

WAYNE COUNTY COMMUNITY FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Wayne County Community Foundation
Wooster, Ohio

We have audited the accompanying consolidated financial statements of Wayne County Community Foundation (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities and changes in net assets, 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 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wayne County Community Foundation as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Meaden & Moore Ltd.

Meaden & Moore, Ltd.
Wooster, Ohio

August 31, 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Wayne County Community Foundation

June 30

ASSETS	<u>2021</u>	<u>2020</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 30,746	\$ 13,136
Investments:		
Assets in investment pool	124,965,257	98,500,898
Contributions and pledges receivable - current portion	<u>653,535</u>	<u>322,500</u>
Total Current Assets	125,649,538	98,836,534
PROPERTY AND EQUIPMENT:		
Furniture and equipment	49,543	49,543
Less: Allowance for depreciation	<u>43,862</u>	<u>42,199</u>
Total Property and Equipment	5,681	7,344
OTHER ASSETS:		
Long-term contributions and pledges receivable - net of current portion	328,432	517,358
Insurance policies - cash surrender value	<u>264,358</u>	<u>280,461</u>
Total Other Assets	<u>592,790</u>	<u>797,819</u>
Total Assets	<u>\$ 126,248,009</u>	<u>\$ 99,641,697</u>

See accompanying notes.

LIABILITIES	<u>2021</u>	<u>2020</u>
CURRENT LIABILITIES:		
Agency fund liability	\$ 16,227,529	\$ 12,135,382
Grants payable	155,000	132,600
Scholarships payable	700,000	658,000
Charitable gift annuity - current portion	<u>7,607</u>	<u>7,607</u>
Total Current Liabilities	17,090,136	12,933,589
LONG-TERM CHARITABLE GIFT ANNUITY		
- net of current portion	<u>62,119</u>	<u>65,251</u>
Total Liabilities	17,152,255	12,998,840
 NET ASSETS		
Without donor restrictions	17,946,700	19,322,339
With donor restrictions	<u>91,149,054</u>	<u>67,320,518</u>
Total Net Assets	<u>109,095,754</u>	<u>86,642,857</u>
Total Liabilities and Net Assets	<u>\$ 126,248,009</u>	<u>\$ 99,641,697</u>

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Wayne County Community Foundation

Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 2,331,251	\$ 11,211,827	\$ 13,543,078
Investment income	3,499,696	16,951,718	20,451,414
Change in gift annuity	-	(4,475)	(4,475)
Administrative fee revenue	70,363	-	70,363
Other income	89	8,916	9,005
	<u>5,901,399</u>	<u>28,167,986</u>	<u>34,069,385</u>
Total Contributions, Investment Income and Other Income			
Other Changes in Net Assets:			
Transfers of fund activity	71,850	(71,850)	-
Satisfaction of donor and program requirements in accordance with spending policy	3,707,239	(3,707,239)	-
Released for administrative fees	560,361	(560,361)	-
	<u>4,339,450</u>	<u>(4,339,450)</u>	<u>-</u>
Total Other Changes in Net Assets			
Total Support and Revenue	10,240,849	23,828,536	34,069,385
EXPENSES			
Program services	11,333,358	-	11,333,358
Support Activities:			
Management and general	192,950	-	192,950
Fundraising	90,180	-	90,180
	<u>11,616,488</u>	<u>-</u>	<u>11,616,488</u>
Total Expenses			
Change in Net Assets	(1,375,639)	23,828,536	22,452,897
Net Assets - Beginning of the year	<u>19,322,339</u>	<u>67,320,518</u>	<u>86,642,857</u>
Net Assets - End of the year	<u>\$ 17,946,700</u>	<u>\$ 91,149,054</u>	<u>\$ 109,095,754</u>

See accompanying notes.

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Wayne County Community Foundation

Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 969,609	\$ 17,654,392	\$ 18,624,001
Loss on disposal of assets	(2,265)	-	(2,265)
Investment income	524,332	1,603,743	2,128,075
Change in gift annuity	-	(14,602)	(14,602)
Administrative fee revenue	58,647	-	58,647
Other income	<u>25,242</u>	<u>23,328</u>	<u>48,570</u>
Total Contributions, Investment Income and Other Income	1,575,565	19,266,861	20,842,426
Other Changes in Net Assets:			
Transfers of fund activity	(11,743)	11,743	-
Satisfaction of donor and program requirements in accordance with spending policy	6,624,464	(6,624,464)	-
Released for administrative fees	<u>426,757</u>	<u>(426,757)</u>	<u>-</u>
Total Other Changes in Net Assets	<u>7,039,478</u>	<u>(7,039,478)</u>	<u>-</u>
Total Support and Revenue	8,615,043	12,227,383	20,842,426
EXPENSES			
Program services	6,729,334	-	6,729,334
Support Activities:			
Management and general	195,563	-	195,563
Fundraising	<u>121,138</u>	<u>-</u>	<u>121,138</u>
Total Expenses	<u>7,046,035</u>	<u>-</u>	<u>7,046,035</u>
Change in Net Assets	1,569,008	12,227,383	13,796,391
Net Assets - Beginning of the year	<u>17,753,331</u>	<u>55,093,135</u>	<u>72,846,466</u>
Net Assets - End of the year	<u>\$ 19,322,339</u>	<u>\$ 67,320,518</u>	<u>\$ 86,642,857</u>

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Wayne County Community Foundation

Year Ended June 30, 2021

	Program Services	Support Activities			Total
		Management and General	Fundraising	Total Support Activities	
Personnel Costs:					
Salaries	\$ 101,118	\$ 61,092	\$ 48,453	\$ 109,545	\$ 210,663
Employee benefits	8,140	5,132	4,424	9,556	17,696
Payroll taxes	5,563	3,007	6,465	9,472	15,035
Total Personnel Costs	114,821	69,231	59,342	128,573	243,394
Grants and scholarships	11,200,233	-	-	-	11,200,233
Accounting and auditing services	-	17,350	-	17,350	17,350
Advertising and promotion	-	1,222	3,144	4,366	4,366
Office expenses	3,304	17,720	9,011	26,731	30,035
Information technology	-	20,769	-	20,769	20,769
Occupancy	7,007	17,517	10,510	28,027	35,034
Travel	2,739	-	2,739	2,739	5,478
Conferences and meetings	782	736	15	751	1,533
Insurance	-	17,251	-	17,251	17,251
Dues and subscriptions	-	22,731	-	22,731	22,731
Development expense	2,282	6,560	5,419	11,979	14,261
Community support	2,190	-	-	-	2,190
Depreciation	-	1,663	-	1,663	1,663
State filing fee	-	200	-	200	200
	11,218,537	123,719	30,838	154,557	11,373,094
Total Functional Expenses	\$ 11,333,358	\$ 192,950	\$ 90,180	\$ 283,130	\$ 11,616,488

See accompanying notes.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Wayne County Community Foundation

Year Ended June 30, 2020

	Support Activities				Total
	Program Services	Management and General	Fundraising	Total Support Activities	
Personnel Costs:					
Salaries	\$ 134,345	\$ 60,587	\$ 68,489	\$ 129,076	\$ 263,421
Employee benefits	10,162	4,583	5,181	9,764	19,926
Payroll taxes	9,352	4,217	4,768	8,985	18,337
Total Personnel Costs	153,859	69,387	78,438	147,825	301,684
Grants and scholarships	6,557,985	-	-	-	6,557,985
Accounting and auditing services	-	13,500	-	13,500	13,500
Advertising and promotion	-	5,648	14,524	20,172	20,172
Office expenses	4,175	29,984	3,796	33,780	37,955
Information technology	-	20,263	-	20,263	20,263
Occupancy	6,317	9,476	15,794	25,270	31,587
Travel	2,525	-	2,524	2,524	5,049
Conferences and meetings	101	544	277	821	922
Insurance	-	16,962	-	16,962	16,962
Dues and subscriptions	-	21,142	-	21,142	21,142
Development expense	1,338	7,175	3,649	10,824	12,162
Community support	2,180	-	-	-	2,180
Depreciation	854	1,282	2,136	3,418	4,272
State filing fee	-	200	-	200	200
	<u>6,575,475</u>	<u>126,176</u>	<u>42,700</u>	<u>168,876</u>	<u>6,744,351</u>
Total Functional Expenses	<u>\$ 6,729,334</u>	<u>\$ 195,563</u>	<u>\$ 121,138</u>	<u>\$ 316,701</u>	<u>\$ 7,046,035</u>

See accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

Wayne County Community Foundation

Year Ended June 30

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 2,948,868	\$ 3,024,414
Cash paid to grantees and scholarships	(4,126,799)	(5,823,184)
Cash paid to vendors and employees	<u>(250,889)</u>	<u>(295,889)</u>
Cash Used in Operating Activities	(1,428,820)	(3,094,659)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	39,843,615	8,049,940
Capital expenditures	-	(8,614)
Purchase of investments	(44,567,884)	(18,460,128)
Payment of cash surrender value life insurance premiums	<u>(10,000)</u>	<u>(28,961)</u>
Cash Used in Investing Activities	(4,734,269)	(10,447,763)
CASH FLOWS FROM FINANCING ACTIVITIES		
Charitable gift annuities received	-	25,000
Charitable gift annuity obligations paid	(7,607)	(10,491)
Perpetual in nature donor restricted contributions	<u>6,188,306</u>	<u>13,530,369</u>
Cash Provided by Financing Activities	6,180,699	13,544,878
Increase in Cash and Cash Equivalents	17,610	2,456
Cash and Cash Equivalents - Beginning of the Year	<u>13,136</u>	<u>10,680</u>
Cash and Cash Equivalents - End of the Year	<u>\$ 30,746</u>	<u>\$ 13,136</u>

See accompanying notes.

	<u>2021</u>	<u>2020</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Change in Net Assets	\$ 22,452,897	\$ 13,796,391
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	1,663	4,272
Loss on disposal of property	-	2,565
Interest and dividends reinvested	(1,668,574)	(1,764,048)
Net realized gains on sale of investments	(3,501,582)	(763,615)
Net unrealized (gains) losses on investments	(18,404,711)	3,226
Investment gain on agency funds	3,050,012	327,641
Perpetual in nature donor restricted contributions	(6,188,306)	(13,530,369)
Change in cash surrender value of life insurance	26,103	22,591
Donated securities	(1,215,235)	(2,286,772)
Change in charitable gift annuity obligations value	4,475	(8,616)
Increase (Decrease) in Cash from Changes in:		
Contributions and pledges receivable	(142,109)	523,566
Agency fund liability	4,092,147	363,424
Grants payable	22,400	106,730
Scholarships payable	42,000	108,355
	<u>(23,881,717)</u>	<u>(16,891,050)</u>
	<u>\$ (1,428,820)</u>	<u>\$ (3,094,659)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wayne County Community Foundation

1 Summary of Significant Accounting Policies

Description of the Foundation:

Wayne County Community Foundation (“Foundation”) is a tax-exempt organization established in December 1978, with income from funds contributed by individuals, families, businesses, and nonprofit agencies. The Foundation works to improve the quality of life in greater Wayne County, Ohio by making grants to local nonprofit organizations and providing scholarships to benefit local students. The Foundation responds to the changing needs of the community and builds on local strengths in the areas of arts-culture, civic interests, conservation-environment, education, health, wellness and human services.

Basis of Consolidation:

The consolidated financial statements of the Foundation include the activity of Wayne County Community Foundation and WCCF Holdings, LLC. WCCF Holdings, LLC was formed as a single member nonprofit limited liability company to increase the Foundation’s capacity to evaluate, accept and manage gifts of real property. All accounts and transactions between the Organizations have been eliminated in the consolidated financial statements.

Fund Accounting:

In order to maintain proper accounting for donor or board specified purposes, the Foundation maintains separate funds. The funds are then classified as held for others (liability) or without donor restrictions, with time or purpose donor restrictions or perpetual in nature restricted net assets. Contributions and grant distributions are recorded into the appropriate funds based on donor suggestions or board policies, as applicable. Investment activity and administrative fees are allocated to individual funds.

Classification of Net Assets:

Net assets, contributions, revenue, 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 use in continuing activities, grants, and operations of the Foundation at the discretion of the Foundation’s governing body. Designations by the Board of Trustees (“Board”), while separately stated, are considered without donor restrictions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wayne County Community Foundation

1 Summary of Significant Accounting Policies, Continued

Classification of Net Assets, Continued:

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or purpose specified by the donor. Grants and contributions received with donor-imposed restrictions are recorded as without donor restrictions if the restrictions are expected to be met within the same period. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained perpetuity. The Foundation may expend part, or all of the income or other economic benefit derived from the donated asset. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

As of June 30, 2021, the net assets of the Foundation are comprised of a collection of 495 separate funds that were donated to benefit the various charitable and educational needs of the community. These funds have been pooled together and invested in a diverse set of assets, managed by professional investment administrators. The funds include both with donor restriction and without donor restricted funds to be used by the Board to function as perpetual in nature and without donor restrictions endowments. Of the 495 funds, 29% are perpetual in nature restricted, 33% with donor restriction, 23% without donor restriction and 15% agency funds.

Cash and Cash Equivalents:

For the purposes of the consolidated statement of cash flows, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. However, cash maintained in professional managed investment accounts is considered an investment rather than a cash equivalent. At times during the year, the Foundation maintained funds on deposit at its banks in excess of FDIC insurance limits.

Investments:

Investments in equity and debt securities are recorded at fair value with any realized or unrealized gains and losses reported in the consolidated statement of activities and changes in net assets. Investment income is recognized as revenue in the period it is earned, and gains and losses are recognized as changes in net assets in the accounting period in which they occur. Investments received by gift are recorded at market value at the date of the donation and are immediately sold.

Most holdings are collectively invested in one portfolio, referred to as the “pooled investment account.” Certain funds hold investments in separate accounts. The overall portfolio is directed by the Foundations’ Board of Trustee’s investment committee in consultations with a professional investment advisor, Clearstead Advisors, LLC. More than a dozen professional investment managers are utilized to diversify the portfolio. Fidelity Investments acts as custodian of 100% of the portfolio.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wayne County Community Foundation

1 Summary of Significant Accounting Policies, Continued

Investments, Continued:

The income, gains and losses from the pooled investment account are allocated monthly to the individual funds based on each fund's proportional fair market value.

Investments, Fair Value Measurements:

As defined in FASB ASC 820, fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable firm inputs. The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the examination of the inputs used in the valuation techniques, the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Inputs to the valuation methodology are unadjusted quoted market 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 assets 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.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Investment Policy:

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a preferred diversified asset allocation. The target investment allocation was 65% Domestic and International Equities, 25% Fixed Income and Cash and 10% Alternative. The Foundation has set performance objective and risk guidelines they use to measure the performance of their portfolio.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wayne County Community Foundation

1 Summary of Significant Accounting Policies, Continued

Spending Policy:

Unless otherwise indicated in the fund agreement or instrument, the Foundation will generally distribute a percentage of the value of each fund annually. The percentage is evaluated annually by the Foundation and can be revised from time to time, taking into account both preservation of principal, as well as investment, custodial, and administrative costs. Currently, the spending policy, applied to perpetual in nature restricted funds, is calculated based on 4.5% of the average market value of the prior twelve quarter fund balances as of June 30, the Foundation's fiscal year-end. Payments in excess of annual spending policy are only allowable with special approval of the Board.

Insurance Policies:

The Foundation is the beneficiary of the several life insurance policies received from donors. The policies are stated at the cash surrender value net of any surrender charges. The value of these policies in the consolidated statement of financial position amount to \$264,358 (2021) and \$280,461 (2020).

Property and Equipment:

Property and equipment purchased by the Foundation are carried at cost. Donated property and equipment are recorded at estimated fair value at the date of donation. Expenditures which substantially increase the useful lives of existing assets are capitalized. Routine maintenance and repairs and capital expenditures of less than \$5,000 are expensed as incurred. The cost and related accumulated depreciation of property and equipment sold or otherwise disposed of are removed from the accounts and any gain or loss is reflected in the current year's activities. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation expense was \$1,663 (2021) and \$4,272 (2020).

Revenue Recognition:

The Foundation follows the guidance in Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* as management believes the standard improves the usefulness and understandability of the Foundation's financial reporting.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wayne County Community Foundation

1 Summary of Significant Accounting Policies, Continued

Revenue Recognition, Continued:

The Foundation recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

When a restriction expires through accomplishment of purpose or passage of time, the with donor restrictions net assets are reclassified to without donor restrictions and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions.

Although with donor restricted contributions are typically reported as support that increases with donor restricted net assets, they may be reported as without donor restriction support if the restrictions are met in the same reporting period.

Income Tax Status:

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (“Code”) and operates as a public charity.

WCCF Holdings, LLC is a single member nonprofit limited liability company solely owned by Wayne County Community Foundation.

The Foundation is required to operate in conformity with the Code to maintain its tax-exempt status.

Accounting for Uncertainty in Income Taxes:

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 certain tax positions that more-likely-than-not would not be sustained upon examination by applicable taxing authorities. The amount recognized is measured as the amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Foundation recognizes interest and penalties accrued related to unrecognized tax uncertainties in income tax expense, if any. The Foundation determined that there are no material uncertain tax positions.

Use of Estimates:

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Vacation, Personal Annual Leave Policy:

Vacation and personal leave compensation are expensed when paid. Accrual of these benefits as earned would not have a material effect on the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wayne County Community Foundation

1 Summary of Significant Accounting Policies, Continued

Marketing Costs:

The Foundation participates in various advertising and marketing programs. All costs related to marketing and advertising the Foundation's services are expensed in the period incurred. Advertising costs charged to operations was \$2,041 (2021) and \$2,123 (2020).

Functional Expense Allocations:

The costs of program services and supporting activities have been summarized on a functional basis in the statement of functional expenses. This statement presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. Expenses are charged to functional areas based on specific-identification when possible. Expenses that cannot be specifically identified to a function are allocated to the functional areas based on factors such as direct relationship of expense, time spent by employees, and other estimates prepared by management.

Donated Services:

The Foundation received donated services (general assistance and fundraising events) which do not meet the criteria for recognition under FASB ASC 958-605 or cannot be objectively measured. These donations, while not recognized in the consolidated financial statements, provide valuable resources to the Foundation.

Reclassifications:

Certain prior year amounts have been reclassified to conform to the presentation used in the current year. The prior year interest and dividends investment activity has also been properly reclassified in the cash flow.

Subsequent Events:

Management evaluates events occurring subsequent to the date of the consolidated financial statements in determining the accounting for and disclosure of transactions and events that affect the consolidated financial statements.

Subsequent events have been evaluated through August 31, 2021, which is the date the consolidated financial statements were available to be issued.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wayne County Community Foundation

2 Liquidity and Availability

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated time and purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund competitive grants to the community, scholarships for individuals, and operating expenses.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that the Foundation will be able to support mission fulfillment, ensuring the sustainability of the Foundation.

The table below presents the financial assets at June 30 available for general expenditures within one year:

	<u>2021</u>	<u>2020</u>
Financial Assets at Year-End:		
Cash and cash equivalents	\$ 30,746	\$ 13,136
Investments	124,965,257	98,500,898
Contributions and pledges receivable (current portion)	653,535	322,500
Insurance policies - cash surrender value	<u>264,358</u>	<u>280,461</u>
 Total Financial Assets	 125,913,896	 99,116,995
 Less: Financial assets not available to be used within one year		
Endowment funds - donor restricted perpetual in nature	53,778,627	47,594,838
Donor restricted for time or purpose	37,370,427	19,725,680
Agency Fund liability	16,227,529	12,135,382
Charitable Gift Annuity	<u>62,119</u>	<u>65,251</u>
 Financial assets not available to be used within one year	 <u>107,438,702</u>	 <u>79,521,151</u>
 Financial assets available to meet general expenditures within one year	 <u>\$ 18,475,194</u>	 <u>\$ 19,595,844</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wayne County Community Foundation

3 Investments

The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

Money Market Accounts:

These cash funds are valued at principle plus interest at a variable rate.

Equities:

Equities are considered available-for-sale and are recorded at fair value. These securities are valued at quoted market prices in active markets for identical assets.

Fixed Income:

Fixed Income are considered available-for-sale and are recorded at fair value. These securities are valued at quoted market prices in active markets for identical assets.

Alternatives (Mutual Funds and Real Estate Investment Trusts):

Mutual funds are based on quoted market prices. Real estate investment trusts (“REITs”) are companies that own, operate or finance income-producing real estate.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wayne County Community Foundation

3 Investments, Continued

The following table presents the financial instruments carried at fair value, on a recurring basis, as of June 30, 2021:

	Quoted Market Prices in Active Markets (Level 1)	Models with Significant Observable Market Parameters (Level 2)	Unobservable Inputs that are not Corroborated by Market Data (Level 3)	Total Carrying Value in the Statement of Financial Position
Investment Type:				
Cash and money market	\$ 3,526,956	\$ -	\$ -	\$ 3,526,956
Equities:				
Large Cap	43,474,813	-	-	43,474,813
Mid Cap	6,287,925	-	-	6,287,925
Small Cap	6,472,545	-	-	6,472,545
International Equities	<u>24,317,138</u>	-	-	<u>24,317,138</u>
Subtotal Equities:	<u>80,552,421</u>	-	-	<u>80,552,421</u>
Fixed Income	28,547,344			28,547,344
Alternatives:				
Alternative - Mutual Funds	<u>12,338,536</u>	-	-	<u>12,338,536</u>
Subtotal Alternatives:	<u>12,338,536</u>	-	-	<u>12,338,536</u>
Total Investments at Fair Value	<u><u>\$124,965,257</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$124,965,257</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wayne County Community Foundation

3 Investments, Continued

The following table presents the financial instruments carried at fair value, on a recurring basis, as of June 30, 2020:

	Quoted Market Prices in Active Markets (Level 1)	Models with Significant Observable Market Parameters (Level 2)	Unobservable Inputs that are not Corroborated by Market Data (Level 3)	Total Carrying Value in the Statement of Financial Position
Investment Type:				
Cash and money market	\$ 5,554,132	\$ -	\$ -	\$ 5,554,132
Equities:				
Large Cap	25,311,705	-	-	25,311,705
Mid Cap	3,980,680	-	-	3,980,680
Small Cap	4,015,265	-	-	4,015,265
International Equities	17,065,781	-	-	17,065,781
Subtotal Equities:	50,373,431	-	-	50,373,431
Fixed Income	25,724,113			25,724,113
Alternatives:				
REITs	1,199,809	-	-	1,199,809
Alternative - Mutual Funds	15,649,413	-	-	15,649,413
Subtotal Alternatives:	16,849,222	-	-	16,849,222
Total Investments at Fair Value	<u>\$ 98,500,898</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,500,898</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wayne County Community Foundation

3 Investments, Continued

	<u>2021</u>	<u>2020</u>
Net investment income consists of the following:		
Interest and dividends	\$ 1,668,574	\$ 1,764,048
Net realized gains	3,501,582	763,615
Net unrealized gains (losses)	18,404,711	(3,226)
Less: Investment fees	<u>(73,441)</u>	<u>(68,721)</u>
Total Investment Income	23,501,426	2,455,716
Less: Earnings allocated to agency fund liability	<u>(3,050,012)</u>	<u>(327,641)</u>
Total Net Investment Income	<u>\$ 20,451,414</u>	<u>\$ 2,128,075</u>

4 Contributions and Pledges Receivable

Contributions and pledges receivable at June 30 consist of the following:

	<u>2021</u>	<u>2020</u>
Pledges receivable	\$ 737,385	\$ 564,900
Interest in charitable lead annuity trust	<u>244,582</u>	<u>274,958</u>
	<u>\$ 981,967</u>	<u>\$ 839,858</u>

Contributions and pledges receivable represent promises to give which have been made by donors to designated funds. Several receivables have been promised in installments over several years. All receivables are considered collectible by the Foundation and, accordingly, no allowance for uncollectible balances has been established.

The value of all material receivables and interest in charitable lead annuity trusts with payments exceeding one year, have been discounted to net present value at rates of 2.0% and 3.5%.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wayne County Community Foundation

4 Contributions and Pledges Receivable, Continued

Payments at June 30 are due in:

One year	\$	653,535
Two years		153,975
Three years		47,375
Four years		42,500
Five years		40,000
Thereafter		<u>80,000</u>
Gross Pledges Receivable		1,017,385
Less: Net present value discount		<u>(35,418)</u>
Total	\$	<u><u>981,967</u></u>

Amounts presented in the consolidated statement of financial position at June 30 are as follows:

	<u>2021</u>	<u>2020</u>
Current Portion:		
Pledges receivable	\$ 613,535	\$ 282,500
Charitable lead annuity trust	<u>40,000</u>	<u>40,000</u>
	653,535	322,500
Long-term Portion:		
Pledges receivable	123,850	282,400
Charitable lead annuity trust	<u>204,582</u>	<u>234,958</u>
	<u>328,432</u>	<u>517,358</u>
	<u><u>\$ 981,967</u></u>	<u><u>\$ 839,858</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wayne County Community Foundation

5 Endowment

The Foundation's endowments consist of numerous funds, established for a variety of purposes, which have been pooled together for investment purposes. The endowments include both donor-restricted and Board designated funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law:

The Board of Trustees of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the original gift as the donor-restricted endowment absent explicit donor restrictions to the contrary.

As a result of this interpretation, the Foundation classifies as perpetual in nature restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in perpetual in nature restricted net assets is classified as with time or purpose donor restricted net assets until those amounts are appropriated for expenditures by the Foundation. In addition, certain funds are restricted by the donor for specific purposes and are classified as temporarily restricted until expended for the specified purpose. These funds are currently considered as part of the endowment due to the long-term nature of the donor specific purpose.

The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the Foundation and the 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wayne County Community Foundation

5 Endowment, Continued

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

	Without Donor Restrictions	With Donor Restrictions		
		Time or Purpose	Perpetual in Nature	Total
Donor restricted endowment:				
Original donor-restricted gifts	\$ -	\$ -	\$ 53,778,627	\$ 53,778,627
Accumulated investment gains	-	17,279,840	-	17,279,840
Donor restricted time or purpose	-	20,090,587	-	20,090,587
Board designated endowment funds	<u>17,946,700</u>	-	-	<u>17,946,700</u>
Total Funds	<u>\$ 17,946,700</u>	<u>\$ 37,370,427</u>	<u>\$ 53,778,627</u>	<u>\$109,095,754</u>

	Without Donor Restrictions	With Donor Restrictions		
		Time or Purpose	Perpetual in Nature	Total
Beginning of the Year	\$ 19,322,339	\$ 19,725,680	\$ 47,594,838	\$ 86,642,857
Investment Return:				
Net appreciation	3,499,696	3,492,957	13,458,761	20,451,414
Contributions and other income	2,401,703	5,002,942	6,213,326	13,617,971
Transfers of fund activity	71,850	13,416,448	(13,488,298)	-
Satisfaction of donor and program requirements in accordance with spending policy	4,267,600	(4,267,600)	-	-
Disbursements	<u>(11,616,488)</u>	-	-	<u>(11,616,488)</u>
Net Change	<u>(1,375,639)</u>	<u>17,644,747</u>	<u>6,183,789</u>	<u>22,452,897</u>
Endowment Net Assets				
End of the Year	<u>\$ 17,946,700</u>	<u>\$ 37,370,427</u>	<u>\$ 53,778,627</u>	<u>\$109,095,754</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wayne County Community Foundation

5 Endowment, Continued

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

	Without Donor Restrictions	<u>With Donor Restrictions</u>		Total
		Time or Purpose	Perpetual in Nature	
Donor restricted endowment:				
Original donor-restricted gifts	\$ -	\$ -	\$ 47,594,838	\$ 47,594,838
Accumulated investment gains	-	5,453,251	-	5,453,251
Donor restricted time or purpose	-	14,272,429	-	14,272,429
Board designated endowment funds	<u>19,322,339</u>	-	-	<u>19,322,339</u>
Total Funds	<u>\$ 19,322,339</u>	<u>\$ 19,725,680</u>	<u>\$ 47,594,838</u>	<u>\$ 86,642,857</u>
Beginning of the Year				
As Issued	\$ 11,775,283	\$ 27,308,907	\$ 33,762,276	\$ 72,846,466
Correction to restate beginning balance	<u>5,978,048</u>	<u>(6,266,791)</u>	<u>288,743</u>	<u>-</u>
Beginning of the Year				
As Restated	<u>17,753,331</u>	<u>21,042,116</u>	<u>34,051,019</u>	<u>72,846,466</u>
Investment Return:				
Net appreciation	524,332	401,630	1,202,113	2,128,075
Contributions and other income	1,036,631	4,147,351	13,530,369	18,714,351
Transfers of fund activity	(11,743)	1,200,406	(1,188,663)	-
Satisfaction of donor and program requirements in accordance with spending policy	7,065,823	(7,065,823)	-	-
Disbursements	<u>(7,046,035)</u>	<u>-</u>	<u>-</u>	<u>(7,046,035)</u>
Net Change	<u>1,569,008</u>	<u>(1,316,436)</u>	<u>13,543,819</u>	<u>13,796,391</u>
Endowment Net Assets				
End of the Year	<u>\$ 19,322,339</u>	<u>\$ 19,725,680</u>	<u>\$ 47,594,838</u>	<u>\$ 86,642,857</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wayne County Community Foundation

5 Endowment, Continued

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.

At June 30, funds with deficiencies of \$57,754 (2021) and \$159,379 (2020), were reported in net assets with donor restrictions.

	<u>2021</u>	<u>2020</u>
Fair value of underwater endowment funds	\$ 60,113	\$ 5,109,951
Original endowment gift amount	<u>117,867</u>	<u>5,269,330</u>
Deficiencies of Underwater Endowment Funds	<u>\$ (57,754)</u>	<u>\$ (159,379)</u>

6 Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or the occurrence of other events specified by donors at June 30 as follows:

	<u>2021</u>	<u>2020</u>
Grants and scholarships	\$ 3,707,239	\$ 6,624,464
Administrative fees	<u>560,361</u>	<u>426,757</u>
	<u>\$ 4,267,600</u>	<u>\$ 7,051,221</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wayne County Community Foundation

6 Net Assets Released from Restrictions, Continued

The Foundation charges an administrative fee to all funds, except the Acorn Funds. These fees are reflected as assets released from restriction in the consolidated statement of activities and changes in net assets. The following annual fee schedule was effective March 1, 2009:

Agency Endowments	0.50%
Designated Funds:	
Minimum charge of \$250 annually	
During a campaign (under \$1,000,000)	1.00%
During a campaign (over \$1,000,000)	0.75%
Maintenance fund only	0.50%
Donor Advised Funds:	
Under \$100,000	1.00%
\$100,000 - \$500,000	0.75%
Over \$500,000	0.50%
Scholarship, Community and Field of Interest Funds:	
Minimum charge of \$250 annually	
Under \$1,000,000	1.00%
Over \$1,000,000	0.75%
Gift Annuity Funds	1.00%

Designated funds are divided into active and maintenance modes depending on whether the fund is in the midst of an active fundraising campaign or in a post campaign maintenance mode.

Total fees charged under this schedule amounted to \$647,849 (2021) and \$548,364 (2020). A portion of these fees are reported as management and general expenses on the consolidated statement of activities and changes in net assets with the remainder of fees being reported as a reduction in the agency fund liability in the consolidated statement of financial position.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wayne County Community Foundation

6 Net Assets Released from Restrictions, Continued

Donor restricted net assets consist of contributions designated but not yet used for certain purposes at June 30 as follows:

	<u>2021</u>	<u>2020</u>
Donor Restrictions for Time or Purpose:		
Grants and Scholarships	\$ 37,428,181	\$ 19,885,059
Underwater funds	<u>(57,754)</u>	<u>(159,379)</u>
	<u>37,370,427</u>	19,725,680
Donor Restrictions Perpetual in Nature:		
Grants and Scholarships	<u>53,778,627</u>	<u>47,594,838</u>
	<u>\$ 91,149,054</u>	<u>\$ 67,320,518</u>

7 Leases

The Foundation leases their office space through a relationship established in 2005. Rent is paid on a monthly basis at \$2,500 per month, with the current agreement ending on September 30, 2023. The landlord is responsible for real estate taxes, building fire insurance and repairs to the property. The Foundation is responsible for partial maintenance, utilities and liability insurance on the property. Rent expense related to this lease was \$29,100 (2021) and \$26,400 (2020).

The Foundation leases a copier with monthly lease payments of approximately \$481. Additional fees based on usage at a rate per month, are also assessed. The lease term is for 60 months ending February 2022. Lease expense related to the office equipment was \$5,813 (2021) and \$6,009 (2020).

Minimum lease payments due at June 30 under the operating lease obligations are due as follows:

	<u>Real Estate</u>	<u>Equipment</u>	<u>Total</u>
2022	\$ 30,000	\$ 3,364	\$ 33,364
2023	30,000	-	30,000
2024	<u>7,500</u>	<u>-</u>	<u>7,500</u>
Total	<u>\$ 67,500</u>	<u>\$ 3,364</u>	<u>\$ 70,864</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wayne County Community Foundation

8 Charitable Gift Annuities

The Foundation is obligated under four annuity contracts, whereby the Foundation is the owner of the assets subject to a promise to pay the respective annuity amount to individuals. The terms of the annuities are as follows:

	<u>Date</u> <u>Established</u>	<u>Term</u>	<u>Payment</u> <u>Frequency</u>	<u>Payment</u> <u>Amount</u>	<u>Discount</u> <u>Factor</u>	<u>Interest</u> <u>Rate</u>
Annuity 1	2004	Life	Quarterly	\$ 381.18	7.8%	4.2%
Annuity 2	2006	Life	Semi-Annual	\$ 716.15	5.9%	5.6%
Annuity 3	2018	Life	Quarterly	\$ 762.50	10.2%	3.4%
Annuity 4	2019	Life	Quarterly	\$ 800.00	11.4%	2.0%

The change in value of the gift annuity agreements in the consolidated statement of activities and changes in net assets relates to the amortization of the discount on the annuities. The estimated amount due to the individuals specified in those agreements (net of discount) were \$69,726 (2021) and \$72,858 (2020).

The following table presents a reconciliation of the gift annuity obligation fair value measurements using significant unobservable inputs (Level 3) at June 30:

	<u>2021</u>	<u>2020</u>
Beginning Balance	\$ 72,858	\$ 66,965
Contributions	-	25,000
Net unrealized gain (loss)	4,475	(8,616)
Payments	<u>(7,607)</u>	<u>(10,491)</u>
Ending Balance	<u>\$ 69,726</u>	<u>\$ 72,858</u>

Amounts presented in the consolidated statement of financial position are as follows:

	<u>2021</u>	<u>2020</u>
Current	\$ 7,607	\$ 7,607
Long-term	<u>62,119</u>	<u>65,251</u>
	<u>\$ 69,726</u>	<u>\$ 72,858</u>

9 Conditional Promises to Give

The Foundation awards annual scholarships, some of which are renewable and conditional upon the recipient staying in school, or maintaining a specific grade point average. Conditional promises to give are recognized when the conditions of the promise have been substantially met. Conditional promises that are substantially met are recorded in the consolidated statement of financial position and amounted to \$700,000 (2021) and \$658,000 (2020).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wayne County Community Foundation

10 Agency Fund Liability

Agency funds represent amounts held by the Foundation on behalf of other tax-exempt charitable organizations. The following is a reconciliation of the activity during June 30:

	<u>2021</u>	<u>2020</u>
Beginning agency funds	\$ 12,135,382	\$ 11,444,317
Contributions	1,606,607	788,085
Investment income	3,050,012	327,641
Foundation administrative fees	(70,363)	(58,647)
Investment fees	(10,421)	(9,814)
Distributions	<u>(483,688)</u>	<u>(356,200)</u>
Ending agency funds	<u>\$ 16,227,529</u>	<u>\$ 12,135,382</u>

11 Retirement Plan

The Foundation has a 403(b) Deferred Compensation Plan and SEP Plan. The Foundation contributes an amount equal to 5% of each full-time employee's compensation to these plans. Contributions to these plans amounted to \$8,660 (2021) and \$11,410 (2020).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wayne County Community Foundation

12 Prior Period Adjustment

A reclassification was presented in the net assets, which required a restatement of the balances as of July 1, 2019 by restriction. The Foundation incorrectly classified funds with donor restrictions, when in fact, these funds should have been classified as without donor restrictions. As a result of the reclassification adjustment to net assets, the amounts were restated as below, and the changes are also reflected in note 5 and 6.

	Without Donor Restrictions	Time or Purpose	Perpetual in Nature	Total With Donor Restriction	Total Net Assets
As originally Stated - July 1, 2019	\$11,775,283	\$27,308,907	\$33,762,276	\$61,071,183	\$72,846,466
Reclassification Adjustment	<u>5,978,048</u>	<u>(6,266,791)</u>	<u>288,743</u>	<u>(5,978,048)</u>	<u>-</u>
As Restated - July 1, 2019	<u>\$17,753,331</u>	<u>\$21,042,116</u>	<u>\$34,051,019</u>	<u>\$55,093,135</u>	<u>\$72,846,466</u>

As a result of the reclassification adjustment to net assets, the change in net assets, satisfaction of donor requirements in accordance with the spending policy, and net assets on the June 30, 2020 consolidated statement of activities and changes in net assets were restated as noted below.

	As Originally Stated	Reclassification Adjustment	As Restated
Satisfaction of donor and program requirements in accordance with spending policy			
Without Donor Restriction	\$ 3,357,745	\$ 3,266,719	\$ 6,624,464
With Donor Restriction	\$ (3,357,745)	\$ (3,266,719)	\$ (6,624,464)
Change in Net Assets			
Without Donor Restriction	\$ (1,697,711)	\$ 3,266,719	\$ 1,569,008
With Donor Restriction	\$ 15,494,102	\$ (3,266,719)	\$ 12,227,383
Net Assets - End of the year			
Without Donor Restriction	\$ 10,077,572	\$ 9,244,767	\$ 19,322,339
With Donor Restriction	\$ 76,565,285	\$ (9,244,767)	\$ 67,320,518