

**COMMUNITY FOUNDATION
OF ST. JOSEPH COUNTY, INC.**

CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021 and 2020

COMMUNITY FOUNDATION OF ST. JOSEPH COUNTY, INC.
South Bend, Indiana

CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Community Foundation of St. Joseph County, Inc.
South Bend, Indiana

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Community Foundation of St. Joseph County, Inc., which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities 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 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.

(Continued)

Opinion

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

A handwritten signature in black ink that reads "Crowe LLP". The letters are cursive and fluid, with the "C" and "L" being particularly prominent.

Crowe LLP

South Bend, Indiana
September 9, 2021

COMMUNITY FOUNDATION OF ST. JOSEPH COUNTY, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 12,708,012	\$ 12,724,381
Investments (Note 2)	275,063,046	190,034,015
Pledges and grants receivable (Note 3)	<u>3,115,015</u>	<u>4,429,532</u>
	<u>\$ 290,886,073</u>	<u>\$ 207,187,928</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Grants payable	\$ 4,756,265	\$ 13,037,310
PPP Loan Advance	-	145,300
Accounts payable	10,775	12,180
Deferred gift liabilities (Note 5)	1,079,393	1,236,612
Unearned Income	-	492,233
Funds held as agency endowments (Note 7)	<u>30,719,807</u>	<u>23,652,727</u>
Total liabilities	36,566,240	38,576,362
Net assets		
Without donor restrictions		
Non-endowed funds	26,244,674	15,419,991
Board designated endowment funds (Note 12)	<u>224,960,144</u>	<u>148,762,043</u>
Total net assets without donor restrictions	251,204,818	164,182,034
With donor restrictions (Note 1)	<u>3,115,015</u>	<u>4,429,532</u>
Total net assets	<u>254,319,833</u>	<u>168,611,566</u>
	<u>\$ 290,886,073</u>	<u>\$ 207,187,928</u>

See accompanying notes to consolidated financial statements.

COMMUNITY FOUNDATION OF ST. JOSEPH COUNTY, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2021 (with comparative 2020 totals)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and support				
Contributions and grants	\$ 36,660,059	\$ 2,393,564	\$ 39,053,623	\$ 8,288,431
PPP loan forgiveness income (Note 4)	145,300	-	145,300	-
Investment income (Note 2)	63,924,209	-	63,924,209	13,282,041
Gain (loss) on life income agreements	<u>35,606</u>	<u>-</u>	<u>35,606</u>	<u>(269,298)</u>
	100,765,174	2,393,564	103,158,738	21,301,174
Adjustment for effect of agency endowments (Note 7)	(7,640,431)	-	(7,640,431)	(1,285,679)
Net assets released from restrictions	<u>3,708,081</u>	<u>(3,708,081)</u>	<u>-</u>	<u>-</u>
Total revenue and support	96,832,824	(1,314,517)	95,518,307	20,015,495
Expenses				
Program expenses				
Program grants				
Youth and education	5,341,332	-	5,341,332	4,366,224
Health and human services	3,064,870	-	3,064,870	2,990,844
Parks and recreation	122,594	-	122,594	47,052
Arts and culture	1,133,606	-	1,133,606	1,545,998
Religious	116,197	-	116,197	152,771
Community development and civic affairs	884,017	-	884,017	2,414,182
Less: interfund program grants	<u>(1,824,043)</u>	<u>-</u>	<u>(1,824,043)</u>	<u>(2,795,840)</u>
Net program grants	8,838,573	-	8,838,573	8,721,231
Adjustment for grants applicable to agency endowments (Note 7)	<u>(573,351)</u>	<u>-</u>	<u>(573,351)</u>	<u>(634,129)</u>
Total program expenses	8,265,222	-	8,265,222	8,087,102
General and administrative (Note 8)				
General administration	798,127	-	798,127	734,920
Program support services	553,351	-	553,351	528,696
Fundraising and development	<u>193,340</u>	<u>-</u>	<u>193,340</u>	<u>192,785</u>
Total general and administrative expenses	<u>1,544,818</u>	<u>-</u>	<u>1,544,818</u>	<u>1,456,401</u>
Total expenses	<u>9,810,040</u>	<u>-</u>	<u>9,810,040</u>	<u>9,543,503</u>
Changes in net assets	87,022,784	(1,314,517)	85,708,267	10,471,992
Net assets at beginning of year	<u>164,182,034</u>	<u>4,429,532</u>	<u>168,611,566</u>	<u>158,139,574</u>
Net assets at end of year	<u>\$ 251,204,818</u>	<u>\$ 3,115,015</u>	<u>\$ 254,319,833</u>	<u>\$ 168,611,566</u>

See accompanying notes to consolidated financial statements.

COMMUNITY FOUNDATION OF ST. JOSEPH COUNTY, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support			
Contributions and grants	\$ 4,292,649	\$ 3,995,782	\$ 8,288,431
Investment income (Note 2)	13,282,041	-	13,282,041
Loss on life income agreements	<u>(269,298)</u>	<u>-</u>	<u>(269,298)</u>
	17,305,392	3,995,782	21,301,174
Adjustment for effect of agency endowments (Note 7)	(1,285,679)		(1,285,679)
Net assets released from restrictions	<u>1,439,874</u>	<u>(1,439,874)</u>	<u>-</u>
Total revenue and support	17,459,587	2,555,908	20,015,495
Expenses			
Program expenses			
Program grants			
Youth and education	4,366,224	-	4,366,224
Health and human services	2,990,844	-	2,990,844
Parks and recreation	47,052	-	47,052
Arts and culture	1,545,998	-	1,545,998
Religious	152,771	-	152,771
Community development and civic affairs	2,414,182	-	2,414,182
Less: interfund program grants	<u>(2,795,840)</u>	<u>-</u>	<u>(2,795,840)</u>
Net program grants	8,721,231	-	8,721,231
Adjustment for grants applicable to agency endowments (Note 7)	<u>(634,129)</u>	<u>-</u>	<u>(634,129)</u>
Total program expenses	8,087,102	-	8,087,102
General and administrative (Note 8)			
General administration	734,920	-	734,920
Program support services	528,696	-	528,696
Fundraising and development	<u>192,785</u>	<u>-</u>	<u>192,785</u>
Total general and administrative expenses	<u>1,456,401</u>	<u>-</u>	<u>1,456,401</u>
Total expenses	<u>9,543,503</u>	<u>-</u>	<u>9,543,503</u>
Changes in net assets	7,916,084	2,555,908	10,471,992
Net assets at beginning of year	<u>156,265,950</u>	<u>1,873,624</u>	<u>158,139,574</u>
Net assets at end of year	<u>\$ 164,182,034</u>	<u>\$ 4,429,532</u>	<u>\$ 168,611,566</u>

See accompanying notes to consolidated financial statements.

COMMUNITY FOUNDATION OF ST. JOSEPH COUNTY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 85,708,267	\$ 10,471,992
Adjustments to reconcile change in net assets to net cash from operating activities:		
Realized and unrealized gains on investments	(53,340,468)	(5,410,462)
Deferred gift contracts	(278,832)	(4,864)
Change in assets and liabilities:		
Pledges and grants receivable	1,314,517	(2,555,908)
Grants payable	(8,281,045)	(103,324)
PPP loan advance (forgiveness)	(145,300)	145,300
Accounts payable	(1,405)	(17,175)
Unearned Income	(492,233)	(636,768)
Funds held as agency endowments	<u>7,067,080</u>	<u>651,549</u>
Net cash from operating activities	31,550,581	2,540,340
 Cash flows from investing activities		
Investment purchases	(28,300,000)	(3,552,211)
Contributions to private equity and real estate funds	(5,233,290)	(3,507,701)
Interest and dividends reinvested	(11,326,189)	(8,414,940)
Investment sales and investment fees	8,215,140	10,450,423
Capital distributions from private equity and real estate funds	<u>4,955,776</u>	<u>6,890,496</u>
Net cash from investing activities	(31,688,563)	1,866,067
 Cash flows from financing activities		
Deferred gift payments	<u>121,613</u>	<u>137,081</u>
Net cash from financing activities	<u>121,613</u>	<u>137,081</u>
 Net change in cash	(16,369)	4,543,488
 Cash and cash equivalents at beginning of year	<u>12,724,381</u>	<u>8,180,893</u>
 Cash and cash equivalents at end of year	<u>\$ 12,708,012</u>	<u>\$ 12,724,381</u>

See accompanying notes to consolidated financial statements.

COMMUNITY FOUNDATION OF ST. JOSEPH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities: The Community Foundation of St. Joseph County, Inc. (the "Foundation") provides grants to various organizations in the St. Joseph County, Indiana community to help foster and promote public, charitable, arts and culture, and educational activities.

Basis of Consolidation: These financial statements represent the consolidated activity of the Foundation and its affiliates, The Cressy Foundation, Inc. (established September 1996), and the Jon and Sonja Laidig Foundation, Inc. (established December 1997).

Basis of Accounting: The 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 (U.S. GAAP).

Basis of Presentation: The Foundation reports information regarding its financial position and activities in two classes of net assets: without donor restrictions and with donor restrictions. No net assets with donor restrictions to be kept in perpetuity existed at June 30, 2021 and 2020. The terms are defined below:

- Net assets without donor restrictions: This category of net assets includes two distinct types of net assets without donor restrictions. Net assets without donor restrictions classified as Non-Endowed Funds includes contributions and expenses without donor restrictions to support community activities and operations at the discretion of the Foundation's Board of Directors.

Net assets without donor restrictions classified as Board Designated Endowment Funds includes funds received that are donor designated for perpetuity but for which variance power has been granted to the Foundation. The Foundation plans to follow the donor restrictions of each contributor. However, the Foundation has the legal right to modify any restriction or condition on the distribution of funds for any specific charitable purpose if, in the opinion of a majority of the Foundation's Board of Directors, such restriction or contributions become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the citizens of St. Joseph County, Indiana.

- Net assets with donor restrictions: This category of net assets includes funds received with donor imposed purpose or time restrictions which are of a temporary nature. At June 30, 2021 and 2020, net assets with donor restrictions consist of pledges receivable which are restricted by time.

Cash and Cash Equivalents: The Foundation considers highly liquid investments not held by a trustee to be cash and cash equivalents. Cash and cash equivalents consist of bank deposits in accounts that are federally insured up to \$250,000 and short-term investments.

Investments: All investments are valued at their fair value in the consolidated statements of financial position. The estimated fair value of alternative investments at June 30, 2021 and 2020 is based on valuations provided by the external investment managers as of the date of their most recent investment statements, as of March 31, 2021 and 2020, respectively, adjusted for cash receipts, cash disbursements, and income/expenses through the fiscal year end. See Notes 2 and 11 for additional information on the nature of the Foundation's investments.

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COMMUNITY FOUNDATION OF ST. JOSEPH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable: Pledges receivable represent the remaining balance of unconditional promises to give that have not yet been paid. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. See Note 3 for additional information.

Grants: Grants are charged to operations and recognized as liabilities when authorized by the Board of Directors, regardless of the year in which they are paid. Interfund program grants represent a grant from one Foundation fund to another.

Contributions: The Foundation records contributions (including promises to give) when the contribution is deemed unconditional.

Gifts of cash and other assets that are received with donor stipulations that limit the use of the donated asset are reported as without donor restrictions if the funds are received and expended within the same year. When the intent of the donor is that gifts of cash and other assets are to remain in perpetuity and since the Foundation is granted variance power, the gift is reported as without donor restriction board designated endowment fund. When donor restrictions expire (when a stipulated time restriction ends or due to variance power granted to the Foundation or program restriction is accomplished), net assets with donor restrictions are released to net assets without donor restrictions and the release is reported in the consolidated statement of activities as net assets released from restrictions.

Donated securities are recorded as contributions equal to the fair value of the security on the date of the gift.

Net Assets Released from Restrictions: Net assets are released from restriction by occurrence of other events specified by agreements. Net assets released from restriction during 2021 and 2020, consisted of cash receipts on pledges receivable.

Functional Allocation of Expenses: The costs of operating the Foundation have been summarized based on program expenses, including program grants to community organizations, general administration, program support services, and fundraising and development. Allocations are based on management's time and services estimates.

Fair Value of Financial Instruments: As of June 30, 2021 and 2020, the carrying amounts of cash and cash equivalents and grants and accounts payable approximate fair value because of the relatively short maturities of these financial instruments. The fair value of other financial instruments are disclosed more fully in Note 11.

Accounting Estimates: The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(Continued)

COMMUNITY FOUNDATION OF ST. JOSEPH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status: The Community Foundation of St. Joseph County, Inc. and its affiliates are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and are not considered to be private foundations. Accordingly, no provision has been made for federal income taxes.

The Foundation has evaluated its tax positions and determined there are no uncertain tax positions. A tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded.

The Foundation recognizes interest and/or penalties related to income tax matters in income tax expense. The Foundation did not have any amounts accrued for interest and penalties at June 30, 2021 and 2020.

Due to its tax-exempt status, the Foundation is not subject to U.S. federal income tax or state income tax. The Foundation is no longer subject to examination by U.S. federal taxing authorities for years before 2018 and for all state income taxes through 2018. The Foundation does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

Other Events: In December 2019, a novel strain of coronavirus surfaced in Wuhan, China, and has spread around the world, with resulting business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the Foundation could be materially adversely affected. Significant estimates as disclosed in Note 1, including valuation of investments, could still be materially adversely impacted by local, state and national restrictions designed to contain the coronavirus. As of the period ended, June 30, 2021, the Foundation’s operating results were not materially adversely impacted.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2021 to determine the need for any adjustments to and/or disclosures within the consolidated financial statements for the year ended June 30, 2021. Management has performed their analysis through September 9, 2021, the date the financial statements were available to be issued.

NOTE 2 - INVESTMENTS

Investments consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Mutual funds – multi-asset	\$ 230,640,818	\$ 158,673,274
Private equity and real estate funds	39,596,795	27,425,221
Equity mutual funds	4,342,385	3,452,472
Land held for sale	<u>483,048</u>	<u>483,048</u>
	<u>\$ 275,063,046</u>	<u>\$ 190,034,015</u>

(Continued)

COMMUNITY FOUNDATION OF ST. JOSEPH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 2 – INVESTMENTS (Continued)

Investment income has been recorded net of related investment expenses. Interest and dividend income were \$11,326,189 and \$8,414,940 for 2021 and 2020, respectively. Realized and unrealized gains were \$53,340,468 and \$5,410,462 for 2021 and 2020, respectively. Investment management expenses were \$742,449 and \$543,360 for 2021 and 2020, respectively.

Investments are carried at fair value, as disclosed in Note 11. Investment securities are exposed to various risks, such as interest rate, market, liquidity, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would result in material changes in the fair value of investments and net assets of the Foundation.

NOTE 3 - PLEDGES AND GRANTS RECEIVABLE

Unconditional promises to give are included in the consolidated financial statements as pledges and grants receivable and revenue of the appropriate net asset category. Management has not recorded an allowance for uncollectible accounts or a discount for present value effect based on future anticipated collection dates because management believes they are not material to the consolidated financial statements.

Pledges and grants receivable are expected to be realized, presented by fiscal year end June 30, in the following periods:

	<u>2021</u>	<u>2020</u>
Currently due or due in one year or less	\$ 842,875	\$ 2,497,032
Between one year and five years	<u>2,272,140</u>	<u>1,932,500</u>
	<u>\$ 3,115,015</u>	<u>\$ 4,429,532</u>

NOTE 4 – PPP LOAN ADVANCE

The Coronavirus Aid, Relief, and Economic Security (CARES) Act also established the Paycheck Protection Program (PPP) which is a loan program that is intended to provide American not-for-profit and small businesses with cash-flow assistance through federally guaranteed loans. The Payment Protection Program provides that (1) the use of the PPP loan amount shall be limited to certain qualifying expenses, (2) 100 percent of the principal amount is guaranteed by the Small Business Administration (SBA) and (3) an amount up to the full principal amount may qualify for loan forgiveness following the terms of the CARES Act. The loans have a maturity date of two years and an interest rate of 1% with no fees and no payments required for the first six months and no collateral or personal guarantees required. During April 2020, the Foundation received \$145,300 under the PPP included in the Paycheck Protection Program loan advance on the Consolidated Statements of Financial Position. During the year ended June 30, 2021, the entire balance of \$145,300 was forgiven by the SBA and recorded in PPP loan forgiveness income on the Consolidated Statement of Activities.

(Continued)

COMMUNITY FOUNDATION OF ST. JOSEPH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 5 - DEFERRED GIFT LIABILITIES

The Foundation has received amounts from individuals under various annuity agreements (life income agreements) which require the Foundation to pay the donors varying amounts during their lifetime. As of June 30, 2021 and 2020, the present value of these payments was \$1,079,393 and \$1,236,612, respectively, using a discount rate of 1.2% and 0.6%, for 2021 and 2020, respectively.

NOTE 6 - LINE OF CREDIT

The Foundation has an unsecured \$1,000,000 bank line of credit that was entered into on July 10, 2010 and is scheduled to expire on September 30, 2021. The line of credit bears an interest rate of 3.50%. No amounts were outstanding on the line of credit at June 30, 2021 or 2020.

NOTE 7 - FUNDS HELD AS AGENCY ENDOWMENTS

Pursuant to U.S. GAAP, the Foundation holds certain funds for other organizations and recognizes the related liability as funds held as agency endowments in the consolidated statements of financial position. All specific revenues and expenses shown on the consolidated statement of activities are presented on a gross basis. The adjustment for effect of agency endowments line under the revenue and support section represents contributions and grants, investment income, realized gains, and unrealized gains (losses) applicable to investments held by the Foundation as agency endowments. The adjustment for grants applicable to agency endowments line under program expenses represents program grants paid from investments held by the Foundation as agency endowments.

NOTE 8 - GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses reported in the consolidated statement of activities consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Salaries and related expenses	\$ 1,179,791	\$ 1,094,168
Professional fees	28,500	38,409
Rent and parking	77,370	76,755
Office expense and other related costs	<u>259,157</u>	<u>247,069</u>
	<u>\$ 1,544,818</u>	<u>\$ 1,456,401</u>

NOTE 9 - LEASE

In December 2017, the Foundation entered into an amended lease agreement, extending the lease term through December 2022. Under the amended lease agreement, monthly payments are \$6,148 through December 2021, and \$6,250 until the end of the lease term. Rent expense, including parking, was \$77,370 and \$76,755 for years ended June 30, 2021 and 2020, respectively.

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COMMUNITY FOUNDATION OF ST. JOSEPH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 9 – LEASE (Continued)

Future minimum lease payments under the lease agreement, presented by fiscal year end June 30, 2021 are as follows:

2022	\$ 74,385
2023	<u>37,500</u>
Total	<u>\$ 111,885</u>

See Note 14 related to a new lease to commence on or around November 1, 2021.

NOTE 10 - RETIREMENT PLAN

The Foundation has a 403(b) retirement plan covering substantially all employees. The annual contribution is equal to 8% of qualifying employees' annual compensation for the years ended June 30, 2021 and 2020. Total contributions to the plan were \$70,983 and \$66,072 for the years ended June 30, 2021 and 2020, respectively. In addition, the Foundation has a 457(b) retirement plan with total contributions to the plan of \$19,500 and \$19,000 for the years ended June 30, 2021 and 2020 respectively.

NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS

U.S. GAAP defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Foundation's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

This guidance establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability, or significant restrictions on an entity's ability to redeem an investment at a stated net asset value.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

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COMMUNITY FOUNDATION OF ST. JOSEPH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The Foundation's assets measured at fair value on a recurring basis are summarized below:

	<u>Fair Value Measurements at June 30, 2021</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>NAV*</u>	<u>Total</u>
Investments:				
Mutual funds – multi-asset	\$ 230,640,818	\$ -	\$ -	\$ 230,640,818
Equity mutual funds	4,342,385	-	-	4,342,385
Land held for sale	-	483,048	-	483,048
Private equity and real estate funds	<u>-</u>	<u>-</u>	<u>39,596,795</u>	<u>39,596,795</u>
Totals	<u>\$ 234,983,203</u>	<u>\$ 483,048</u>	<u>\$ 39,596,795</u>	<u>\$ 275,063,046</u>
	<u>Fair Value Measurements at June 30, 2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>NAV*</u>	<u>Total</u>
Investments:				
Mutual funds – multi-asset	\$ 158,673,274	\$ -	\$ -	\$ 158,673,274
Equity mutual funds	3,452,472	-	-	3,452,472
Land held for sale	-	483,048	-	483,048
Private equity and real estate funds	<u>-</u>	<u>-</u>	<u>27,425,221</u>	<u>27,425,221</u>
Totals	<u>\$ 162,125,746</u>	<u>\$ 483,048</u>	<u>\$ 27,425,221</u>	<u>\$ 190,034,015</u>

As of June 30, 2021 and 2020, there were no significant transfers in and out of Level 1 and Level 2 fair value measurements.

* Investments measured at fair value using net asset value per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table for such investments are intended to permit reconciliation of the fair value hierarchy to the investments at fair value line item presented in the statements of financial position.

Inputs and Valuation Techniques:

The fair values of the investments in mutual funds – multi-asset are readily marketable and are determined by obtaining quoted prices on recognized securities exchanges (Level 1 inputs). The fair value of the investments in various equity mutual funds are readily marketable and are determined by obtaining quoted prices on recognized securities exchanges (Level 1 inputs).

The fair value of land was determined by management through consultations with real estate counsel. The estimate of fair value is derived using appraisals or quoted market prices for similar assets or other market data (Level 2 inputs – market approach). Adjustments are routinely made to adjust for differences between the comparable sales and income data available however it is not anticipated that these differences would be significant.

For the private equity and real estate funds, the investment fund managers have developed an internal model for pricing these investments. Information such as historical and current performance of the underlying assets, cash flow projections, liquidity and credit premiums required by a market participant, and financial trend analysis with respect to the individual fund manager, is utilized in determining individual security valuations. Due to current market conditions as well as the limited trading activity of these securities, the market value of the securities is highly sensitive to assumption changes and market volatility.

(Continued)

COMMUNITY FOUNDATION OF ST. JOSEPH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Description of Alternative Investments and Liquidity:

As of June 30, 2021 and 2020, the Foundation's investments in private equity and real estate funds were comprised of 38 and 40 individual holdings respectively. These holdings consisted of limited liability companies (LLC) and limited partnerships (LP), and can be categorized into five industries or types: U.S. private equity, U.S. venture capital, diversified private equity, international private equity, and private real estate:

- U.S. private equity partnerships are primarily investments in other partnerships for purposes of, but not limited to, consumer related, media and communications, life sciences and software and technology sectors, operating primarily in the United States.
- U.S. venture capital limited partnerships invest in private partnerships, typically with a focus on, but not limited to, information technologies, media and communications, and life sciences companies.
- Diversified private equity investments are primarily focused on private partnerships and venture capital. These investments are generally in support of consolidations, re-capitalizations, spin-offs and management buyouts. Other areas of focus are, but not limited to, seed and early stage technologies, healthcare, biotechnology and telecommunication companies.
- International private equity investments are primarily focused on foreign venture capital and private equity investments. These investments generally support consolidations, re-capitalizations, spin-offs and management buyouts. Other investment opportunities may include, but are not limited to, information technologies, media and communications, and life sciences sectors.
- Private real estate investments are investments in private partnerships, typically with investments in offices, multi-family, industrial and retail properties. Investment strategies can vary from core to value-added to more opportunistic approaches.

The alternative investment balances by type are as follows as of June 30:

	<u>2021</u>	<u>2020</u>
U.S. private equity	\$ 870,911	\$ 817,459
U.S. venture capital	6,498,380	2,462,327
Diversified private equity	29,708,397	21,336,191
International private equity	519,543	503,359
Private real estate	<u>1,999,564</u>	<u>2,305,885</u>
	<u>\$ 39,596,795</u>	<u>\$ 27,425,221</u>

(Continued)

COMMUNITY FOUNDATION OF ST. JOSEPH COUNTY, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

These alternative investments do not allow for withdrawals until the LLC or LP is dissolved, unless special approval is awarded by the general partner. In nearly all of the investments, there are special provisions that allow for the life of the entity to be extended beyond the original dissolution date, typically two to four years. The schedule below presents the liquidation schedule for amounts held in alternative investments at June 30, 2021, assuming the funds will be dissolved without extension:

	Estimated Liquidation Schedule of the Market Value Funded To Date			
	<u>Totals</u>	<u>1 – 5 years</u>	<u>6 – 10 years</u>	<u>> 10 years</u>
U.S. private equity	\$ 870,911	\$ 870,911	\$ -	\$ -
U.S. venture capital	6,498,380	2,142,830	-	4,355,550
Diversified private equity	29,708,397	3,856,277	17,257,033	8,595,087
International private equity	519,543	519,543	-	-
Private real estate	<u>1,999,564</u>	<u>1,657,288</u>	<u>342,276</u>	<u>-</u>
	<u>\$ 39,596,795</u>	<u>\$ 9,046,849</u>	<u>\$ 17,599,309</u>	<u>\$ 12,950,637</u>

As of June 30, 2021, the Foundation's unfunded commitments for various alternative investments total approximately \$22 million. A portion of the current unfunded commitments to alternative investments will be funded by distributions generated by the Foundation's existing holdings. The Foundation's investment policy targets an allocation of 20% of the investment portfolio to illiquid alternative investments. The actual percentage is expected to vary within a range of +/- 5%.

NOTE 12 - ENDOWMENT COMPOSITION

The Foundation's Board of Directors has determined the requirements of Indiana's version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") to center around the preservation of the fair value of the original investment as of the date of the asset transfer. Investments resulting from donations directed to be invested in perpetuity are classified as net assets with donor restrictions to be kept in perpetuity. As disclosed in Note 1, the Foundation's endowment consists of funds received that are donor designated for perpetuity but for which variance power has been granted to the Foundation. The Foundation plans to follow the donor restrictions of each contributor. However, the Foundation has the right to modify any restriction or condition on the distribution of funds for any specific charitable purpose if, in the opinion of a majority of the Foundation's Board of Directors, such restriction on contributions become unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the citizens of St. Joseph County, Indiana. As a result, the full amount of the Foundation's endowment is classified within net assets without donor restriction as board designated. The endowment primarily consists of investments held in the various investment accounts, but also includes the life income agreements that are held and managed by external parties.

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COMMUNITY FOUNDATION OF ST. JOSEPH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 12 - ENDOWMENT COMPOSITION (Continued)

Endowment net asset composition by type of fund as of June 30, and changes in endowment assets for the years ended June 30 are as follows:

	<u>2021</u>	<u>2020</u>
Board-designated endowment funds	<u>\$ 224,960,144</u>	<u>\$ 148,762,042</u>
Endowment net assets, beginning of year	\$ 148,762,042	\$ 144,953,044
Investment return:		
Investment income, net	9,715,940	6,849,681
Net appreciation (realized and unrealized gains and losses)	<u>49,343,145</u>	<u>4,891,470</u>
Total investment return	59,059,085	11,741,151
Contributions and grants	30,459,130	1,943,890
Agency endowment adjustment	(7,067,080)	(651,549)
Board-designated net assets released from designation	<u>(6,253,033)</u>	<u>(9,224,494)</u>
Endowment net assets, end of year	<u>\$ 224,960,144</u>	<u>\$ 148,762,042</u>

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 and to provide a growing stream of income to be made available for spending, ideally keeping pace with inflation, in order to sustain the grant-making capacity and operations of the Foundation. The long-term annualized rate of return objective for the total fund is inflation plus 5 percent. A minimum return equal to the rate of inflation is required to preserve the real purchasing power of the fund and the additional 5 percent is required to provide for spending. The rate of inflation is measured by the U.S. Government Consumer Price Index.

Strategies Employed for Achieving Objectives: The purpose of the Endowment Fund is to facilitate donors' desires to make substantial long-term gifts to the community and to develop a new and significant source of revenue for the Foundation. In so doing, the Endowment Fund will provide a secure, long-term source of funds to: (i) stabilize agency funding during periods of below normal annual campaigns; (ii) fund special grants; (iii) ensure long-term growth; (iv) enhance our ability to meet changing community needs in both the short and long-term; and, (v) support the administrative expenses of the Foundation as deemed appropriate.

Spending Policy and How the Investment Objectives Relate to Spending Policy: The objectives of the Foundation's spending policy are to allocate total earnings from the portfolio between current spending and reinvestment for future earnings, and to provide a predictable and growing stream of income to beneficiaries of Foundation grants. Achievement of these dual objectives will ensure that the fund preserves real purchasing power in perpetuity while providing ongoing operational support to designated charitable activities. The long-term annual spending rate target from the Foundation is 5 percent. The Foundation's spending policy is to spend 5 percent of a three-year moving average of quarterly market values ending March 31st of each year for grant distribution on or before June 30th. Within these parameters, the policy may be adjusted at the discretion of the Foundation's Board of Directors depending upon market conditions.

(Continued)

COMMUNITY FOUNDATION OF ST. JOSEPH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 13 - LIQUIDITY AND AVAILABILITY

The Foundation's financial assets available within one year of the statement of financial position date for grants, scholarships, and general expenditure are as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 12,708,012	\$ 12,724,381
Pledges and grants receivable	798,835	2,497,032
Investments	<u>234,983,203</u>	<u>162,125,746</u>
Total financial assets available	<u>\$ 248,490,050</u>	<u>\$ 177,347,159</u>

As part of the Foundation's liquidity management, the Foundation invests its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Investments above exclude alternative investments that are expected to be dissolved after one or more years and land held for sale. In the event of an unanticipated liquidity need, the Foundation also could draw upon its available line of credit (as further discussed in Note 6).

NOTE 14 – COMMITMENTS

In December 2018, the Foundation entered into an agreement with the St. Joseph County Public Library ("Library") and the City of South Bend ("City") to raise \$10 million to assist with the rehabilitation and redevelopment of the main branch library to be paid over three years. This pledge is to be funded through various matching grants and other fund raising efforts. As of June 30, 2021, \$1 million remains to be paid and is recorded in grants payable on the consolidated statements of financial position.

In January 2021, the Foundation entered into a lease agreement with the St. Joseph County Public Library to lease office space on the third floor of the Community Education Center for 15 years with additional renewal options. The commencement date of the lease shall occur on the date of delivery of possession to the leased premises. The estimated date of delivery of possession will be on or around November 1, 2021.