests cash in excess of daily requirements in money market accounts and other short-term investments.

Financial assets available for general expenditures within one year of the Statement of Financial Position date comprise the following:

Cash	\$ 924,984
Investments	<u>61,098,322</u>
	62,023,306
Less financial assets unavailable for general expenditures within one year due to:	
Donor imposed restrictions:	
Charitable gift annuities	(75,655)
Endowment funds	(2,833,322)
Board designations - endowment funds	(53,732,703)
Agency endowments	<u>(3,351,160)</u>
	<u>\$ 2,030,466</u>

The Foundation's endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments. Income from donor-restricted endowments is

WABASH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020

restricted for specific purposes with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure. The Foundation has an annual grant approval process. This process includes evaluating a number of factors relative to the spending rate to be applied to the Foundation's fund balances in accordance with its spending policy. Once the Foundation's Board approves the spending rate, the related dollar amount of the funds becomes available for general expenditures.

The operating endowment is subject to an annual spending rate of 4 percent as described in Note 10. Although the Foundation does not intend to spend from this operating endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available, if necessary.

The Foundation relies on the administrative fees it charges its funds annually which are 0.75 to 2 percent of the fund balance to fund operational expenditures.

12. CONCENTRATIONS OF CREDIT RISK

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

Marketable securities and money market funds are maintained with one investment firm. Such balances exceed the Securities Investor Protection Corporation insured limits of up to \$500,000.

13. CONTINGENCY

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