

**HERITAGE FUND - THE COMMUNITY  
FOUNDATION OF BARTHOLOMEW COUNTY**

**CONSOLIDATED FINANCIAL STATEMENTS**

**AND**

**SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2019 AND 2018**

*CPAs / ADVISORS*



**HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY**

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DECEMBER 31, 2019 AND 2018

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## REPORT OF INDEPENDENT AUDITORS

Board of Directors  
Heritage Fund - The Community Foundation of Bartholomew County  
Columbus, Indiana

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Heritage Fund - The Community Foundation of Bartholomew County, and its affiliate (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities and cash flows for the years then ended, the related consolidated statement of functional expenses for the year ended December 31, 2019, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditor's Responsibility

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

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

estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

#### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2019 and 2018, and the consolidated 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.

#### Report on Supplementary Information

Our 2019 audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 24 to 26 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual organizations, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the 2019 audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Blue & Co., LLC*

Seymour, Indiana

April 21, 2020

# HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2019 AND 2018

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### ASSETS

	<u>2019</u>	<u>2018</u>
<b>Investments</b>		
Cash	\$ 3,091,342	\$ 2,912,297
Certificates of deposit	5,952,000	6,200,000
Investments	68,220,913	57,650,266
Charitable trusts	249,846	248,306
Life insurance	94,695	94,695
Interest in perpetual trust	101,731	89,380
<b>Receivables</b>		
Contributions, net	119,804	119,804
Accounts	754	7,665
Notes	50,000	-0-
<b>Other</b>		
Property and equipment, net	911,228	907,004
Prepaid expenses	299	3,274
	<u>\$ 78,792,612</u>	<u>\$ 68,232,691</u>

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*See accompanying notes to consolidated financial statements.*

# HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2019 AND 2018

### LIABILITIES AND NET ASSETS

	2019	2018
<b>Custodial funds</b>		
Pass-through	\$ 18,854	\$ 46,177
Reciprocal agency	2,317,618	1,997,750
Designated bequests	9,235,456	7,983,732
<b>Payables</b>		
Accounts	32,216	9,957
Charitable trusts	249,846	248,306
<b>Other</b>		
Deferred revenue	-0-	594,929
Total liabilities	11,853,990	10,880,851
<b>Net assets</b>		
Without donor restrictions		
Operating	1,498,028	1,513,827
Board designated administrative endowment	1,356,969	1,049,965
Board designated reserves	587,700	386,077
	3,442,697	2,949,869
With donor restrictions		
Restricted for specified purposes	15,762,920	14,229,435
Restricted due to time restrictions	316,230	303,879
Endowment funds	47,416,775	39,868,657
	63,495,925	54,401,971
Total net assets	66,938,622	57,351,840
	<u>\$ 78,792,612</u>	<u>\$ 68,232,691</u>

*See accompanying notes to consolidated financial statements.*

# HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

## CONSOLIDATED STATEMENTS OF ACTIVITIES YEAR ENDED DECEMBER 31, 2019

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Support and revenues</b>				
Contributions	\$ 99,150	\$ 2,742,316	\$ 2,841,466	\$ 2,570,494
Investment return, net	386,749	10,407,149	10,793,898	(3,523,070)
Change in value of split-interest agreement	-0-	12,351	12,351	(11,643)
Change in discount of contributions receivable	-0-	-0-	-0-	7,492
Administrative fees	905,557	-0-	905,557	894,173
Other revenue	55,645	500	56,145	54,933
Net assets released from restrictions	<u>4,068,362</u>	<u>(4,068,362)</u>	<u>-0-</u>	<u>-0-</u>
<b>Total support and revenues</b>	<b>5,515,463</b>	<b>9,093,954</b>	<b>14,609,417</b>	<b>(7,621)</b>
<b>Expenses</b>				
Program expense	4,401,760	-0-	4,401,760	5,171,822
Management and general	368,701	-0-	368,701	269,854
Fundraising and development	<u>252,174</u>	<u>-0-</u>	<u>252,174</u>	<u>221,809</u>
<b>Total expenses</b>	<b><u>5,022,635</u></b>	<b><u>-0-</u></b>	<b><u>5,022,635</u></b>	<b><u>5,663,485</u></b>
Change in net assets	492,828	9,093,954	9,586,782	(5,671,106)
<b>Net assets, beginning of year</b>	<u>2,949,869</u>	<u>54,401,971</u>	<u>57,351,840</u>	<u>63,022,946</u>
<b>Net assets, end of year</b>	<u><u>\$ 3,442,697</u></u>	<u><u>\$ 63,495,925</u></u>	<u><u>\$ 66,938,622</u></u>	<u><u>\$ 57,351,840</u></u>

*See accompanying notes to consolidated financial statements.*

# HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

## CONSOLIDATED STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenues</b>			
Contributions	\$ 57,420	\$ 2,513,074	\$ 2,570,494
Investment return, net	(135,098)	(3,387,972)	(3,523,070)
Change in value of split-interest agreement	-0-	(11,643)	(11,643)
Change in discount of contributions receivable	-0-	7,492	7,492
Administrative fees	894,173	-0-	894,173
Other revenue	54,933	-0-	54,933
Net assets released from restrictions	<u>4,614,692</u>	<u>(4,614,692)</u>	<u>-0-</u>
Total support and revenues	5,486,120	(5,493,741)	(7,621)
<b>Expenses</b>			
Program expense	5,171,822	-0-	5,171,822
Management and general	269,854	-0-	269,854
Fundraising and development	<u>221,809</u>	<u>-0-</u>	<u>221,809</u>
Total expenses	<u>5,663,485</u>	<u>-0-</u>	<u>5,663,485</u>
Change in net assets	(177,365)	(5,493,741)	(5,671,106)
<b>Net assets, beginning of year</b>	<u>3,127,234</u>	<u>59,895,712</u>	<u>63,022,946</u>
<b>Net assets, end of year</b>	<u>\$ 2,949,869</u>	<u>\$ 54,401,971</u>	<u>\$ 57,351,840</u>

*See accompanying notes to consolidated financial statements.*



## HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

### CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019				2018			
	Program Services	Management & General	Fundraising & Development	Total	Program Services	Management & General	Fundraising & Development	Total
Grants	\$ 2,692,757	\$ -0-	\$ -0-	\$ 2,692,757	\$ 2,689,989	\$ -0-	\$ -0-	\$ 2,689,989
Special projects	629,814	-0-	-0-	629,814	1,456,563	-0-	-0-	1,456,563
Salaries and wages	199,243	134,371	129,741	463,355	177,136	119,464	115,345	411,945
Payroll taxes and employee benefits	34,452	23,235	22,434	80,121	32,609	21,992	21,235	75,836
Annual meeting and report	1,432	1,432	11,451	14,315	1,095	1,095	8,763	10,953
Professional fees	10,743	85,942	10,743	107,428	3,639	29,110	3,639	36,388
Dues and subscriptions	-0-	-0-	4,120	4,120	-0-	-0-	4,139	4,139
Endowment development	-0-	-0-	20,470	20,470	-0-	-0-	20,606	20,606
Equipment rental, repairs and maintenance	8,461	16,921	8,460	33,842	7,509	15,018	7,509	30,036
Computer support	-0-	38,016	-0-	38,016	-0-	17,663	-0-	17,663
Insurance	-0-	7,265	-0-	7,265	-0-	6,555	-0-	6,555
Utilities	2,947	5,895	2,947	11,789	3,017	6,035	3,017	12,069
Newsletter	3,226	-0-	3,226	6,452	1,473	-0-	1,472	2,945
Postage	377	755	6,417	7,549	268	535	4,551	5,354
Property taxes	-0-	8,514	-0-	8,514	-0-	8,482	-0-	8,482
Travel	1,294	647	4,527	6,468	854	427	2,988	4,269
Education	615	308	2,152	3,075	948	474	3,318	4,740
Office supplies	5,033	1,118	5,033	11,184	2,224	494	2,225	4,943
Depreciation	18,989	37,977	18,988	75,954	17,478	34,957	17,478	69,913
Purchased services	-0-	6,122	-0-	6,122	-0-	6,863	-0-	6,863
Administrative fees	792,194	-0-	-0-	792,194	776,330	-0-	-0-	776,330
Miscellaneous	183	183	1,465	1,831	690	690	5,524	6,904
<b>Total expenses</b>	<b><u>\$ 4,401,760</u></b>	<b><u>\$ 368,701</u></b>	<b><u>\$ 252,174</u></b>	<b><u>\$ 5,022,635</u></b>	<b><u>\$ 5,171,822</u></b>	<b><u>\$ 269,854</u></b>	<b><u>\$ 221,809</u></b>	<b><u>\$ 5,663,485</u></b>

*See accompanying notes to consolidated financial statements.*

# HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

## CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
<b>Operating activities</b>		
Change in net assets	\$ 9,586,782	\$ (5,671,106)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	75,954	69,913
Interest earned on certificates of deposit	(108,225)	(102,248)
Reinvested interest and dividends received on investments	(2,025,888)	(2,763,566)
Realized and unrealized losses (gains) on investments	(10,872,211)	7,016,933
Change in discount of contributions receivable	-0-	(7,492)
Change in value of split-interest agreement	(12,351)	11,643
Change in operating assets and liabilities:		
Accounts receivable	6,911	(7,235)
Prepaid expenses	2,975	6,785
Custodial funds	1,544,269	(1,342,468)
Accounts payable	22,259	(250)
Deferred revenue	(594,929)	594,929
Net cash flows from operating activities	(2,374,454)	(2,194,162)
<b>Investing activities</b>		
Issuance of notes receivable	(50,000)	-0-
Purchase of certificates of deposit	(5,456,000)	(4,712,000)
Maturities of certificates of deposit	5,812,225	3,326,248
Purchase of investments	(7,548,367)	(116,152)
Proceeds on sale of investments	9,875,819	1,857,520
Purchases of property and equipment	(80,178)	(236,906)
Net cash flows from investing activities	2,553,499	118,710
Net change in cash	179,045	(2,075,452)
<b>Cash, beginning of year</b>	2,912,297	4,987,749
<b>Cash, end of year</b>	\$ 3,091,342	\$ 2,912,297

*See accompanying notes to consolidated financial statements.*

# HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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### 1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

The Heritage Fund - The Community Foundation of Bartholomew County (the "Heritage Fund") is a not-for-profit entity. The Heritage Fund conducts business under the assumed name "Heritage Fund - The Community Foundation of Bartholomew County," however, the entity's legal name is "Heritage Fund of Bartholomew County, Inc." The Heritage Fund is located in Columbus, Indiana, and is organized to provide stewardship of gifts donated for charitable purposes, address community issues, promote positive change in partnership with others, and promote philanthropy within the Bartholomew County area.

The Heritage Fund Supporting Foundation, Inc. (the "Foundation") is a not-for-profit entity organized to manage gifts of property. The Foundation leases office space to the Heritage Fund and other tenants.

#### Consolidation Policy

The accounts of the Foundation are consolidated with the accounts of the Heritage Fund as a result of common control. All inter-entity transactions have been eliminated in consolidation. The consolidated operations of the Heritage Fund and the Foundation are hereinafter collectively referred to as "the Organization."

#### Management's Estimates

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

#### Basis of Presentation

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

*Net assets without donor restrictions:* Net assets that are currently available for operating purposes under the direction of the board or designated by the board for specific use.

Operating – used to fund current operations of the Organization

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

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# HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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Board designated reserves – used to fund future operations and capital improvements of the Organization as designated by the Board

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

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

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

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

### Cash

Cash consists primarily of money market investments and excludes amounts held by the Organization's fund manager and included in marketable securities.

### Investments

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

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

### Property and Equipment

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

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

# HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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### Deferred Revenue

During 2018, Heritage Fund received \$1,000,000 grant from Lilly Endowment through its GIFT Phase VII initiative. The grant is required to be matched with new contributions to help build the Heritage Fund's unrestricted endowments and provide support for specified charitable projects and needs. Therefore, deferred revenue relates to the portion of the grant that has not yet been matched and earned. The matching period is from October 1, 2018 through December 31, 2020. As qualifying contributions are received, the related match amount is recognized as revenue. Deferred revenue related to this grant was \$0 and \$594,929 at December 31, 2019 and 2018, respectively.

### Support, Revenue and Expense Recognition

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

Support and revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in either net assets with or without donor restrictions in accordance with the classification of the fund.

All other support and revenue is recorded when earned.

### Administrative Fees

Administrative fees are expensed from the funds to support the operations of the Organization and are considered program expenses. Administrative fees from all funds are reflected as revenue on the Consolidated Statements of Activities. The administrative fees from custodial funds are not included as expenses on the Consolidated Statements of Activities because they are included in the change in custodial funds.

### Reclassifications

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

### Income Taxes

The Organization is organized as a not-for-profit corporation under Section 501(c)(3) of the United States Internal Revenue Code.

# HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2019 and 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying consolidated financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

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

### Functional Allocation of Expenses

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

The consolidated financial statements report expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses are allocated on the basis of estimates of time and effort. While the methods of allocation are considered appropriate, other methods could produce different results.

### Going Concern Evaluation

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

### Subsequent Events

The Organization has evaluated events or transactions occurring subsequent to the Consolidated Statement of Financial Position date for recognition and disclosure in the accompanying consolidated financial statements through the date the consolidated financial statements are available to be issued, which is April 21, 2020.

# HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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### 2. CERTIFICATES OF DEPOSIT

The Organization held certificates of deposit totaling \$5,952,000 and \$6,200,000 at December 31, 2019 and 2018, respectively, with interest rates ranging from 1.55 to 3.00 percent. Maturity dates of these certificates of deposit vary through February 2021. Certificates of deposits are recorded at cost plus accrued interest.

### 3. INVESTMENTS

Investments consist of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash	\$ 1,904,420	\$ 3,150,157
Mutual funds		
Equity funds		
Large cap	29,814,540	21,055,682
Small/mid cap	10,751,245	8,485,757
International	8,996,701	7,193,550
Defensive	-0-	4,983,505
Fixed income funds		
Short	4,946,886	2,953,561
Intermediate	<u>11,807,121</u>	<u>9,828,054</u>
	<u>\$ 68,220,913</u>	<u>\$ 57,650,266</u>

### 4. RISKS AND UNCERTAINTIES

The Organization holds investments in debt and equity mutual funds (Note 3). Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying consolidated financial statements.

# HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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### 5. FAIR VALUE MEASUREMENTS

Effective January 1, 2019, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments in this ASU removed certain disclosure requirements in Topic 820. As such, the fair value measurement disclosures for 2018 have been restated for these changes.

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

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

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

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

- *Mutual funds*: Valued at the daily closing price as reported by the funds. Mutual funds held by the Organization are open-ended funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The funds held by the Organization are deemed to be actively traded.
- *Charitable trusts*: Consists of actively traded mutual funds that are valued at the daily closing price as reported by the funds.



# HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

- *Interest in perpetual trust:* Fair value is determined by calculating Heritage Fund's beneficial share of the underlying investments in the trust.
- *Charitable trusts payable:* Fair value is equal to the charitable trust assets held.

The following tables set forth financial assets and liabilities measured at fair value in the Consolidated Statements of Financial Position and the respective levels to which the fair value measurements are classified within the fair value hierarchy as of December 31, 2019 and 2018:

	2019			
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Mutual funds	\$ 66,316,493	\$ 66,316,493	\$ -0-	\$ -0-
Charitable trusts	249,846	249,846	-0-	-0-
Interest in perpetual trust	101,731	-0-	-0-	101,731
Liabilities:				
Charitable trusts payable	249,846	-0-	249,846	-0-

	2018			
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Mutual funds	\$ 54,500,109	\$ 54,500,109	\$ -0-	\$ -0-
Charitable trusts	248,306	248,306	-0-	-0-
Interest in perpetual trust	89,380	-0-	-0-	89,380
Liabilities:				
Charitable trusts payable	248,306	-0-	248,306	-0-

The progression of the interest in perpetual trust during the years ended December 31, 2019 and 2018 is as follows:

	2019	2018
Beginning balance	\$ 89,380	\$ 101,023
Change in split-interest agreement	<u>12,351</u>	<u>(11,643)</u>
	<u>\$ 101,731</u>	<u>\$ 89,380</u>

# HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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### 6. CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable consist of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Unconditional contributions receivable	\$ 162,624	\$ 162,624
Less unamortized discount	<u>(42,820)</u>	<u>(42,820)</u>
Net unconditional contributions receivable	<u>\$ 119,804</u>	<u>\$ 119,804</u>
Amounts due in:		
Less than one year	\$ -0-	\$ -0-
One to five years	-0-	-0-
More than five years	<u>162,624</u>	<u>162,624</u>
	<u>\$ 162,624</u>	<u>\$ 162,624</u>

Qualifying contributions receivable were discounted at 5%.

Management estimates an allowance for doubtful contributions receivable based on an evaluation of historical losses, current economic conditions, and other factors unique to the Organization's donors. No allowance for doubtful contributions receivable was determined to be necessary at December 31, 2019 and 2018.

### 7. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Land	\$ 110,000	\$ 110,000
Buildings and improvements	1,259,445	1,216,267
Office and computer equipment	<u>212,232</u>	<u>175,232</u>
	1,581,677	1,501,499
Less accumulated depreciation	<u>670,449</u>	<u>594,495</u>
	<u>\$ 911,228</u>	<u>\$ 907,004</u>

# HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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### 8. CHARITABLE TRUSTS

The Organization is the trustee and has been named the beneficiary of several Charitable Remainder Unitrusts. Upon termination of the trusts on the beneficiaries' deaths, the trust assets will be held by the Organization for the benefit of other named organizations. The Organization has recorded a liability equal to the fair value of the trust assets as variance power was not granted to the Organization in the trust agreements. The charitable trust liability was \$249,846 and \$248,306 at December 31, 2019 and 2018, respectively.

The assets held under charitable trusts consist of the following at December 31, 2019 and 2018:

	2019	2018
Cash	\$ 9,771	\$ 18,491
Mutual funds		
Equity funds		
Large cap	106,765	104,746
Small/mid cap	28,100	20,315
International	30,949	30,824
Emerging markets	22,142	21,980
Other	5,107	10,854
Fixed income funds		
Intermediate	35,359	34,021
Other	11,653	7,075
	<u>\$ 249,846</u>	<u>\$ 248,306</u>

### 9. INTEREST IN PERPETUAL TRUST

The Organization is a one-fifth beneficiary of an irrevocable perpetual trust under which distributions of income only are made to the Organization. The Organization is not the trustee of the trust, but has recorded one-fifth of the fair value of the trust assets in the Consolidated Statements of Financial Position which represents the present value of annual amounts to be received in the future. The Organization has recognized its interest in this perpetual trust as part of net assets with donor restrictions. The Organization's interest under this trust was \$101,731 and \$89,380 at December 31, 2019 and 2018, respectively.

# HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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### 10. CUSTODIAL FUNDS

Custodial funds represent funds placed on deposit with the Organization by other organizations based on their individual board resolutions or funds due to the lack of variance power granted to the Organization. In addition, the Organization has received designated bequests which provided no variance power over the use of the funds or entered into agreements to serve as fiscal agent of funds for certain individuals and organizations. The Organization accounts for these transfers as a liability in accordance with applicable accounting standards. Income is added to these funds periodically in accordance with the Organization's investment allocation policies. Contributions by, investment interest credits for, and distributions to those organizations are reflected as adjustments to the liability account and are not reflected in the Consolidated Statements of Activities. Following is a progression of custodial funds during 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Custodial funds, beginning balance	\$ 10,027,659	\$ 11,370,127
Contributions and grants	1,064,450	566,605
Investment return, net	2,119,092	(725,138)
Administrative fees	(113,863)	(117,643)
Grant payments	<u>(1,525,410)</u>	<u>(1,066,292)</u>
Custodial funds, ending balance	<u>\$ 11,571,928</u>	<u>\$ 10,027,659</u>

# HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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### 11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Restricted for specified purposes		
Various based on fund agreements	\$ 15,762,920	\$ 14,229,435
Restricted due to time restrictions		
Contributions receivable	119,804	119,804
Life insurance	94,695	94,695
Interest in perpetual trust	<u>101,731</u>	<u>89,380</u>
	316,230	303,879
Endowment funds		
Restricted in perpetuity	34,163,716	32,458,693
Restricted subject to the Heritage Fund's spending policy	<u>13,253,059</u>	<u>7,409,964</u>
	<u>47,416,775</u>	<u>39,868,657</u>
Total net assets with donor restrictions	<u>\$ 63,495,925</u>	<u>\$ 54,401,971</u>

### 12. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions in the amount of \$4,068,362 and \$4,614,692 based on funds appropriated for expenditure for the years ended December 31, 2019 and 2018, respectively. There were no net assets released from donor restrictions due to time expirations in either year.

### 13. ENDOWMENT

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

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulation to the contrary.

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## HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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As a result of this interpretation, we retain in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted endowment funds are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate endowment funds:

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

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

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

The maximum allowable spending from an endowment fund each year is based on a percentage of the previous three-year rolling quarterly average of the fund's fair value. The percentage is determined annually by the Board of Directors. The approved spending percentage in effect during 2019 and 2018 was 5%. In establishing this policy, Heritage Fund considered the long-term expected return on its endowment.

**HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

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Endowed funds by net asset type at December 31, 2019 and 2018 were as follows:

	<u>2019</u>	
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Board Designated Funds	\$ 1,356,969	\$ -0-
Donor Restricted Funds	<u>-0-</u>	<u>47,416,775</u>
	<u>\$ 1,356,969</u>	<u>\$ 47,416,775</u>
	<u>2018</u>	
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Board Designated Funds	\$ 1,049,965	\$ -0-
Donor Restricted Funds	<u>-0-</u>	<u>39,868,657</u>
	<u>\$ 1,049,965</u>	<u>\$ 39,868,657</u>

Changes in endowed funds for the years ending December 31, 2019 and 2018 were as follows:

	<u>2019</u>	
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 1,049,965	\$ 39,868,657
Contributions and other revenue	2,627	1,397,442
Investment return, net	304,377	8,900,552
Appropriation of endowment assets for expenditure	<u>-0-</u>	<u>(2,749,876)</u>
Endowment net assets, end of year	<u>\$ 1,356,969</u>	<u>\$ 47,416,775</u>

# HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

	2018	
	Without Donor Restrictions	With Donor Restrictions
Endowment net assets, beginning of year	\$ 1,189,552	\$ 44,265,748
Contributions and other revenue	-0-	1,226,683
Investment return, net	(102,330)	(3,006,995)
Appropriation of endowment assets for expenditure	<u>(37,257)</u>	<u>(2,616,779)</u>
Endowment net assets, end of year	<u>\$ 1,049,965</u>	<u>\$ 39,868,657</u>

### 14. LIQUIDITY AND AVAILABILITY

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its awarded grants, general expenditures and other obligations become due. The Organization invests cash in excess of daily requirements in money market accounts, certificates of deposit, and other short-term investments. Financial assets available for general expenditures within one year of the Consolidated Statement of Financial Position date are comprised of the following as of December 31, 2019 and 2018:

	2019	2018
Cash	\$ 701,446	\$ 622,517
Certificates of deposit	85,336	42,007
Operating investments	339,642	128,811
Accounts receivable	<u>127</u>	<u>524</u>
	<u>\$ 1,126,551</u>	<u>\$ 793,859</u>

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

While not subject to the Organization's spending policy, expenditures from donor-restricted non-endowed funds must be approved by the Board and, therefore, are not available for general



# HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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expenditure until that time. Non-endowed funds are held in cash, certificates of deposits or liquid investments and are made available upon appropriation.

The administrative endowment is subject to an annual spending rate of 5 percent as described in Note 13. Although the Organization does not intend to spend from this administrative endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available, if necessary.

The Organization also relies on the administrative fees it charges its funds annually ranging from 1% to 2% of fund balance to fund operational expenditures.

### **15. CONCENTRATIONS OF CREDIT RISK**

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

Investments are maintained with one investment firm. Such balances exceed the Securities Investor Protection Corporation insured limits of up to \$500,000.

### **16. SUBSEQUENT EVENTS**

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

SUPPLEMENTARY INFORMATION

# HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

## CONSOLIDATING STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2019

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### ASSETS

	Heritage Fund - The Community Foundation of Bartholomew County	Heritage Fund Supporting Foundation, Inc.	Eliminations	Total
<b>Investments</b>				
Cash	\$ 2,911,117	\$ 180,225	\$ -0-	\$ 3,091,342
Certificates of deposit	5,952,000	-0-	-0-	5,952,000
Investments	68,220,913	-0-	-0-	68,220,913
Charitable trusts	249,846	-0-	-0-	249,846
Life insurance	94,695	-0-	-0-	94,695
Interest in perpetual trust	101,731	-0-	-0-	101,731
<b>Receivables</b>				
Contributions, net	119,804	-0-	-0-	119,804
Accounts	754	-0-	-0-	754
Notes	50,000	-0-	-0-	50,000
<b>Other</b>				
Property and equipment, net	78,171	833,057	-0-	911,228
Prepaid expenses	-0-	299	-0-	299
	<u>\$ 77,779,031</u>	<u>\$ 1,013,581</u>	<u>\$ -0-</u>	<u>\$ 78,792,612</u>

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See Report of Independent Auditors on pages 1 and 2.

# HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

## CONSOLIDATING STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2019

### LIABILITIES AND NET ASSETS

	Heritage Fund - The Community Foundation of Bartholomew County	Heritage Fund Supporting Foundation, Inc.	Eliminations	Total
<b>Custodial funds</b>				
Pass-through	\$ 18,854	\$ -0-	\$ -0-	\$ 18,854
Reciprocal agency	2,317,618	-0-	-0-	2,317,618
Designated bequests	9,235,456	-0-	-0-	9,235,456
<b>Payables</b>				
Accounts	27,759	4,457	-0-	32,216
Charitable trusts	249,846	-0-	-0-	249,846
Total liabilities	11,849,533	4,457	-0-	11,853,990
<b>Net assets</b>				
Without donor restrictions				
Operating	488,904	1,009,124	-0-	1,498,028
Board designated administrative endowment	1,356,969	-0-	-0-	1,356,969
Board designated reserves	587,700	-0-	-0-	587,700
	2,433,573	1,009,124	-0-	3,442,697
With donor restrictions				
Restricted for specified purposes	15,762,920	-0-	-0-	15,762,920
Restricted due to time restrictions	316,230	-0-	-0-	316,230
Endowment funds	47,416,775	-0-	-0-	47,416,775
	63,495,925	-0-	-0-	63,495,925
Total net assets	65,929,498	1,009,124	-0-	66,938,622
	\$ 77,779,031	\$ 1,013,581	\$ -0-	\$ 78,792,612

See Report of Independent Auditors on pages 1 and 2.

# HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

## CONSOLIDATING STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions				With Donor Restrictions
	Heritage Fund - The Community Foundation of Bartholomew County	Heritage Fund Supporting Foundation, Inc.	Eliminations	Total	Heritage Fund - The Community Foundation of Bartholomew County
<b>Support and revenues</b>					
Contributions	\$ 99,150	\$ -0-	\$ -0-	\$ 99,150	\$ 2,742,316
Investment return, net	386,749	-0-	-0-	386,749	10,407,149
Change in value of split-interest agreement	-0-	-0-	-0-	-0-	12,351
Administrative fees	918,086	-0-	(12,529)	905,557	-0-
Other revenue	-0-	79,645	(24,000)	55,645	500
Net assets released from restrictions	<u>4,068,362</u>	<u>-0-</u>	<u>-0-</u>	<u>4,068,362</u>	<u>(4,068,362)</u>
Total support and revenues	<u>5,472,347</u>	<u>79,645</u>	<u>(36,529)</u>	<u>5,515,463</u>	<u>9,093,954</u>
<b>Expenses</b>					
Program expense	4,386,691	22,323	(7,254)	4,401,760	-0-
Management and general	321,650	60,306	(13,255)	368,701	-0-
Fundraising and development	<u>237,105</u>	<u>31,089</u>	<u>(16,020)</u>	<u>252,174</u>	<u>-0-</u>
Total expenses	<u>4,945,446</u>	<u>113,718</u>	<u>(36,529)</u>	<u>5,022,635</u>	<u>-0-</u>
Change in net assets	526,901	(34,073)	-0-	492,828	9,093,954
<b>Net assets, beginning of year</b>	<u>1,906,672</u>	<u>1,043,197</u>	<u>-0-</u>	<u>2,949,869</u>	<u>54,401,971</u>
<b>Net assets, end of year</b>	<u>\$ 2,433,573</u>	<u>\$ 1,009,124</u>	<u>\$ -0-</u>	<u>\$ 3,442,697</u>	<u>\$ 63,495,925</u>

*See Report of Independent Auditors on pages 1 and 2.*