

Cumberland Community Foundation, Inc.

Fayetteville, North Carolina

Consolidated Financial Statements

As of and for the Years ended June 30, 2021 and 2020

CUMBERLAND COMMUNITY FOUNDATION, INC.

Fayetteville, North Carolina

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HAIGH, BYRD & LAMBERT, LLP

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Cumberland Community Foundation, Inc.
Fayetteville, North Carolina

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Cumberland Community Foundation, Inc. and its supporting organization (collectively referred to as the "Foundation"), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Foundation 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.

Haigh, Byrd & Lambert, LLP

Certified Public Accountants
September 30, 2021

CUMBERLAND COMMUNITY FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	2021	2020
<u>ASSETS</u>		
Cash and cash equivalents	\$ 2,996,566	\$ 247,799
Investments	121,092,985	100,759,419
Other receivables	6,898	1,929
Equipment and improvements, net	191,464	217,311
Total assets	\$ 124,287,913	\$ 101,226,458
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Grants and other payables	\$ 2,384,845	\$ 1,523,740
Annuity obligations	2,590,731	1,899,725
Liability for amounts held on behalf of others	5,898,631	4,694,156
Notes payable	104,718	372,962
Total liabilities	10,978,925	8,490,583
Net assets:		
Without donor restrictions:		
Designated for donor-advised grants	15,366,438	13,064,453
Designated for endowment	28,273,955	10,938,898
Invested in property and equipment	191,464	217,311
Undesignated, including reserves	1,742,647	1,599,272
Total without donor restrictions	45,574,504	25,819,934
With donor restrictions:		
Restricted for the passage of time	827,608	1,096,830
Restricted in perpetuity - endowment	67,112,284	66,880,075
Underwater endowments	(205,408)	(1,060,964)
Total with donor restrictions	67,734,484	66,915,941
Total net assets	113,308,988	92,735,875
Total liabilities and net assets	\$ 124,287,913	\$ 101,226,458

The accompanying notes are an integral part of the financial statements.

CUMBERLAND COMMUNITY FOUNDATION, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Gains, and Other Support:			
Contributions	\$ 3,913,382	\$ 2,577,484	\$ 6,490,866
Net investment income	2,553,143	27,459	2,580,602
Net investment gains	18,551,150	(36,470)	18,514,680
Change in value of split-interest agreements	-	(197,056)	(197,056)
Other income	184,920	-	184,920
Net assets released from restrictions	1,552,874	(1,552,874)	-
Total revenues and other support	<u>26,755,469</u>	<u>818,543</u>	<u>27,574,012</u>
Expenses:			
Grant disbursements	5,843,848	-	5,843,848
Program expenses	709,439	-	709,439
General and administrative	275,133	-	275,133
Fundraising and development	172,479	-	172,479
Total expenses	<u>7,000,899</u>	<u>-</u>	<u>7,000,899</u>
Change in net assets	19,754,570	818,543	20,573,113
Net assets at beginning of year	<u>25,819,934</u>	<u>66,915,941</u>	<u>92,735,875</u>
Net assets at end of year	<u>\$ 45,574,504</u>	<u>\$ 67,734,484</u>	<u>\$ 113,308,988</u>

The accompanying notes to the consolidated financial statements are an integral part of this statement.

CUMBERLAND COMMUNITY FOUNDATION, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Gains, and Other Support:			
Contributions	\$ 5,658,824	\$ 1,092,762	\$ 6,751,586
Net investment income	3,580,770	50,345	3,631,115
Net investment (losses)	(521,017)	5,625	(515,392)
Change in value of split-interest agreements	-	(23,740)	(23,740)
Other income	111,421	-	111,421
Net assets released from restrictions	<u>(1,385,287)</u>	<u>1,385,287</u>	<u>-</u>
Total revenues and other support	<u>7,444,711</u>	<u>2,510,279</u>	<u>9,954,990</u>
Expenses:			
Grant disbursements	4,598,582	-	4,598,582
Program expenses	662,010	-	662,010
General and administrative	334,579	-	334,579
Fundraising and development	171,115	-	171,115
Total expenses	<u>5,766,286</u>	<u>-</u>	<u>5,766,286</u>
Change in net assets	1,678,425	2,510,279	4,188,704
Net assets at beginning of year	<u>24,141,509</u>	<u>64,405,662</u>	<u>88,547,171</u>
Net assets at end of year	<u>\$ 25,819,934</u>	<u>\$ 66,915,941</u>	<u>\$ 92,735,875</u>

The accompanying notes to the consolidated financial statements are an integral part of this statement.

CUMBERLAND COMMUNITY FOUNDATION, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2021

	Program Services		General and Administrative	Fundraising and Development	Total
	Grants	Other			
Grants					
Environment	\$ 283,726	\$ -	\$ -	\$ -	\$ 283,726
Education	1,243,543	-	-	-	1,243,543
Health & human services	1,722,662	-	-	-	1,722,662
Community improvement	638,966	-	-	-	638,966
Arts, culture & humanities	579,521	-	-	-	579,521
Religion	863,759	-	-	-	863,759
Other	511,671	-	-	-	511,671
Depreciation	-	11,564	11,564	11,564	34,692
Dues and subscriptions	-	1,938	13,354	1,087	16,379
Employee benefits	-	53,804	20,123	14,466	88,393
Insurance	-	-	15,854	-	15,854
Meetings expense	-	2,085	1,545	3,462	7,092
Miscellaneous	-	1,500	1,499	500	3,499
Occupancy	-	232,399	19,025	19,025	270,449
Office expense	-	160	13,011	49	13,220
Payroll taxes	-	25,862	9,673	6,953	42,488
Postage and shipping	-	22	189	-	211
Printing and publications	-	6,545	417	6,220	13,182
Professional fees	-	22,595	36,530	13,507	72,632
Salaries and wages	-	349,238	130,626	93,899	573,763
Telephone	-	1,717	1,717	1,716	5,150
Travel	-	10	6	31	47
Total expenses	\$ 5,843,848	\$ 709,439	\$ 275,133	\$ 172,479	\$ 7,000,899

The accompanying notes to the consolidated financial statements are an integral part of this statement.

CUMBERLAND COMMUNITY FOUNDATION, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2020

	Program Services		General and Administrative	Fundraising and Development	Total
	Grants	Other			
Grants					
Environment	\$ 586,409	\$ -	\$ -	\$ -	\$ 586,409
Education	738,113	-	-	-	738,113
Health & human services	1,426,274	-	-	-	1,426,274
Public safety/disaster relief	132,342	-	-	-	132,342
Crime and legal related	-	-	-	-	-
Arts, culture & humanities	615,661	-	-	-	615,661
Religion	714,935	-	-	-	714,935
Other	384,848	-	-	-	384,848
Depreciation	-	11,196	11,196	11,196	33,588
Dues and subscriptions	-	2,403	12,215	384	15,002
Employee benefits	-	50,622	22,194	14,679	87,495
Insurance	-	-	13,758	-	13,758
Meetings expense	-	8,851	2,183	19,243	30,277
Miscellaneous	-	250	1,560	-	1,810
Occupancy	-	232,312	18,940	18,940	270,192
Office expense	-	868	17,092	521	18,481
Payroll taxes	-	23,707	10,394	6,874	40,975
Postage and shipping	-	975	3,136	1,925	6,036
Printing and publications	-	4,414	2,551	2,691	9,656
Professional fees	-	-	74,545	-	74,545
Salaries and wages	-	319,153	139,923	92,544	551,620
Staff development	-	168	169	59	396
Telephone	-	1,677	1,677	1,676	5,030
Travel	-	5,414	3,046	383	8,843
Total expenses	\$ 4,598,582	\$ 662,010	\$ 334,579	\$ 171,115	\$ 5,766,286

The accompanying notes to the consolidated financial statements are an integral part of this statement.

CUMBERLAND COMMUNITY FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 20,573,113	\$ 4,188,704
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	34,692	33,588
Net realized and unrealized (gains) and losses	(18,514,680)	515,392
Actuarial changes in value of annuity obligations	848,384	358,706
Contributions restricted for long-term investment	(2,573,508)	(1,086,446)
Changes in:		
Other receivables	(4,969)	461
Contributions receivable - split-interest agreements	-	173,866
Grants payable	861,105	807,804
Funds held for agencies	1,204,475	(524,025)
Other payables	(268,244)	(5,436)
Net cash provided from operating activities	2,160,368	4,462,614
Cash flows from investing activities:		
Purchase of property and equipment	(8,845)	(13,546)
Purchase of investments	(1,818,886)	(5,968,245)
Net cash (used) for investing activities	(1,827,731)	(5,981,791)
Cash flows from financing activities		
Proceeds from contributions restricted for long-term investments	2,573,508	1,086,446
Proceeds from notes payable	-	372,962
Investment income subject to annuity agreements	73,368	89,676
Payments on annuity obligations	(230,746)	(175,197)
Net cash provided from financing activities	2,416,130	1,373,887
Net increase (decrease) in cash and cash equivalents	2,748,767	(145,290)
Cash and cash equivalents at beginning of year	247,799	393,089
Cash and cash equivalents at end of year	\$ 2,996,566	\$ 247,799

The accompanying notes are an integral part of the financial statements.

CUMBERLAND COMMUNITY FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

1. Organization

Cumberland Community Foundation, Inc. (the "Foundation") was created in July 1980 as a publicly supported non-profit entity formed and administered exclusively to promote and facilitate philanthropy in Cumberland County and the surrounding area. The Foundation concentrates its efforts on grant making, endowment building, education, and services to nonprofit organizations.

CCF Real Estate Foundation, a non-profit corporation, was created in December 2004 as a supporting organization for Cumberland Community Foundation, Inc. to operate primarily as a holding entity for all real property contributions received. The Board of Directors of CCF Real Estate Foundation are determined and appointed by the Board of Directors of Cumberland Community Foundation, Inc. and a majority of the directors serving for CCF Real Estate Foundation at any time shall simultaneously be directors of Cumberland Community Foundation, Inc.

2. Summary of Significant Accounting Policies

a. Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Financial Accounting Standards Board ("FASB") has established the Accounting Standards Codification ("ASC") as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with GAAP. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-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 restrictions. Net assets without donor restrictions also include the investment in property and equipment, net of accumulated depreciation. The Foundation's policy is to designate donor gifts without restriction at the discretion of the board of directors.

Net Assets With Donor Restrictions - Net assets that are contributions and endowment investment earnings subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by actions of the Foundation and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

NOTES TO FINANCIAL STATEMENTS - continued

b. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, except for those short-term managed as part of investment management strategies.

c. Investments

The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Domestic and international capital markets may experience significant volatility with respect to certain securities. As a result, significant fluctuations in the fair value of investments may have occurred subsequent to June 30, 2021 and 2020.

d. Investment Pool

The Foundation maintains master investment accounts for its endowments. A portion of net income from securities in the master investment accounts is allocated to the individual endowments based on the relationship of the market value of each endowment to the total market value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

e. Promises to Give

Unconditional promises to give are recognized as revenue in the period the promises are made and as assets, decreases of liabilities, or expenses depending on the form of benefits received. Promises to give are recorded at net realizable value if they are expected to be collected in one year or at fair value if they are expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

f. Equipment, Improvements and Depreciation

Equipment and improvements are stated at cost if purchased or at fair value if donated. Depreciation is provided on the straight-line method over the estimated useful lives of the assets ranging from five to forty years.

g. Variance Power

All contributions, including those with donor-imposed restrictions, are subject to the variance power established by the Foundation's governing documents. The variance power gives the Board of Directors the ability to modify donor restrictions that are incapable of fulfillment or are inconsistent with the charitable needs of the community.

h. Income Taxes

The Foundation and its supporting organization are exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. As a result, income taxes are not included in the Foundation's consolidated financial statements.

The Foundation accounts for tax uncertainties based on a more likely than not recognition threshold whereby tax benefits are only recognized when the Foundation believes that they have a greater than 50% likelihood of being sustained upon examination by taxing authorities. The Foundation has evaluated all its tax positions and determined that it had no uncertain tax positions as of June 30, 2021 and 2020.

NOTES TO FINANCIAL STATEMENTS - continued

i. Functional Allocation of Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the consolidated statements of activities and the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The consolidated financial statements report expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation of a reasonable basis that is consistently applied. All expenses excluding depreciation and grant disbursements are allocated on the basis of estimates of time and effort.

j. Liability for Amounts Held on Behalf of Others

The Foundation recognizes a liability for funds received and held for the sole benefit of other organizations.

k. Annuity Obligations

The Foundation receives gifts of future interests through charitable remainder unitrusts, charitable lead trusts, and gift annuities.

Charitable remainder unitrusts are arrangements in which a donor establishes and funds a trust with specified distributions to be made to a non-charitable beneficiary, usually the donor, over a specified period of time not to exceed the lives of the beneficiaries. The distributions to the beneficiaries are for a specified percentage of the trust's fair market value as determined annually. Upon termination of the trust, the not-for-profit receives the assets remaining in the trust.

The charitable lead trust is an agreement in which a donor has established and funded a trust with quarterly distributions to be made to the Foundation for a period of time. Upon termination of the trust, the remainder of the trust assets is paid to beneficiaries designated by the donor. The Foundation is not the trustee of these assets, therefore the financial statements reflect a contribution receivable measured at the present value of cash flows to be received by the Foundation.

The present value of the liability resulting from these gifts, determined based on mortality tables using annual Internal Revenue Service discount rates, is recorded as an annuity obligation. The amount equal to the portion of the current fair value of the gift over the amount payable is recorded as assets with restrictions if the Foundation is the beneficiary or annuity obligations if the Foundation is acting as the agent. The Foundation has voluntarily elected the fair value option for valuing all liabilities associated with the irrevocable trust agreements and annuity agreements to improve the clarity and consistency of the valuation of these liabilities.

l. Principles of Consolidation

The consolidated financial statements as of and for the years ended June 30, 2021 and 2020, include the accounts of Cumberland Community Foundation, Inc. and CCF Real Estate Foundation, after elimination of all inter-company accounts and transactions.

m. Donated Services

A substantial number of volunteers donated significant amounts of time to oversight of operations and fundraising efforts. The value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria for recognition under SFAS No. 116.

NOTES TO FINANCIAL STATEMENTS - continued

n. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. Concentration of Credit Risk

The Foundation maintains bank accounts at several banks. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash at these institutions exceeded federally insured limits. The amount in excess of the FDIC limit as of June 30, 2021 and 2020 was \$4,310,070 and \$1,357,169, respectively.

4. Liquidity

The Foundation receives contributions with donor restrictions to be used in accordance with the associated purpose restrictions contained in each fund agreement. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. Endowment funds consist of donor restricted endowments and board restricted designated endowments. In addition, the Foundation receives support without donor restrictions.

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

	2021	2020
Cash and cash equivalents	\$ 3,011,609	\$ 247,799
Investments	42,379,576	25,352,895
Other receivables	6,898	1,929
	<u>\$ 45,398,083</u>	<u>\$ 25,602,623</u>

The assets above include \$15,366,438 and \$13,064,453 in donor-advised funds as of June 30, 2021 and 2020, respectively. The Foundation generally uses these assets for grantmaking based on donor recommendations.

The Foundation manages its cash following three guiding principles:

- Operating within a prudent range of financial soundness and stability
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long-term administrative costs, grant commitments and obligations under endowments with donor restrictions and quasi endowments that support mission fulfillment will continue to be met, ensuring the stability of the Foundation

The Foundation maintains financial assets available to meet administrative, general, fundraising and other obligations at a level that represents 100% of annual core operating expenses plus an amount that represents expected grant payments approved by the Foundation. The Foundation invests cash in excess of daily requirements in short-term investments and money market funds. Annually, the board will designate a portion of operating surplus to short and long-term reserves. As of June 30, 2021, the operating reserves were \$1,219,853 and the building reserves were \$100,365. As of June 30, 2020, the operating reserves were \$1,053,333 and the building reserves were \$172,403.

NOTES TO FINANCIAL STATEMENTS - continued

5. Investments

Investments at June 30, 2021 and 2020, included in the statement of financial position are as follows:

	<u>2021</u>	<u>2020</u>
Cash held for investment	\$ 10,372,129	\$ 6,320,401
Mutual funds	103,716,046	82,965,531
Corporate debt securities	2,354,151	5,512,872
Government debt securities	556,755	665,283
Equities	638,285	968,172
Preferred stock	-	583,973
Land held for investment	2,224,115	2,494,993
Annuities	25,000	25,000
Note receivable	1,081,068	1,117,385
Cash surrender value of life insurance	125,436	105,809
	<u>\$ 121,092,985</u>	<u>\$ 100,759,419</u>

The Foundation maintains its investments with various broker-dealers. The Foundation invests in a variety of investments, which are subject to fluctuations in market values and expose the Foundation to a certain degree of interest and credit risk.

Net investment income for the years ended June 30, 2021 and 2020 consists of interest and dividends and is presented net of related expenses. Net investment gains for the years ended June 30 consists of net realized and unrealized gains and losses.

6. Conditional Promises to Give

Conditional promises to give during the years ended June 30, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Conditional upon successful fundraising and ground breaking	\$ 500,000	\$ 500,000
Conditional upon hiring position	13,750	-
Conditional upon submission and approval of timeline, budget, and naming rights	100,000	-
Conditional upon participant registration	22,314	-
Conditional upon State Budget approval	500,000	-
	<u>\$ 1,136,064</u>	<u>\$ 500,000</u>

7. Equipment and Improvements

Equipment and improvements consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Improvements	\$ 533,262	\$ 527,159
Furniture	42,483	42,483
Equipment	136,491	133,750
	712,236	703,392
Less: accumulated depreciation	520,772	486,081
Equipment and improvements - net	<u>\$ 191,464</u>	<u>\$ 217,311</u>

NOTES TO FINANCIAL STATEMENTS - continued

8. Endowment Spending Policy and Reinvested Endowment Income

Absent donor stipulations to the contrary, state law allows the Foundation's board to appropriate and spend so much of net appreciation in endowment investments (in addition to interest and dividends) as is prudent considering the Foundation's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions. During the years ending June 30, 2021 and 2020, the endowment spending policy was 4 percent of the average of the market values at the end of the previous 12 quarters. This amount is appropriated for expenditure, or the Foundation may elect to spend the earned income. Earned income is defined as interest and dividends. The excess, if any, of total fund earnings over the 4 percent appropriation retains its specific endowment fund identity and remains reinvested as reinvested endowment income.

The reinvested endowment income helps preserve the purchasing power of the endowment funds and also provides the Foundation with the ability to continue charitable giving, in accordance with the donor's original wishes, in years of low investment returns. Reinvested endowment income is held as either unrestricted or temporarily restricted funds, depending on the donor's original stipulations regarding the use of the endowment.

The composition of endowment net assets and changes in net assets as of June 30, 2021 and 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance at July 1, 2020	\$ 10,938,898	\$ 64,819,638	\$ 75,758,536
Contributions	5,000	2,072,980	2,077,980
Investment income	2,529,694	-	2,529,694
Net appreciation	17,220,574	-	17,220,574
Program expenditures	(2,473,820)	-	(2,473,820)
Internal transfers and assets released from restrictions	53,609	(1,292,662)	(1,239,053)
Balance at June 30, 2021	<u>\$ 28,273,955</u>	<u>\$ 65,599,956</u>	<u>\$ 93,873,911</u>
	Without Donor Restrictions	With Donor Restrictions	Total
Balance at July 1, 2019	\$ 12,082,180	\$ 62,023,625	\$ 74,105,805
Contributions	431,022	984,379	1,415,401
Investment income	3,468,167	-	3,468,167
Net appreciation	(539,377)	-	(539,377)
Program expenditures	(1,974,808)	-	(1,974,808)
Internal transfers and assets released from restrictions	(2,528,286)	1,811,634	(716,652)
Balance at June 30, 2020	<u>\$ 10,938,898</u>	<u>\$ 64,819,638</u>	<u>\$ 75,758,536</u>

Funds with Deficiencies - From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

NOTES TO FINANCIAL STATEMENTS - continued

At June 30, 2021 and 2020, funds with deficiencies of \$205,408 and \$1,060,964, respectively, were reported in net assets with donor restrictions.

	2021	2020
Fair value of underwater endowment funds	\$ 1,848,788	\$ 3,898,054
Original endowment gift amount	2,054,196	4,959,018
Deficiencies of underwater endowment funds	<u>\$ (205,408)</u>	<u>\$ (1,060,964)</u>

9. Funds Held for Agencies

Funds held for agencies are unrestricted funds received from non-profit organizations that designate themselves as beneficiaries. Accordingly, such funds are reported as liabilities rather than as unrestricted net assets of the Foundation. The activities related to funds held for other agencies are summarized as follows:

Balance at July 1, 2020	\$ 4,694,156
Receipts	127,176
Investment income	157,354
Realized and unrealized gains and losses	1,125,934
Distributions	(151,500)
Investment management fees	(8,787)
Administrative expense allocation	(45,702)
Balance at June 30, 2021	<u>\$ 5,898,631</u>
Balance at July 1, 2019	\$ 5,218,181
Receipts	38,067
Investment income	217,059
Realized and unrealized gains and losses	(30,970)
Distributions	(700,391)
Investment management fees	(7,885)
Administrative expense allocation	(39,905)
Balance at June 30, 2020	<u>\$ 4,694,156</u>

10. Employee Benefit Plan

Beginning on January 1, 2013, the Foundation began offering a 401k retirement plan. Under this plan, employees may participate after three consecutive months of full-time employment but are not vested in the employer contribution until after they have been employed for three years. Employees are immediately vested in their personal contributions. The Foundation makes a five percent contribution for each employee's annual salary paid in equal bi-monthly installments to the individual's account. Total contributions were \$27,736 for the year ending June 30, 2020.

During the year ending June 30, 2021 the company modified its retirement plan whereby the company will match an employee's contribution up to 5%. Additionally, participants have the ability to modify their funds on a monthly basis as well as part-time employees may participate in the plan after 1,000 hours. Employer contributions to the plan for the year ending June 30, 2021 were \$28,648.

NOTES TO FINANCIAL STATEMENTS - continued

11. Compensated Absences

The Organization has not accrued a liability for compensated absences because the amount cannot be reasonably estimated.

12. Investments Restricted Under Lease Commitment

The Foundation's long-term investments at June 30, 2021 and 2020, include government and corporate debt securities and U.S Treasury securities with fair values totaling \$827,608 and \$1,096,830, respectively. These securities were acquired as a result of two gifts received from a financial institution (that is also the assignor of the lease described in Note 13). Securities totaling \$331,588 as of June 30, 2021 and \$601,230 as of June 30, 2020 represent the funds from a 1984 gift that are restricted to fund operating facility lease payments until the year 2024. The remaining \$496,020 and \$495,600 as of June 30, 2021 and 2020, are from a 1995 gift of a U. S. Treasury zero-coupon bond due November 15, 2023, with a face amount of \$500,000. This bond will be available to exercise the lease purchase option described in note 13. If the Foundation elects not to exercise the lease purchase option in the year 2024, the funds will be available to the Foundation for unrestricted use on the condition that the Foundation assigns its lease purchase option back to the original assignor.

13. Lease Commitment

The Foundation is the assignee of a lease for the real estate used by the Foundation for its operations. The original lease was entered into on February 19, 1973. The assignor (the original lessee) transferred to the Foundation (the assignee) all of its rights and a limited amount of its liabilities under the lease agreement. Contemporaneously to the signing of the agreement, the assignor made a gift to the Foundation stipulating that the funds be restricted as security for payment of rentals from August 1, 1994 through the end of the lease term. From August 1, 1994, through July 31, 2014, the Foundation was liable for rental payments only to the extent of the income earned on the restricted funds. From August 1, 2014, through February 29, 2024, the Foundation is liable for rental payments limited to the balance of the restricted funds. If these funds or the income earned on these funds prove to be insufficient, the liability for payment reverts back to the assignor. At the end of the lease term the Foundation can exercise an option assignment to purchase the leased property for \$500,000, as described in Note 12.

The current terms of the lease call for monthly rental payments of \$21,684 until the termination of the lease in July 2024. The total amount of payments in the year ended June 30, 2021 totaled \$260,211.

The future minimum lease payments are as follows:

Year ending June 30:	
2022	\$ 260,211
2023	260,211
2024	173,475
Total	<u>\$ 693,897</u>

NOTES TO FINANCIAL STATEMENTS - continued

14. Fair Values of Financial Statements

FASB ASC 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework 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 FASB ASC 820 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.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Mutual funds, corporate and government debt securities, cash held for investment, and life insurance accounts are valued at the net asset value of shares held by the Foundation at year end. Land held for investment is valued at either the real estate appraisal or the county tax value. Split interest agreements are estimated as the present value of expected future cash flows.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although 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.

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

	Fair Value Measurements at June 30, 2021			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds	\$ 103,716,046	\$ 103,716,046	\$ -	\$ -
Corporate debt securities	2,354,151	2,354,151	-	-
Government debt securities	556,755	556,755	-	-
Equities	638,285	638,285	-	-
Cash held for investment	10,372,129	10,372,129	-	-
Cash surrender value of life insurance	125,436	125,436	-	-
Annuities	25,000	-	-	25,000
Land held for investment	2,224,115	-	2,224,115	-
Note receivable	1,081,068	-	1,081,068	-
Total assets at fair value	<u>\$ 121,092,985</u>	<u>\$ 117,762,802</u>	<u>\$ 3,305,183</u>	<u>\$ 25,000</u>

NOTES TO FINANCIAL STATEMENTS - continued

	Fair Value Measurements at June 30, 2020			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds	\$ 82,965,531	\$ 82,965,531	\$ -	\$ -
Corporate debt securities	5,512,872	5,512,872	-	-
Government debt securities	665,283	665,283	-	-
Equities	968,172	968,172	-	-
Preferred stock	583,973	583,973	-	-
Cash held for investment	6,320,401	6,320,401	-	-
Cash surrender value of life insurance	105,809	105,809	-	-
Annuities	25,000	-	-	25,000
Land held for investment	2,494,993	-	2,494,993	-
Note receivable	1,117,385	-	1,117,385	-
	<u>\$ 100,759,419</u>	<u>\$ 97,122,041</u>	<u>\$ 3,612,378</u>	<u>\$ 25,000</u>

15. Notes Payable

The Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") has authorized the funding of loans under the Paycheck Protection Program which are fully guaranteed by the U.S. Small Business Administration ("SBA"). The Organization applied for and was awarded a loan in the amount of \$117,419. The loan matures two years from the date of first disbursement which was April 23, 2020. The interest rate on the loan is 1.00% with the first payment due seven (7) months from the date of the first disbursement.

Pursuant to Section 1106 of the CARES Act, the loan can be forgiven up to the full principal amount of the loan and any accrued interest if the Organization (i) uses all proceeds for eligible purposes as set forth in the CARES Act; (ii) maintains employment levels; and (iii) maintains compensation levels. The SBA will issue further guidance on loan forgiveness under the CARES Act and the Organization expects the full amount of the loan to be forgiven. This loan was forgiven on March 23, 2021.

Additionally, the Organization received funding for the second round of the Paycheck Protection Program on March 25, 2021 in the amount of \$104,718. The Organization expects the full amount of the loan to be forgiven.

16. Subsequent Events

Management has evaluated subsequent events through September 30, 2021, the date on which the financial statements were available to be issued.

In March 2020, the COVID-19 virus was declared a global pandemic, and it unfortunately continues to spread rapidly. The Organization's operations are heavily dependent on contributions. The outbreak may have a continued material adverse impact on economic and market conditions, triggering a national and local economic slow down. This situation may depress contributions in the upcoming year. As such, this may hinder the ability for the Organization to advance their mission. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.