

Consolidated Financial Statements

STEUBEN COUNTY COMMUNITY FOUNDATION, INC. AND AFFILIATES

*Years ended June 30, 2021 and 2020
with Independent Auditor's Report*

Steuben County Community Foundation, Inc. and Affiliates

Consolidated Financial Statements

Years ended June 30, 2021 and 2020

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Independent Auditor's Report

The Board of Directors
Steuben County Community Foundation, Inc. and Affiliates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Steuben County Community Foundation, Inc. (Foundation) and Affiliates, I-MAN, Inc. d/b/a Steuben County Fiber Network, Steuben County Community Foundation Building, LLC and Steuben County Community Foundation Real Estate, LLC, which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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.

Basis for Qualified Opinion

As more fully described in *Note 1* to the consolidated financial statements, the Foundation accepts assets from donors and agrees to use those assets on behalf of or transfer those assets, the related return on investment of those assets, or both, to another entity that is specified by the donor; however, the Foundation does not recognize the fair value of those assets and the related return on investment of those assets as a liability to the specified beneficiary. The Foundation records all assets received from donors as revenues and all transfers as grants. Accounting principles generally accepted in the United States of America require that these investments and return on investments be recorded as a liability. The effects on the accompanying consolidated financial statements of this departure from accounting principles have not been determined.

Qualified Opinion

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Steuben County Community Foundation, Inc. and Affiliates, as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Haines, Asenbarger & Skiba, LLC

September 13, 2021

Steuben County Community Foundation, Inc. and Affiliates

Consolidated Statements of Financial Position

	June 30	
	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 236,190	\$ 986,618
Accounts and other receivables	565,494	54,047
Prepaid expenses and other	19,757	41,477
Total current assets	<u>821,441</u>	1,082,142
Investments	33,238,604	24,997,489
Land, building and equipment:		
Land	382,781	382,781
Building and improvements	466,990	466,990
Office furniture and equipment	282,273	268,773
Fiber optic network	-	4,672,842
	<u>1,132,044</u>	5,791,386
Less accumulated depreciation	418,834	2,128,713
	<u>713,210</u>	3,662,673
Other assets:		
Cash value of life insurance policies	483,595	462,427
Beneficial interest in trusts	871,251	892,829
Total assets	<u><u>\$ 36,128,101</u></u>	<u><u>\$ 31,097,560</u></u>
Liabilities		
Current liabilities:		
Accounts payable and other current liabilities	\$ 32,898	\$ 63,874
Current portion of grants and scholarships payable	36,750	177,200
Current portion of deferred revenue	3,344	141,766
Current portion of capital lease obligation	1,693	1,553
Total current liabilities	<u>74,685</u>	384,393
Grants and scholarships payable, less current portion	25,000	105,000
Deferred revenue, less current portion	-	51,847
Capital lease obligation, less current portion	750	2,443
Total liabilities	<u>100,435</u>	543,683
Net assets:		
Without donor restrictions	4,117,850	3,848,135
With donor restrictions	31,909,816	26,705,742
Total net assets	<u>36,027,666</u>	30,553,877
Total liabilities and net assets	<u><u>\$ 36,128,101</u></u>	<u><u>\$ 31,097,560</u></u>

See accompanying notes to consolidated financial statements.

Steuben County Community Foundation, Inc. and Affiliates

Consolidated Statements of Activities and Changes in Net Assets

	Year ended June 30					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenues and gains						
Contributions and grants	\$ 214,871	\$ 935,666	\$ 1,150,537	\$ 61,876	\$ 1,247,231	\$ 1,309,107
Management fees	410,866	-	410,866	351,394	-	351,394
Net investment return	154,165	5,678,255	5,832,420	10,388	1,023,474	1,033,862
Change in value of cash value of life insurance policies	336	19,065	19,401	3	18,396	18,399
Gain (loss) on beneficial interest in trusts	-	(20,865)	(20,865)	-	268,743	268,743
Total support, revenues and gains before net assets released from restrictions	780,238	6,612,121	7,392,359	423,661	2,557,844	2,981,505
Net assets released from restrictions	1,408,047	(1,408,047)	-	1,599,627	(1,599,627)	-
Total support, revenues and gains	2,188,285	5,204,074	7,392,359	2,023,288	958,217	2,981,505
Expenses						
Program services:						
Grants	1,010,486	-	1,010,486	1,024,600	-	1,024,600
Management fees	410,866	-	410,866	351,394	-	351,394
Other program	76,046	-	76,046	79,653	-	79,653
	1,497,398	-	1,497,398	1,455,647	-	1,455,647
Supporting services:						
Fundraising	48,242	-	48,242	51,380	-	51,380
Management and general	299,366	-	299,366	279,897	-	279,897
	347,608	-	347,608	331,277	-	331,277
Total expenses	1,845,006	-	1,845,006	1,786,924	-	1,786,924
Increase in net assets before discontinued operations	343,279	5,204,074	5,547,353	236,364	958,217	1,194,581
Discontinued operations	(73,564)	-	(73,564)	98,277	-	98,277
Increase in net assets	269,715	5,204,074	5,473,789	334,641	958,217	1,292,858
Net assets at beginning of year	3,848,135	26,705,742	30,553,877	3,513,494	25,747,525	29,261,019
Net assets at end of year	\$ 4,117,850	\$ 31,909,816	\$ 36,027,666	\$ 3,848,135	\$ 26,705,742	\$ 30,553,877

See accompanying notes to consolidated financial statements.

Steuben County Community Foundation, Inc. and Affiliates

Consolidated Statements of Functional Expenses

	Year ended June 30							
	2021				2020			
	Program Services	Supporting Activities Management and General Fundraising		Total Expenses	Program Services	Supporting Activities Management and General Fundraising		Total Expenses
Grants and scholarships awarded	\$ 1,010,486	\$ -	\$ -	\$ 1,010,486	\$ 1,024,600	\$ -	\$ -	\$ 1,024,600
Management fees	410,866	-	-	410,866	351,394	-	-	351,394
Personnel and related expenses:								
Salaries and wages	66,148	147,683	26,733	240,564	56,772	147,214	28,556	232,542
Payroll taxes	5,120	11,432	2,069	18,621	4,395	11,396	2,210	18,001
Employee benefits	1,984	4,235	802	7,021	1,520	4,549	644	6,713
	<u>73,252</u>	<u>163,350</u>	<u>29,604</u>	<u>266,206</u>	<u>62,687</u>	<u>163,159</u>	<u>31,410</u>	<u>257,256</u>
Administrative	294	-	-	294	4,966	1,444	-	6,410
Advertising and marketing	-	786	7,080	7,866	-	833	7,501	8,334
Community Involvement Program	-	-	-	-	8,000	-	-	8,000
Conferences and training	-	25,261	260	25,521	-	1,806	1,806	3,612
Depreciation	-	15,731	393	16,124	-	12,209	1,665	13,874
Development	-	1,890	4,411	6,301	-	1,413	3,298	4,711
Information technology	2,500	24,215	2,969	29,684	-	7,988	888	8,876
Interest	-	287	-	287	-	441	-	441
Membership dues and subscriptions	-	5,723	-	5,723	-	5,096	-	5,096
Miscellaneous	-	1,617	928	2,545	-	2,188	1,737	3,925
Occupancy	-	19,458	2,162	21,620	-	20,291	2,255	22,546
Office	-	2,682	435	3,117	4,000	17,166	820	21,986
Professional fees	-	38,366	-	38,366	-	45,863	-	45,863
Total expenses	<u>\$ 1,497,398</u>	<u>\$ 299,366</u>	<u>\$ 48,242</u>	<u>\$ 1,845,006</u>	<u>\$ 1,455,647</u>	<u>\$ 279,897</u>	<u>\$ 51,380</u>	<u>\$ 1,786,924</u>

See accompanying notes to consolidated financial statements.

Steuben County Community Foundation, Inc. and Affiliates

Consolidated Statements of Cash Flows

	Year ended June 30	
	2021	2020
Operating activities		
Increase in net assets	\$ 5,473,789	\$ 1,292,858
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Realized and unrealized gain on investments	(5,262,689)	(402,113)
Loss on disposal of SCFN	80,925	-
Depreciation	133,739	249,088
Donated securities	(100,887)	-
(Gain) loss on beneficial interest in trusts	21,578	(276,712)
Changes in operating assets and liabilities:		
Accounts receivable	(511,447)	(9,866)
Prepaid expenses and other	21,720	(3,754)
Cash value of life insurance policies	(21,168)	(20,690)
Accounts payable and other current liabilities	(30,976)	5,240
Grants and scholarships payable	(220,450)	(23,559)
Deferred revenue	(190,269)	3,324
Net cash provided by (used in) operating activities	<u>(606,135)</u>	813,816
Investing activities		
Purchases of investments	(10,288,657)	(10,403,372)
Proceeds from sale and maturities of investments	7,411,118	10,352,077
Proceeds from sale of SCFN	2,800,000	-
Purchases of land, building and equipment	(65,201)	-
Net cash used in investing activities	<u>(142,740)</u>	(51,295)
Financing activities		
Payments of long-term debt	-	(139,955)
Payments of capital lease obligation	(1,553)	(1,423)
Net cash used in financing activities	<u>(1,553)</u>	(141,378)
Increase (decrease) in cash and cash equivalents	(750,428)	621,143
Cash and cash equivalents at beginning of year	986,618	365,475
Cash and cash equivalents at end of year	<u>\$ 236,190</u>	<u>\$ 986,618</u>

See accompanying notes to consolidated financial statements.

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

June 30, 2021

1. Organization

The Steuben County Community Foundation, Inc. (Foundation) is a not-for-profit corporation organized pursuant to the laws of the state of Indiana. The Foundation was organized for the purpose of meeting the charitable needs of primarily Steuben County, Indiana. The Foundation supports new and existing programs of not-for-profit organizations for specific charitable purposes. The Foundation's support is derived principally from contributions received from private and public organizations or individuals.

The mission of the Foundation is:

“connecting people who care with needs that matter to our community.”

I-MAN, Inc., d/b/a Steuben County Fiber Network (SCFN) is a not-for-profit corporation organized under the laws of the state of Indiana. SCFN's mission is to develop and implement the mechanisms necessary for improving future generations' quality and standard of life in Steuben County and surrounding communities by the creation of digital real-estate that reaches education facilities, the community, businesses, the county, state and the world. SCFN is a supporting entity of the Foundation. Earnings from SCFN's operations were used to support endowments of the Foundation.

The Foundation and SCFN entered into a Broadband Expansion Agreement, as amended as of May 15, 2014, whereby the Foundation provided staff and facilities for the operations of SCFN. An annual administrative fee was charged in the amount of \$20,000 payable quarterly in \$5,000 installments due on or before the last day of each calendar quarter.

Pursuant to the Broadband Expansion Agreement between SCFN and the Foundation, SCFN borrowed \$410,000 from the Foundation during the year ended June 30, 2015, in addition to \$200,000 borrowed previously, for total borrowings of \$610,000 (Funds). In exchange for the use of the Funds, SCFN paid 7 percent interest, due annually on or before June 30. Interest paid pursuant to this agreement was \$23,500 and \$42,700 for the years ended June 30, 2021 and 2020, respectively. The loan was repaid in full with proceeds from the sale of SCFN. See *Note 3*.

Steuben County Community Foundation Building, LLC (Building LLC) and Steuben County Community Foundation Real Estate, LLC (Real Estate LLC) were formed effective July 1, 2019. The Foundation is the sole member of both entities. The land and building in which the Foundation operates were transferred to the Building LLC during fiscal 2020. The Real Estate LLC will hold other real estate on a permanent or temporary basis.

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

1. Organization (continued)

The Foundation and SCFN are incorporated as a nonprofit organization, exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and qualifies for the charitable contribution deduction. The Foundation and SCFN have been classified as organizations that are not private foundations under Section 509(a) of the Internal Revenue Code. They are also exempt from state income taxes.

However, the Foundation and SCFN are subject to federal income tax on any unrelated business taxable income. The Foundation and SCFN provide liabilities for uncertain tax positions when a liability is probable and estimable. Management believes that it has appropriate support for any tax positions it has taken or expects to take and as such, does not have any uncertain tax positions that should be recognized, measured or disclosed in the financial statements. Management believes the Foundation and SCFN no longer subject to examination by tax authorities for years before June 30, 2018.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the Foundation, SCFN, Building LLC and Real Estate LLC (collectively, Organization). Accounting principles generally accepted in the United States of America require consolidation of not-for-profit entities if one entity has both control and an economic interest in another entity. All significant inter-organization accounts and transactions have been eliminated in consolidation.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

Departure from Accounting Principles Generally Accepted in the United States of America

The Foundation accepts assets from donors and agrees to use those assets on behalf of or transfer those assets, the related return on investment of those assets, or both, to another entity that is specified by the donor; however, the Foundation does not recognize the fair value of those assets as a liability to the specified beneficiary when the assets are received, and does not recognize an additional liability for any investment income earned on the related asset. Furthermore, the Foundation recognizes revenue and support for the fair value of the assets and investment income and reports expenses when the assets are transferred to the beneficiary.

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents, except those short-term investments managed as part of long-term investment strategies. The Organization maintains cash accounts at local banks. From time to time during the year, the Organization's cash accounts exceeded federally insured limits due to the transfer of funds to pay for grants awarded.

Accounts and Other Receivables

Accounts and other receivables are stated at the amount the Organization plans to collect. The balance at June 30, 2020 related primarily to amounts billed to SCFN customers. The balance at June 30, 2021 is primarily comprised of funds held in escrow pursuant to the sale of SCFN. See *Note 3* for discussion of the sale transaction. The Organization provides an allowance for doubtful accounts for estimated losses in the collections of accounts receivable, which is based upon an analysis of outstanding receivables, taking into consideration the age of past due accounts, an assessment of the customer's ability to pay and historical collection information. When specific accounts are deemed uncollectible, in whole or in part, such amounts are removed from the accounts, although collection efforts may continue. As of June 30, 2021 and 2020, no allowance for doubtful accounts was deemed necessary.

Contributions and Pledges Receivable

Contributions, including gifts, grants, bequests, pledges and other unconditional promises to give without restrictions or stipulations are recorded as support in the period received. Contributions are reported as donor restricted support if they are received with donor imposed stipulations that limit their use.

Conditional promises or pledges are recognized when the conditions on which they depend are substantially met.

Contributions of assets other than cash are recorded at their fair market value.

Unconditional promises or pledges are recorded at net realizable value. The Foundation provides an allowance for uncollectible pledges which is based on historical collection experience and management's estimate of the losses that will be incurred in the collection of all pledges receivable. As of June 30, 2021 and 2020, no allowance for uncollectible pledges was deemed necessary.

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Investments and Net Investment Return

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, the Foundation's investments are reported at their fair values in the statements of financial position. Net investment return (loss) is reported in the statements of activities and changes in net assets and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses. 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. See *Note 4* for discussion of fair value measurements.

Purchases and sales are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Net realized and unrealized investment gains or losses are determined by comparison of asset cost, using the specific identification method, to net proceeds received at the time of sale and changes in the difference between market values and cost, respectively.

The Foundation maintains a significant and diverse investment portfolio, without concentration of risk by type, industry or geographic area, which is managed by professional investment managers in compliance with the investment policy established by the Board of Directors. Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect account balances.

Land, Building and Equipment

Land, building and equipment are stated at cost or if donated, at fair value at the date of the donation, except for land, building and equipment that have been impaired. For impaired assets, the carrying amount is reduced to the estimated fair market value. There were no impaired assets at June 30, 2021 and 2020. Items which cost \$5,000 or more and have a useful life of one year or more are capitalized. Depreciation is computed by the straight-line method over the following estimated useful lives:

Building and improvements	39 years
Office furniture and equipment	3-7 years
Fiber optic network	20 years
Website	5 years

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Land, Building and Equipment (continued)

Expenditures for normal repairs and maintenance are expensed when incurred.

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 general use and not subject to donor- (or certain grantor-) restrictions.

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 donor-restricted revenue when received and released from restrictions 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. Resources arising from the results of operations or assets set aside by the Board of Directors are not considered to be donor-restricted.

Deferred Revenue

Monthly fees were charged for fiber optic services provided by SCFN. Fees were billed at the beginning of each quarter and recognized in the month in which services are provided. Deferred revenue represented amounts invoiced to customers for fiber optic services that had not yet been provided by SCFN.

Grants and Scholarships

Grants and scholarships are considered incurred and recorded as payable upon their approval by the Board of Directors and communication to designated grantees except for conditional grants which are not expensed until the conditions are met by the grantee. Grants payable in more than one year are initially recognized at fair value using present value methods at the time the grants are made.

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

Preparation of the 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 in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Functional Expenses

The cost of providing the program and other activities has been summarized on a functional basis in the accompanying statements of activities and changes in net assets. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional fees, office expenses, information technology, interest, insurance and other expenses, which are allocated on the basis of estimates of time and effort.

Reclassification

Certain amounts as of and for the year ended June 30, 2020 have been reclassified to conform with the presentation as of and for the year ended June 30, 2021.

Recently Issued Accounting Standards

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 clarifies the presentation and disclosure of contributed nonfinancial assets, including land, buildings, and other items. This standard is intended to enhance the presentation and disclosures of these items; however, the recognition and measurement requirements for these nonfinancial assets remain unchanged in Accounting Standards Codification (ASC) 958-605. ASU 2020-07 is effective for periods beginning after June 15, 2021 and should be applied on a retrospective basis. The Foundation is currently evaluating the effect of the pending adoption of the new standard on its financial statements.

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

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Standards (continued)

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 June 30, 2022 financial statements. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Foundation is currently evaluating the effect of the pending adoption of the new standard on the financial statements.

3. Sale of SCFN

On January 1, 2021, the Foundation closed on the sale of all non-cash assets of SCFN to Steuben County REMC for \$2,800,000. In accordance with the asset purchase agreement, 20 percent of the purchase price (\$560,000) was placed in an escrow account. The remaining 80 percent (\$2,240,000) was received in cash. The sales price was allocated as follows:

Office furniture and equipment, net	\$ 3,303
Fiber optic network, net	2,876,105
Inventory	1,517
	<u>2,880,925</u>
Purchase price	<u>2,800,000</u>
Loss on sale	<u>\$ 80,925</u>

4. 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. 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. SCFN received connection and monthly fees which were available to support its operating expenses.

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

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

4. Liquidity and Availability

ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative, general and fundraising expenses. 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:

	Year ended June 30	
	2021	2020
Cash and cash equivalents	\$ 236,190	\$ 986,618
Accounts receivable	-	54,047
Investments available for general expenditures	514,586	397,347
	\$ 750,776	\$ 1,438,012

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 fund. Estimated administrative fees available for general expenditures during the year ended June 30, 2022 are \$479,000.

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.

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

5. Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value which 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

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 or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of 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 June 30, 2021 and 2020.

Money market funds: Valued at quoted market prices in an exchange and active market, which represent the net asset values (NAV) of shares held by the Foundation at year-end.

Certificates of deposit: Recorded at cost plus accrued interest (carrying value), which approximates fair value.

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

5. Fair Value Measurements (continued)

United States Treasury and government agency obligations, corporate bond and other debt securities and preferred stock: Valued based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar obligations or bonds, the obligation or bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

Mutual funds: Valued at the daily closing price. Mutual funds held by the Foundation are open-end funds that are registered with the Securities and Exchange Commission. The mutual funds held by the Foundation are deemed to be actively traded.

Common stock: Valued at the closing price reported on the active market on which the individual securities are traded.

Limited partnership: Valued based on periodic financial information received from the investment advisor and/or managing member and the Foundation's percentage ownership in the alternative investment entity. The limited partnership is a public investment vehicle, valued using the NAV provided by the managing member of the limited partnership, that focus on accumulating earnings while maintaining the appropriate level of diversified risk. The NAV is based on the value of the underlying assets owned by the partnership, minus its liabilities and then divided by the number of shares outstanding.

Cash value of life insurance policies: Valued at the redemption value as determined by the insurance carrier at year-end.

Beneficial interest in trusts: Valued at its proportional interest in the underlying trust assets which are valued at the fair value. The remainder interest in real estate is valued based on the fair value of the real estate times a remainder interest factor, based on mortality tables.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

5. Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2021 and 2020:

	Assets at Fair Value at June 30, 2021			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 641,689	\$ -	\$ -	\$ 641,689
Certificates of deposit	-	145,322	-	145,322
U.S. Government securities	-	3,219,599	-	3,219,599
Corporate bonds and other debt securities	-	2,397,890	-	2,397,890
Preferred stock	-	30,348	-	30,348
Mutual funds:				
Income	4,087,780	-	-	4,087,780
Aggressive income	574,614	-	-	574,614
Growth and income	6,624,048	-	-	6,624,048
Growth	1,534,206	-	-	1,534,206
International funds	2,014,848	-	-	2,014,848
Total mutual funds	14,835,496	-	-	14,835,496
Common stock:				
Domestic stock:				
Healthcare	1,287,983	-	-	1,287,983
Financial services	1,455,428	-	-	1,455,428
Energy	343,631	-	-	343,631
Utilities	260,257	-	-	260,257
Consumer goods	559,699	-	-	559,699
Industrial and material	1,747,992	-	-	1,747,992
Technology	2,792,897	-	-	2,792,897
Communication services	817,334	-	-	817,334
Consumer discretionary	1,029,399	-	-	1,029,399
Real estate	527,810	-	-	527,810
Diversified and other	76,795	-	-	76,795
Total domestic stock	10,899,225	-	-	10,899,225

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

5. Fair Value Measurements (continued)

	Assets at Fair Value at June 30, 2021 (continued)			
	Level 1	Level 2	Level 3	Total
Foreign stock:				
Healthcare	\$ 44,417	\$ -	\$ -	\$ 44,417
Financial services	90,337	-	-	90,337
Energy	23,094	-	-	23,094
Utilities	40,013	-	-	40,013
Consumer goods	30,667	-	-	30,667
Industrial and material	151,135	-	-	151,135
Technology	46,780	-	-	46,780
Communication services	38,670	-	-	38,670
Consumer discretionary	65,526	-	-	65,526
Real estate	6,445	-	-	6,445
Total foreign stock	537,084	-	-	537,084
Total common stock	11,436,309	-	-	11,436,309
	26,913,494	5,793,159	-	32,706,653
Cash value of life insurance policies	-	483,595	-	483,595
Beneficial interest in trusts	-	-	871,251	871,251
Total other assets at fair value	-	483,595	871,251	1,354,846
Assets in the fair value hierarchy	\$ 26,913,494	\$ 6,276,754	\$ 871,251	34,061,499
Limited partnership valued at NAV				531,951
Total assets at fair value				\$ 34,593,450

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

5. Fair Value Measurements (continued)

	Assets at Fair Value at June 30, 2020			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 475,322	\$ -	\$ -	\$ 475,322
Certificates of deposit	-	203,971	-	203,971
U.S. Government securities	-	2,761,171	-	2,761,171
Corporate bonds and other debt securities	-	2,079,418	-	2,079,418
Preferred stock	-	18,468	-	18,468
Mutual funds:				
Income	3,319,660	-	-	3,319,660
Aggressive income	426,488	-	-	426,488
Growth and income	4,905,911	-	-	4,905,911
Growth	878,678	-	-	878,678
Aggressive growth	412,987	-	-	412,987
International funds	241,481	-	-	241,481
Total mutual funds	10,185,205	-	-	10,185,205
Common stock:				
Domestic stock:				
Healthcare	1,218,180	-	-	1,218,180
Financial services	922,781	-	-	922,781
Energy	153,471	-	-	153,471
Utilities	243,775	-	-	243,775
Consumer goods	761,172	-	-	761,172
Industrial and material	1,069,224	-	-	1,069,224
Technology	2,010,266	-	-	2,010,266
Communication services	606,380	-	-	606,380
Consumer discretionary	943,754	-	-	943,754
Real estate	381,092	-	-	381,092
Diversified and other	66,294	-	-	66,294
Total domestic stock	8,376,389	-	-	8,376,389

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

5. Fair Value Measurements (continued)

	Assets at Fair Value at June 30, 20210 (continued)			
	Level 1	Level 2	Level 3	Total
Foreign stock:				
Healthcare	\$ 34,868	\$ -	\$ -	\$ 34,868
Financial services	63,173	-	-	63,173
Energy	7,794	-	-	7,794
Utilities	26,869	-	-	26,869
Consumer goods	30,520	-	-	30,520
Industrial and material	108,296	-	-	108,296
Technology	48,692	-	-	48,692
Communication services	47,174	-	-	47,174
Consumer discretionary	38,889	-	-	38,889
Real estate	3,938	-	-	3,938
Total foreign stock	410,213	-	-	410,213
Total common stock	8,786,602	-	-	8,786,602
	19,447,129	5,063,028	-	24,510,157
Cash value of life insurance policies	-	462,427	-	462,427
Beneficial interest in trusts	-	-	892,829	892,829
Total other assets at fair value	-	462,427	892,829	1,355,256
Assets in the fair value hierarchy	\$ 19,447,129	\$ 5,525,455	\$ 892,829	25,865,413
Limited partnership valued at NAV				487,332
Total assets at fair value				\$ 26,352,745

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

5. Fair Value Measurements (continued)

The changes in assets classified as Level 3 are as follows:

	Remainder Value of Life Estate	Charitable Remainder Trust	Total
Year ended June 30, 2021			
Balance at beginning of year	\$ 641,444	\$ 251,385	\$ 892,829
Actual return on assets—net unrealized gain (loss) relating to assets still held at year-end	<u>(72,754)</u>	<u>51,176</u>	<u>(21,578)</u>
Balance at end of year	<u>\$ 568,690</u>	<u>\$ 302,561</u>	<u>\$ 871,251</u>

	Remainder Value of Life Estate	Charitable Remainder Trust	Total
Year ended June 30, 2020			
Balance at beginning of year	\$ 358,848	\$ 257,269	\$ 616,117
Actual return on assets—net unrealized gain (loss) relating to assets still held at year-end	<u>282,596</u>	<u>(5,884)</u>	<u>276,712</u>
Balance at end of year	<u>\$ 641,444</u>	<u>\$ 251,385</u>	<u>\$ 892,829</u>

6. Beneficial Interest in Trusts

The Foundation was bequeathed a remainder interest in real estate located in Steuben County, Indiana, and has been named the beneficiary of a charitable remainder trust that is held by a third-party trustee.

The real estate interest, received in 1999, was valued at fair value at the date the gift was received multiplied by the remainder interest factor, based on mortality tables. The fair value is revalued annually and was \$568,690 and \$641,444 at June 30, 2021 and 2020, respectively.

The charitable remainder trust, held by a third-party trustee, is valued at the fair value of the underlying assets and is adjusted annually for changes in the fair value. The fair value of the charitable remainder trust as of June 30, 2021 and 2020 was \$302,561 and \$251,385, respectively.

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

7. Grants and Scholarships Payable

The following summarizes the changes in grants and scholarships payable:

	Year ended June 30	
	2021	2020
Grants and scholarships payable at beginning of year	\$ 282,200	\$ 305,759
Unconditional grants and scholarships expensed	1,010,486	1,024,600
Less payments made	1,230,936	1,048,159
Grants and scholarships payable at end of year	<u>\$ 61,750</u>	<u>\$ 282,200</u>

Grants and scholarships payable at June 30, 2021 are scheduled to be disbursed as follows:

2022	\$ 36,750
2023	<u>25,000</u>
	<u>\$ 61,750</u>

8. Charitable Gift Annuity Payable

The Foundation has entered into two charitable gift annuities in which the donors contribute assets to the Foundation in exchange for the right to receive a fixed dollar annual return during his/her lifetime or, for joint annuitants, the lifetime of the donor's spouse, whichever is longer. The fair value of the assets contributed over the present value of the liability for future payments has been recognized as a contribution at the date of the gift. Annually, the Foundation revalues the liability based on applicable mortality tables and discount rate. The discount rate at June 30, 2021 and 2020 was 1.2 percent and 0.6 percent, respectively. The charitable gift annuity payable was \$29,678 and \$32,141 at June 30, 2021 and 2020, respectively, and is included in accounts payable and other current liabilities in the consolidated statements of financial position.

9. Debt Arrangements

Pursuant to debt agreements, SCFN paid monthly principal and interest installments of \$15,022 on various notes payable for the purchase of fiber optic cable deployed to cellular towers. The notes payable bore interest at a fixed rate of 2.5 percent and were paid in full during the year ended June 30, 2020.

Interest paid was \$1,289 for the year ended June 30, 2020.

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

10. Lease

The Foundation leases certain office equipment pursuant to a capital lease arrangement that expires in 2023. Assets recorded pursuant to capital lease agreement included in property and equipment consisted of the following:

	June 30	
	2021	2020
Office furniture and equipment	\$ 5,123	\$ 5,123
Less allowance for depreciation	2,561	1,537
	<u>\$ 2,562</u>	<u>\$ 3,586</u>

The Foundation recorded amortization expense of \$1,024 and \$1,025 for the years ended June 30, 2021 and 2020, respectively. Such amortization is included in depreciation expense for financial reporting purposes.

Future minimum lease payments as of June 30, 2021 pursuant to the capital lease are as follows:

2022	\$ 1,839
2023	766
Total minimum payments	<u>2,605</u>
Amount representing interest	<u>162</u>
Capital lease obligation	2,443
Less current portion	<u>1,693</u>
	<u>\$ 750</u>

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

11. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

	June 30	
	2021	2020
Subject to expenditure for specific purpose:		
Specific organization fund	\$ 4,681,127	\$ 2,919,220
General funds	2,477,102	1,151,655
Operating funds	1,314,614	776,403
Scholarships	2,245,700	1,156,984
	10,718,543	6,004,262
Restricted in perpetuity:		
Specific organization funds	8,490,823	8,182,629
General funds	5,866,193	5,966,451
Operating funds	1,976,031	1,801,510
Scholarships	4,858,226	4,750,890
	21,191,273	20,701,480
	\$ 31,909,816	\$ 26,705,742

Income from the general endowment funds is to be used for programs benefiting Steuben County residents.

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donor or by the occurrence of the passage of time were \$1,408,047 during the year ended June 30, 2021 and \$1,599,627 during the year ended June 30, 2020.

12. Endowment Funds

ASC 958, *Not-for-Profit Entities*, requires certain net asset classifications for institutional endowment funds under Uniform Prudent Management of Institutional Funds Act (UPMIFA). Effective July 1, 2007, the Indiana General Assembly adopted UPMIFA.

The Foundation's endowment consists of approximately 194 individual 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. 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.

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

12. Endowment Funds (continued)

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulation to the contrary. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure 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 donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the Foundation and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation (depreciation) of investments.
- Other resources of the Foundation.
- The investment policies of the Foundation.

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 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 compare favorably with the performance of publicly traded market indices, including the S&P 500 or other recognized indices. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 7 percent annually. Actual returns in any given year may vary from this amount.

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

12. Endowment Funds (continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year a percentage of its endowment funds' average fair value over the preceding sixteen calendar quarters of the fiscal year in which the distribution is planned, limited to accumulated earnings. The current appropriation percentage is 4 percent. In establishing the policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund as of June 30, 2021, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-advised and agency endowment funds	\$ -	\$ 19,826,358	\$ 19,826,358
Board-advised endowment funds	2,144,120	11,233,780	13,377,900
Total funds	<u>\$ 2,144,120</u>	<u>\$ 31,060,138</u>	<u>\$ 33,204,258</u>

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

12. Endowment Funds (continued)

Changes in endowment net assets for the year ended June 30, 2021, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	\$ -	\$ 25,774,757	\$ 25,774,757
Investment income:			
Net investment return	150,338	5,695,994	5,846,332
Other changes:			
Contributions and grants	2,010,000	657,265	2,667,265
Change in cash value of life insurance	331	19,065	19,396
Change in value of beneficial interests in trusts	-	(20,865)	(20,865)
Donor directed intrafund transfers	-	(92,203)	(92,203)
Appropriation for expenditure	(16,549)	(973,875)	(990,424)
Endowment net assets at end of year	<u>\$ 2,144,120</u>	<u>\$ 31,060,138</u>	<u>\$ 33,204,258</u>

Endowment net asset composition by type of fund as of June 30, 2020, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-advised and agency endowment funds	\$ -	\$ 16,436,867	\$ 16,436,867
Board-advised endowment funds	-	9,337,890	9,337,890
Total funds	<u>\$ -</u>	<u>\$ 25,774,757</u>	<u>\$ 25,774,757</u>

Steuben County Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

12. Endowment Funds (continued)

Changes in endowment net assets for the year ended June 30, 2020, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	\$ -	\$ 24,789,816	\$ 24,789,816
Investment income:			
Net investment return	-	1,034,254	1,034,254
Other changes:			
Contributions and grants	-	792,532	792,532
Change in cash value of life insurance	-	18,334	18,334
Change in value of beneficial interests in trusts	-	268,743	268,743
Donor directed intrafund transfers		(186,431)	(186,431)
Appropriation for expenditure	-	(942,491)	(942,491)
Endowment net assets at end of year	<u>\$ -</u>	<u>\$ 25,774,757</u>	<u>\$ 25,774,757</u>

13. Management Fees

The Foundation assesses an administrative charge of 0.75 percent to 3 percent of the average asset balance on endowment funds and 2 percent to 5 percent on pass-through funds. This amount is used primarily to support the operations of the Foundation. The amount assessed is computed monthly based on the funds' market value at the end of the preceding month. For the years ended June 30, 2021 and 2020, these fees were \$410,866 and \$351,394, respectively.

14. Subsequent Events

Management has evaluated subsequent events through September 13, 2021, the date on which the financial statements were available to be issued.