

**PUTNAM COUNTY COMMUNITY
FOUNDATION, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

CPAs / ADVISORS



PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of the
Putnam County Community Foundation, Inc.
Greencastle, Indiana

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2020 and 2019, 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.

Blue & Co., LLC

Seymour, Indiana

April 8, 2021

PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 842,159	\$ 435,136
Investments	36,096,468	34,754,673
Pledges receivable	-0-	10,700
Other receivables	40	1,584
Prepaid expenses	4,772	16,139
Property and equipment, net	422,213	435,255
Other assets	173,254	173,254
Beneficial interest in charitable remainder trusts	118,343	129,503
	<u>\$ 37,657,249</u>	<u>\$ 35,956,244</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 6,940	\$ 2,553
Accrued wages	22,195	22,174
Other liabilities	-0-	3,772
Gift annuities payable	30,225	58,347
Custodial funds	4,677,673	4,631,786
Term debt	103,372	112,252
Total liabilities	<u>4,840,405</u>	<u>4,830,884</u>
Net assets		
Without donor restrictions		
Operating	799,299	723,997
Board designated endowment	111,867	109,152
	<u>911,166</u>	<u>833,149</u>
With donor restrictions		
Restricted for specified purposes	393,491	177,801
Restricted due to time restrictions	118,343	129,503
Endowment funds	31,393,844	29,984,907
	<u>31,905,678</u>	<u>30,292,211</u>
Total net assets	<u>32,816,844</u>	<u>31,125,360</u>
	<u>\$ 37,657,249</u>	<u>\$ 35,956,244</u>

See accompanying notes to financial statements.

PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2020
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019)

	2020		2019	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenues				
Contributions and grants	\$ 55,158	\$ 852,178	\$ 907,336	\$ 1,303,799
Investment return, net	14,773	2,186,798	2,201,571	5,110,401
Change in value of split interest agreements	-0-	13,812	13,812	(2,275)
Other revenues	8,896	10,570	19,466	31,279
Loss on sale of property held for sale	-0-	-0-	-0-	(25,067)
Net assets released from restrictions	998,505	(998,505)	-0-	-0-
Total support and revenues	1,077,332	2,064,853	3,142,185	6,418,137
Expenses				
Grantmaking	1,140,482	-0-	1,140,482	1,115,511
Supporting services				
Administrative expenses	254,764	-0-	254,764	235,412
Fundraising expenses	96,165	-0-	96,165	99,103
Total expenses	1,491,411	-0-	1,491,411	1,450,026
Transfer of administrative fees	492,096	(451,386)	40,710	36,684
Change in net assets	78,017	1,613,467	1,691,484	5,004,795
Net assets, beginning of year	833,149	30,292,211	31,125,360	26,120,565
Net assets, end of year	<u>\$ 911,166</u>	<u>\$ 31,905,678</u>	<u>\$ 32,816,844</u>	<u>\$ 31,125,360</u>

See accompanying notes to financial statements.

PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues			
Contributions and grants	\$ 22,526	\$ 1,281,273	\$ 1,303,799
Investment return, net	36,418	5,073,983	5,110,401
Change in value of split interest agreements	-0-	(2,275)	(2,275)
Other revenues	19,469	11,810	31,279
Loss on sale of property held for sale	-0-	(25,067)	(25,067)
Net assets released from restrictions	<u>1,000,631</u>	<u>(1,000,631)</u>	<u>-0-</u>
Total support and revenues	1,079,044	5,339,093	6,418,137
Expenses			
Grantmaking	1,115,511	-0-	1,115,511
Supporting services			
Administrative expenses	235,412	-0-	235,412
Fundraising expenses	<u>99,103</u>	<u>-0-</u>	<u>99,103</u>
Total expenses	1,450,026	-0-	1,450,026
Transfer of administrative fees	<u>433,781</u>	<u>(397,097)</u>	<u>36,684</u>
Change in net assets	62,799	4,941,996	5,004,795
Net assets, beginning of year	<u>770,350</u>	<u>25,350,215</u>	<u>26,120,565</u>
Net assets, end of year	<u>\$ 833,149</u>	<u>\$ 30,292,211</u>	<u>\$ 31,125,360</u>

See accompanying notes to financial statements.

PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020				2019			
	Grantmaking	Supporting Services		Total	Grantmaking	Supporting Services		Total
		Administrative	Fundraising			Administrative	Fundraising	
Grants and scholarships	\$ 909,080	\$ -0-	\$ -0-	\$ 909,080	\$ 901,905	\$ -0-	\$ -0-	\$ 901,905
Other program expenses	78,426	-0-	-0-	78,426	76,465	-0-	-0-	76,465
Salaries and wages	105,863	103,971	60,872	270,706	89,376	86,820	51,392	227,588
Payroll taxes and benefits	17,153	16,040	9,863	43,056	13,182	13,117	7,580	33,879
Office supplies	-0-	3,146	-0-	3,146	34	3,216	-0-	3,250
Technology fees and support	2,209	27,012	10,457	39,678	2,130	12,225	12,825	27,180
Printing and copying	98	7,569	3,387	11,054	228	7,094	5,133	12,455
Postage and shipping	406	393	1,209	2,008	906	928	1,632	3,466
Dues and subscriptions	-0-	2,649	944	3,593	-0-	1,299	1,134	2,433
Credit card fees	-0-	1,431	-0-	1,431	-0-	1,542	-0-	1,542
Consulting fees	23,100	-0-	2,661	25,761	10,900	16,400	2,321	29,621
Insurance	-0-	6,170	-0-	6,170	-0-	5,856	-0-	5,856
Interest	-0-	5,410	-0-	5,410	-0-	5,840	-0-	5,840
Depreciation	-0-	28,072	-0-	28,072	-0-	22,268	-0-	22,268
Professional fees	-0-	31,237	-0-	31,237	-0-	31,000	-0-	31,000
Janitorial	-0-	7,257	-0-	7,257	-0-	7,887	-0-	7,887
Utilities	-0-	4,769	-0-	4,769	-0-	5,923	-0-	5,923
Professional development	-0-	3,460	13	3,473	5,000	5,776	2,723	13,499
Event expense	2,027	84	4,373	6,484	11,113	84	9,295	20,492
Travel and entertainment	62	319	373	754	2,641	956	2,010	5,607
Miscellaneous	2,058	5,775	2,013	9,846	1,631	7,181	3,058	11,870
	<u>\$ 1,140,482</u>	<u>\$ 254,764</u>	<u>\$ 96,165</u>	<u>\$ 1,491,411</u>	<u>\$ 1,115,511</u>	<u>\$ 235,412</u>	<u>\$ 99,103</u>	<u>\$ 1,450,026</u>

See accompanying notes to financial statements.

PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Operating activities		
Change in net assets	\$ 1,691,484	\$ 5,004,795
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	28,072	22,268
Reinvested interest and dividends received on investments	(671,691)	(1,103,849)
Realized and unrealized gains on investments	(1,981,814)	(4,890,207)
Loss on sale of property held for sale	-0-	25,067
Change in value of split-interest agreements	(13,812)	2,275
Contributions restricted to endowment funds	(387,880)	(950,059)
Changes in assets and liabilities:		
Pledges receivable	10,700	(9,500)
Other receivables	1,544	(408)
Prepaid expenses	11,367	(750)
Accounts payable	4,387	(17,664)
Accrued wages	21	8,996
Other liabilities	-0-	3,772
Deferred revenue	(3,772)	(479,440)
Custodial funds	<u>45,887</u>	<u>790,937</u>
Net cash flows from operating activities	(1,265,507)	(1,593,767)
Investing activities		
Purchases of property and equipment	(15,030)	(35,322)
Purchase of investments	(2,385,190)	(3,470,017)
Proceeds from sales of investments	3,696,900	3,505,076
Proceeds from sale of property held for sale	<u>-0-</u>	<u>166,933</u>
Net cash flows from investing activities	1,296,680	166,670
Financing activities		
Gift annuity payments	<u>(3,150)</u>	<u>(3,150)</u>
Payments on term debt	(8,880)	(8,450)
Contributions restricted to endowment funds	<u>387,880</u>	<u>950,059</u>
Net cash flows from financing activities	<u>375,850</u>	<u>938,459</u>
Net change in cash	407,023	(488,638)
Cash and cash equivalents, beginning of year	<u>435,136</u>	<u>923,774</u>
Cash and cash equivalents, end of year	<u>\$ 842,159</u>	<u>\$ 435,136</u>
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	\$ 5,410	\$ 5,840

See accompanying notes to financial statements.

PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Putnam County Community Foundation, Inc. (the "Foundation") was incorporated as a not-for-profit entity in 1985. The mission of the Foundation is to partner with those who give to enrich life and strengthen community for this and future generations.

Management's Estimates

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

Basis of Presentation

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

Net assets without donor restrictions: Net assets that are currently available for operating purposes under the direction of the board of directors (Board) or designated by the Board for specific use. The Foundation maintains net assets without donor restrictions as follows:

Operating – used to fund current operations of the Foundation

Board designated endowment – established with the expectation that the principal be maintained in perpetuity to generate grants, subject to the spending policy, used to support the general operations of the Foundation and community needs as designated by the Board of Directors

Net assets with donor restrictions: Net assets subject to donor stipulations for specific purposes or time restrictions. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term to support operations or specific purposes. The Foundation maintains net assets with donor restrictions as follows:

Restricted for specific purposes – all contributions to the Foundation with the intention of the donor to be held for a specific program or in a donor restricted non-endowed fund.

Restricted due to time restrictions – all contributions to the Foundation with donor restrictions that will be met by the passage of time.

PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Endowment funds – all contributions to the Foundation with the intention of the donor that the assets be held in perpetuity and related investment earnings managed in accordance with the Foundation’s spending policy.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash in checking and savings and exclude amounts held by the Foundation’s fund managers and included in investments.

Investments and Investment Return

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

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

Property and Equipment

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

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

Support, Revenues and Expense Recognition

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

Support and 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 restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in either net assets with or without donor restrictions in accordance with the classification of the fund.

All other support and revenue is recorded when earned.

PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Administrative Fees

Administrative fees are expensed from the funds to support the operations of the Foundation. Administrative fees from all funds are reflected as transfer of administrative fees on the Statements of Activities. The administrative fees from custodial funds are not included in the reduction of net assets with donor restrictions because they are included in the change in custodial funds.

Functional Allocation of Expenses

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

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Foundation. Those expenses include salaries and wages, payroll taxes and benefits, computer expenses, and communication expense. These expenses are allocated on the basis of estimates of time and effort. While the methods of allocation are considered appropriate, other methods could produce different results.

Income Taxes

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

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Foundation, and has concluded that as of December 31, 2020 and 2019 there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

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

Paycheck Protection Program

In May 2020, the Foundation received a low interest loan in the amount of \$43,900 under the Paycheck Protection Program (PPP) administered by the Small Business Administration. The PPP

PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

loan was unsecured, beared interest at 1% and funds advanced under the program were subject to forgiveness, if certain criteria was met, with the remaining balance repayable within two years of disbursement. The PPP loan was forgivable to the extent that employers incur and spend the funds on qualified expenditures, which included payroll, employee health insurance, rent, utilities and interest costs during the covered period as defined by the PPP guidance. In addition, employers had to maintain specified employment and wage levels during the pandemic and submit adequate documentation of such expenditures to qualify for loan forgiveness.

The Foundation has elected to treat this loan as a conditional contribution and recognized contributions in the amount of \$43,417 when partial forgiveness of the loan was received on December 15, 2020. This revenue is recognized within contributions and grants on the 2020 statement of activities. The remaining balance of \$483 was repaid prior to December 31, 2020.

Reclassifications

Certain prior year amounts have been reclassified herein to conform to the current method of presentation.

Going Concern Evaluation

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

Subsequent Events

The Foundation has evaluated events or transactions occurring subsequent to the Statement of Financial Position date for recognition and disclosure in the accompanying financial statements through the date the financial statements were available to be issued, which is April 8, 2021.

PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

2. INVESTMENTS

Investments at December 31, 2020 and 2019 consist of the following:

	2020	2019
Cash	\$ 179,009	\$ 105,619
Money market funds	283,330	254,524
Certificates of deposit	58,595	115,024
Corporate bonds	1,754,985	1,549,598
Government bonds	1,591,876	1,614,355
Equity exchange traded funds		
Large	2,445,188	2,451,154
Small/mid	1,198,344	1,051,166
Fixed income exchange traded funds		
Ultrashort	50,408	249,810
Equity mutual funds		
Large	11,345,238	10,780,185
Small/mid	9,621,394	8,987,772
Natural resources	1,321,038	1,213,691
Real estate	1,999,530	2,127,034
Equity energy	1,317,787	1,195,268
Fixed income mutual funds		
Inflation-protected	493,191	444,495
World bond	1,685,680	1,734,432
Hedge funds	591,068	692,015
Private equity	159,807	188,531
	<u>\$ 36,096,468</u>	<u>\$ 34,754,673</u>

3. RISKS AND UNCERTAINTIES

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

PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

4. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

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

The asset 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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

- *Money market funds:* Generally transact subscription and redemption activity at a \$1 stable net asset value (NAV) however, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of the securities held in the fund.
- *Certificates of deposit, corporate bonds and government bonds:* Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.
- *Exchange traded funds and mutual funds:* Valued at the daily closing price as reported by the fund. Mutual and exchange traded funds ("funds") are held by the Foundation and are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The funds held by the Foundation are deemed to be actively traded.

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- *Beneficial interest in charitable remainder trusts:* Fair value is determined by subtracting the calculated present value of the future payments to beneficiaries using published life expectancy tables, discount rates ranging from 0.6% to 2% and payout rates ranging from 6% to 8% from the fair value of the trust assets.
- *Alternative investments:* Valued at the net asset value (NAV) of the units of the funds, as provided by the investment managers. The NAV is based on the fair value of the underlying investments held by the funds less their liabilities.
- *Gift annuities payable:* Fair value is determined by calculating the present value of future payments to beneficiaries using published life expectancy tables with discount rates ranging from 3.2% to 9.4%.

The following table sets forth financial assets and liabilities measured at fair value in the Statement of Financial Position and the respective levels to which the fair value measurements are classified within the fair value hierarchy as of December 31, 2020 and 2019:

	2020			
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Investments				
Money market funds	\$ 283,330	\$ -0-	\$ 283,330	\$ -0-
Certificates of deposit	58,595	-0-	58,595	-0-
Corporate bonds	1,754,985	-0-	1,754,985	-0-
Government bonds	1,591,876	-0-	1,591,876	-0-
Exchange traded funds	3,693,940	3,693,940	-0-	-0-
Mutual funds	27,783,858	27,783,858	-0-	-0-
Beneficial interest in charitable remainder trusts	<u>118,343</u>	<u>-0-</u>	<u>-0-</u>	<u>118,343</u>
Total assets in fair value hierarchy	35,284,927	31,477,798	3,688,786	118,343
Alternative investments*	<u>750,875</u>			
Total assets at fair value	<u>\$ 36,035,802</u>			
Liabilities:				
Gift annuities payable	30,225	-0-	30,225	-0-

PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

	2019			
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Investments				
Money market funds	\$ 254,524	\$ -0-	\$ 254,524	\$ -0-
Certificates of deposit	115,024	-0-	115,024	-0-
Corporate bonds	1,549,598	-0-	1,549,598	-0-
Government bonds	1,614,355	-0-	1,614,355	-0-
Exchange traded funds	3,752,130	3,752,130	-0-	-0-
Mutual funds	26,482,877	26,482,877	-0-	-0-
Beneficial interest in charitable remainder trusts	<u>129,503</u>	<u>-0-</u>	<u>-0-</u>	<u>129,503</u>
Total assets in fair value hierarchy	33,898,011	30,235,007	3,533,501	129,503
Alternative investments*	<u>880,546</u>			
Total assets at fair value	<u><u>\$ 34,778,557</u></u>			
Liabilities:				
Gift annuities payable	58,347	-0-	58,347	-0-

* In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented at fair value in the Statement of Financial Position.

The progression of beneficial interest in charitable remainder trusts during the years ended December 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 129,503	\$ 125,765
Change in present value	<u>(11,160)</u>	<u>3,738</u>
Ending balance	<u><u>\$ 118,343</u></u>	<u><u>\$ 129,503</u></u>

A summary of hedge funds as of December 31, 2020 and 2019, including balances, restrictions on redemptions and investment objectives, is as follows:

	<u>2020</u>	<u>2019</u>	<u>Redemption Notice</u>	<u>Redemption Frequency</u>
Savile Row Life Settlements Fund V 2017-1, LLC	\$ 566,413	\$ 569,675	195 days notice	2 year lockup
Savile Row Financials Hedged Equity Institutional Fund M 2016-2, LLC	<u>24,655</u>	<u>122,340</u>	55 days notice	Quarterly
	<u><u>\$ 591,068</u></u>	<u><u>\$ 692,015</u></u>		

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There are no unfunded commitments to these hedge funds as of December 31, 2020.

Savile Row Life Settlements Fund V 2017-1, LLC

The investment objective of the Savile Row Life Settlements Fund V 2017-1 Fund, LLC is to generate attractive returns by investing in life settlements, which are life insurance policies that are sold by the original policyholder to a third party investor who becomes the new owner and beneficiary of the policy.

Savile Row Financials Hedged Equity Institutional Fund M 2016-2, LLC

The investment objective of the Savile Row Financials Hedged Equity Institutional Fund M 2016-2, LLC is to generate superior returns with a focus on the small community bank and thrift sub-sector.

Private equities do not allow withdrawals from the partnership until the partnership is dissolved, unless special approval is granted by the general partner. The investment will not liquidate until specified by the agreement. Distributions are received through the liquidation of the underlying assets of the fund. The timing of the liquidation of these underlying assets is unknown.

Private equity investments, unfunded commitments and their investment objectives consist of the following as of December 31, 2020 and 2019:

	2020	2019	Unfunded Commitment
Regent Street Special Situations Fund S 2016-2, LLC	\$ 159,807	\$ 188,531	\$ 44,561

Regent Street Special Situations Fund S 2016-2, LLC

The investment objective of the Regent Street Special Situations Fund 2016-2, LLC is to target complex and/or capital constrained situations, and invest opportunistically across sectors and the capital structure (debt, equity, warrants, LLC membership interests) to maximize potential returns.

Due to the nature of the investments held by hedge funds and private equity, changes in market conditions and the economic environment may significantly impact the net asset value and, consequently, the fair value of the Foundation's interests in these investments. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is therefore reasonably possible that if the Foundation were to sell these investments in the secondary market, a buyer may require a discount to the reported net asset value, and the discount could be significant.

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5. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2020 and 2019 is as follows:

	2020	2019
Building and improvements	\$ 594,020	\$ 592,270
Furniture and fixtures	39,791	39,791
Computer equipment	<u>93,634</u>	<u>80,354</u>
	727,445	712,415
Less accumulated depreciation	<u>305,232</u>	<u>277,160</u>
	<u>\$ 422,213</u>	<u>\$ 435,255</u>

6. BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUSTS

The Foundation has been named the full or partial beneficiary of several charitable remainder trusts in which the Foundation is not the trustee. Upon termination of the trusts on the donors' deaths, the applicable remainder of the trust will revert to the Foundation. The trust agreements stipulate that a certain portion of the trusts' assets are to be paid out each year to third party beneficiaries named by the donors. The Foundation's interest under these trusts was \$118,343 and \$129,503 at December 31, 2020 and 2019, respectively. In calculating the present value of the amount to be received upon termination of the trusts, the discount rates used ranged from 0.6% to 2% and the payout rates ranged from 6 percent to 8 percent. The date of the termination of the trusts was determined based on the applicable mortality tables. The change in the present value of the amounts expected to be received under these charitable trusts was \$(11,160) and \$3,738 for the years ended December 31, 2020 and 2019, respectively.

7. GIFT ANNUITIES PAYABLE

The Foundation has five charitable gift annuities, under which the Foundation received \$95,000 and is required to make annual payments to the donors in amounts ranging from \$650 to \$1,500 for the remainder of the donors' lifetimes. Upon the death of the specified persons, the remaining amount of the gifts is to be used by the Foundation as specified in the respective agreements. The Foundation has recognized a liability of \$30,225 and \$58,347 at December 31, 2020 and 2019, respectively, for the present value of the amount expected to be paid to the third-party beneficiaries. The liability was calculated based on the life expectancy of the beneficiary of each annuity, derived from the applicable one life or joint-life and last survivor annuity expected return multiples, and using discount rates ranging from 3.2 percent to 9.4 percent. The change in the present value of the amounts expected to be paid under these gift annuities was \$24,972 and \$(6,013) for the years ended December 31, 2020 and 2019, respectively.

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8. CUSTODIAL FUNDS

Custodial funds represents contributions placed on deposit with the Foundation by other organizations based on their individual board resolutions. The Foundation accounts for these transfers as a liability in accordance with applicable accounting standards. Income is added to these funds periodically in accordance with the Foundation's investment allocation policies. Contributions by, investment return credits for, and distributions to those organizations are reflected as adjustments to the liability account and are not reflected in the Statements of Activities. Following is a progression of custodial funds during 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Custodial funds, beginning balance	\$ 4,631,786	\$ 3,840,849
Contributions and grants	14,641	152,236
Investment return, net	330,078	783,349
Administrative fees	(40,710)	(36,684)
Grant payments	<u>(258,122)</u>	<u>(107,964)</u>
Custodial funds, ending balance	<u>\$ 4,677,673</u>	<u>\$ 4,631,786</u>

9. TERM DEBT

Term debt consists of a real estate mortgage payable to a bank that matures in December 2029. Monthly payments are \$1,191, which includes principal and interest at 4.93% annually. The mortgage is secured by the real estate with a net book value of \$294,548 at December 31, 2020.

Maturities of term debt subsequent to December 31, 2020 are as follows:

<u>Year</u>	
2021	\$ 9,436
2022	9,912
2023	10,412
2024	10,937
2025	11,489
Thereafter	<u>51,186</u>
	<u>\$ 103,372</u>

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10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Restricted for specified purpose		
Various based on fund agreements	\$ 393,491	\$ 177,801
Time restrictions related to		
Charitable trusts	118,343	129,503
Endowment funds		
Restricted in perpetuity	22,112,431	21,613,870
Subject to the Foundation's spending policy	<u>9,281,413</u>	<u>8,371,037</u>
	<u>\$ 31,905,678</u>	<u>\$ 30,292,211</u>

11. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions in the amount of \$998,505 and \$1,000,631 based on funds appropriated for expenditure primarily consisting of grants and other program expenses for the years ended December 31, 2020 and 2019, respectively.

12. ENDOWMENT

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

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring 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, we retain in perpetuity (a) the original value of the gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted endowment funds are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation

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considers the following factors in making a determination to appropriate or accumulate endowment funds.

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for granting purposes while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must use for a donor-specified purpose as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce long-term growth of capital without undue exposure to risk. The Foundation expects its endowment funds, over time, to provide a return that will preserve the purchasing power of the Foundation’s assets while supporting the Foundation’s grantmaking, expenses, investment fees and inflation. Actual returns in any given year may vary.

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

The Foundation has a policy of appropriating for distribution each year 4.5 percent of its endowment funds’ average fair value over the prior 12 quarters through September 30 of the fiscal year preceding the fiscal year in which the distribution is planned, or a lesser percentage as voted upon annually by the Board of Directors. In establishing this policy, the Foundation considered the long-term expected return on its endowment.

Endowment funds by net asset type at December 31, 2020 and 2019 were as follows:

	2020		2019	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Board Designated Funds	\$ 111,867	\$ -0-	\$ 109,152	\$ -0-
Donor Restricted Funds	<u>-0-</u>	<u>31,393,844</u>	<u>-0-</u>	<u>29,984,907</u>
	<u>\$ 111,867</u>	<u>\$ 31,393,844</u>	<u>\$ 109,152</u>	<u>\$ 29,984,907</u>

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

	2020		2019	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Endowment net assets, beginning of year	\$ 109,152	\$ 29,984,907	\$ 94,239	\$ 25,202,094
Contributions and other revenues	-0-	387,880	-0-	950,059
Investment return, net	8,950	2,180,165	21,525	5,020,477
Transfer of administrative fees	-0-	(439,162)	-0-	(386,376)
Appropriation of endowment assets for expenditure	<u>(6,235)</u>	<u>(719,946)</u>	<u>(6,612)</u>	<u>(801,347)</u>
Endowment net assets, end of year	<u>\$ 111,867</u>	<u>\$ 31,393,844</u>	<u>\$ 109,152</u>	<u>\$ 29,984,907</u>

13. LIQUIDITY

As part of the Foundation's liquidity management, it structures its financial assets to be available as its awarded grants, general expenditures and other obligations become due. The Foundation invests cash in excess of daily requirements in cash and other short-term investments. Financial assets without donor restrictions available for general expenditures within one year of the Statement of Financial Position date comprise the following as of December 31, 2020 and 2019:

	2020	2019
Operating cash	\$ 452,098	\$ 369,885
Operating investments	52,683	38,215
Other receivables	<u>40</u>	<u>1,584</u>
	<u>\$ 504,821</u>	<u>\$ 409,684</u>

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

While not subject to the Foundation's spending policy, expenditures from donor-restricted non-endowed funds must be approved by the Board and, therefore, are not available for general expenditure until that time. Non-endowed funds are held in cash and liquid investments and are made available upon appropriation.

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The Foundation's administrative endowment is subject to an annual spending rate of 6 percent. Although the Foundation does not intend to spend from this administrative endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available, if necessary.

The Foundation also relies on the administrative fees it charges its funds annually to fund operational expenditures. Fees range from 0.5% to 2.25% of fund balance for endowment funds and 2% to 15% of the gift value for pass-through, fiscal sponsorship and non-permanent funds.

14. CONCENTRATIONS OF CREDIT RISK

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

The Foundation's investments are managed by several investment firms. Certain balances exceed the Securities Investor Protection Corporation insured limits of up to \$500,000.

15. CONTINGENCY

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

16. RECENTLY ISSUED ACCOUNTING STANDARDS

On September 17, 2020, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) No. 2020-07 *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This new standard is intended to increase transparency around contributed nonfinancial assets (also known as "gifts-in-kind") received by not-for-profit (NFP) organizations, including information on how those assets are used and how they are valued. This new standard requires that an NFP present contributed nonfinancial assets as a separate line item in the statement of activities, apart from

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contributions of cash or other financial assets. In addition, there are expanded disclosure requirements. The Foundation will be required to adopt this new standard in the year ending December 31, 2022.

The Foundation is presently evaluating the effects that this ASU will have on its future financial statements, including related disclosures.