

The Polk County Community Foundation, Inc. and Supporting Organization



Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

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Independent Auditors' Report

Board of Directors
The Polk County Community Foundation, Inc. and Supporting Organization
Tryon, North Carolina

Opinion

We have audited the consolidated financial statements of The Polk County Community Foundation, Inc. and Supporting Organization (the "Foundation"), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits of the Consolidated Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The information captioned as supplementary information in the table of contents is presented for purposes of additional analysis and 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 information has been subjected to the auditing procedures applied in the 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

FORVIS, LLP
Greenville, SC
June 23, 2022

The Polk County Community Foundation, Inc. and Supporting Organization
Consolidated Statements of Financial Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 8,282,242	\$ 7,935,849
Advanced conditional grants	-	95,200
Other current assets	<u>160</u>	<u>97</u>
Total current assets	8,282,402	8,031,146
Property and equipment, net	3,579,033	3,352,001
Assets held in trust	2,534,438	2,520,970
Investments	<u>64,926,261</u>	<u>60,320,565</u>
Total assets	<u>\$ 79,322,134</u>	<u>\$ 74,224,682</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	<u>\$ 12,179</u>	<u>\$ 1,580</u>
Total current liabilities	12,179	1,580
Trust liability	1,726,608	1,695,822
Due to other organizations (agency)	<u>3,185,708</u>	<u>3,030,527</u>
Total liabilities	<u>4,924,495</u>	<u>4,727,929</u>
Net assets:		
Without donor restrictions	29,717,673	27,937,775
With donor restrictions	<u>44,679,966</u>	<u>41,558,978</u>
Total net assets	<u>74,397,639</u>	<u>69,496,753</u>
Total liabilities and net assets	<u>\$ 79,322,134</u>	<u>\$ 74,224,682</u>

The Polk County Community Foundation, Inc. and Supporting Organization
Consolidated Statement of Activities
Year Ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Revenues, gains and other support:			
Contributions	\$ 100,911	\$ 759,134	\$ 860,045
Investment income, net	2,327,157	4,460,369	6,787,526
PCCF management fees	41,998	-	41,998
Change in value of trust agreements	47,329	-	47,329
Net assets released from restrictions	<u>2,098,515</u>	<u>(2,098,515)</u>	<u>-</u>
Total revenues, gains and other support	<u>4,615,910</u>	<u>3,120,988</u>	<u>7,736,898</u>
Expenses:			
Program services	2,377,801	-	2,377,801
Supporting services:			
General and administrative	350,988	-	350,988
Fundraising and promotion	<u>107,223</u>	<u>-</u>	<u>107,223</u>
Total expenses	<u>2,836,012</u>	<u>-</u>	<u>2,836,012</u>
Increase in net assets	1,779,898	3,120,988	4,900,886
Net assets, beginning of year	<u>27,937,775</u>	<u>41,558,978</u>	<u>69,496,753</u>
Net assets, end of year	<u>\$ 29,717,673</u>	<u>\$ 44,679,966</u>	<u>\$ 74,397,639</u>

The Polk County Community Foundation, Inc. and Supporting Organization
Consolidated Statement of Activities
Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Revenues, gains and other support			
Contributions	\$ 226,993	\$ 2,104,718	\$ 2,331,711
Investment income, net	3,213,931	3,924,080	7,138,011
PCCF management fees	39,534	-	39,534
Change in value of trust agreements	101,778	-	101,778
Net assets released from restrictions	<u>1,678,623</u>	<u>(1,678,623)</u>	<u>-</u>
 Total revenues, gains and other support	 <u>5,260,859</u>	 <u>4,350,175</u>	 <u>9,611,034</u>
Expenses			
Program services	2,307,837	-	2,307,837
Supporting services:			
General and administrative	398,800	-	398,800
Fundraising and promotion	<u>172,166</u>	<u>-</u>	<u>172,166</u>
 Total expenses	 <u>2,878,803</u>	 <u>-</u>	 <u>2,878,803</u>
 Increase in net assets	 2,382,056	 4,350,175	 6,732,231
 Net assets, beginning of year	 <u>25,555,719</u>	 <u>37,208,803</u>	 <u>62,764,522</u>
 Net assets, end of year	 <u>\$ 27,937,775</u>	 <u>\$ 41,558,978</u>	 <u>\$ 69,496,753</u>

The Polk County Community Foundation, Inc. and Supporting Organization
Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Increase in net assets	\$ 4,900,886	\$ 6,732,231
Adjustments to reconcile increase in net assets to net cash (used) provided by operating activities:		
Depreciation	19,185	17,657
Unrealized and realized gains on investments	(5,514,563)	(6,112,486)
Change in value of trust agreements	(47,329)	(101,778)
Net change in operating assets and liabilities:		
Advanced conditional grants	95,200	321,902
Other current assets	(63)	143
Assets held in trust	(13,468)	(152,910)
Accounts payable	10,599	(1,191)
Due to other organizations (agency)	155,181	250,493
Trust liability	78,115	147,717
Net cash (used) provided by operating activities	<u>(316,257)</u>	<u>1,101,778</u>
Cash flows from investing activities:		
Purchases of investments	(5,205,532)	(8,464,521)
Sales of investments	6,114,399	8,514,998
Purchases of property and equipment	(246,217)	(10,920)
Net cash provided by investing activities	<u>662,650</u>	<u>39,557</u>
Increase in cash and cash equivalents	346,393	1,141,335
Cash and cash equivalents, beginning of year	<u>7,935,849</u>	<u>6,794,514</u>
Cash and cash equivalents, end of year	<u>\$ 8,282,242</u>	<u>\$ 7,935,849</u>

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

This summary of significant accounting policies of The Polk County Community Foundation, Inc. and Supporting Organization (collectively, the "Foundation") is presented to assist in the understanding of the consolidated financial statements. The consolidated financial statements and notes are representations of the Foundation's management, who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America ("GAAP") and have been consistently applied in the preparation of the consolidated financial statements.

Organization and nature of activities

The Polk County Community Foundation, Inc. - The Polk County Community Foundation, Inc. was established in 1975 to advance philanthropy and improve the quality of life for all citizens in Polk County, North Carolina. The Polk County Community Foundation, Inc. receives charitable donations of all sizes from community members and then distributes grants to area nonprofits, awards scholarships to local students, manages endowment funds for local nonprofits, and administers other funds tailored to the specific charitable wishes of individual donors. The Polk County Community Foundation, Inc. manages permanent endowed funds, non-permanent funds, and charitable remainder trusts.

The Marjorie M. & Lawrence R. Bradley Endowment Fund of Polk County, North Carolina (the "Fund") – The purpose of the Fund is to operate exclusively as a supporting organization to the Polk County Community Foundation, Inc. as defined in Internal Revenue Code Section 509(a)(3). The Polk County Community Foundation, Inc. controls the Fund by virtue of the appointment of the majority of their Board of Directors.

Consolidated financial statement presentation

The consolidated financial statements include the accounts of The Polk County Community Foundation, Inc. and The Marjorie M. & Lawrence R. Bradley Endowment Fund of Polk County, North Carolina. Significant intercompany accounts and transactions have been eliminated. In accordance with GAAP, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Net assets without donor restrictions are funds over which the Board of Directors has discretionary control and are available for grant making and other purposes. These include board-designated purposes and endowments.

Basis of accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with GAAP.

Use of estimates

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

The Polk County Community Foundation, Inc. and Supporting Organization
Notes to Consolidated Financial Statements

Concentrations of credit and market risk

Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist primarily of cash and investments. Cash equivalents are maintained at high-quality financial institutions. The Foundation has not experienced any losses on its cash equivalents. Management monitors the risk of exposure to loss through monitoring the performance of the financial institutions through publicly available rating agencies.

Management believes that the Foundation's investments do not represent significant concentrations of market risk because the Foundation's investment portfolio is adequately diversified among issuers and management believes that the Foundation has the ability to hold its investment portfolio during periods of temporary market declines.

Cash and cash equivalents

The Foundation considers highly liquid investments without restrictions with an initial maturity of three months or less to be cash equivalents. The Foundation's deposits in each bank are insured by the Federal Deposit Insurance Corporation ("FDIC"). The Foundation also has deposits in credit unions that are insured by the National Credit Union Administration ("NCUA"). It is management's opinion that the Foundation is not exposed to any significant credit risk related to cash.

Advanced conditional grants

Advanced conditional grants consist of grants paid to recipients where conditions have not yet been substantially met by the recipient.

Assets held in trust and trust liability

The Foundation serves as trustee for seven charitable remainder uni-trusts ("CRUT") and one charitable annuity trust ("CRAT") that name the Foundation as a beneficiary. The trusts are valued at the fair value of the underlying investments. The obligation to make payments to the trust beneficiaries is reported as obligations under trust liability. Annually, the obligation is adjusted for changes in the value of the trust assets. The discount rate used to determine the present value is consistent with the rate of return from the trusts. Changes in the value are included on the consolidated statements of activities as increases and decreases to change in value of trust agreements.

Investments

Investments consist of marketable securities carried at fair value. Investment income or loss (including gains and losses on investments, interest, and dividends) is included on the consolidated statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is specifically restricted by donor or law. Securities or other investments donated are recorded at their market value at the date of the gift.

Property and equipment

Property and equipment acquisitions are recorded at cost. Fixed assets are depreciated using the straight-line method over estimated useful lives. The Foundation has a policy to capitalize any property and equipment purchases greater than \$5,000.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as support without restrictions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies donor restricted net assets to net assets without donor restrictions at that time.

The Polk County Community Foundation, Inc. and Supporting Organization
Notes to Consolidated Financial Statements

Net assets

Net assets are reported as with or without donor restrictions as follows:

Without donor restrictions

The Foundation reports that part of its net assets that is not restricted by donor-imposed stipulations as net assets without donor restrictions.

With donor restrictions

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when the stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the consolidated statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without restrictions.

Net assets with donor restrictions held in perpetuity consist of that part of the Foundation's net assets resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise be removed by actions of the Foundation. Presently, these net assets represent the endowed funds held in perpetuity established by donors for the benefit of the Foundation's programs. Gifts and contributions designated by such trust agreements are permanently invested, with the income derived therefrom being accumulated or expended in accordance with the donor-imposed restrictions.

Income taxes

The Foundation has been recognized by the Internal Revenue Service as a charitable organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes pursuant to Section 509(a)(2) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the accompanying consolidated financial statements. The Foundation has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2021.

Contributions and recognition of donor restrictions

Contributions received are recorded as without donor restriction or with donor restriction depending on the existence and/or nature of any donor restrictions.

Due to other organizations (agency)

Due to other organizations (agency) represent amounts owed to other organizations related to assets held by the Foundation in a purely custodial capacity. These other organizations specify the Foundation to distribute funds as requested. As these assets are being held for the benefit of a third party, and cannot be used to address activities or obligations of the Foundation, revenues and expenses are not recorded on the consolidated statements of activities and are included in due to other organizations (agency).

The Polk County Community Foundation, Inc. and Supporting Organization
Notes to Consolidated Financial Statements

2. Investments

Investments are comprised of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Fixed income and equity mutual funds	<u>\$ 64,926,261</u>	<u>\$ 60,320,565</u>

Investment income is comprised of the following for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Dividends and interest, net of fees	\$ 1,272,963	\$ 1,025,525
Realized gains, net	138,841	137,241
Unrealized gains, net	<u>5,375,722</u>	<u>5,975,245</u>
	<u>\$ 6,787,526</u>	<u>\$ 7,138,011</u>

3. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each classification within the consolidated financial statements:

- Investments – The fair value of investments are estimated based on quoted market prices when available.
- Assets held in trust – The fair value of assets held in trust are estimated based on quoted market prices when available.

When quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases could not be realized in immediate settlement of the instrument.

Fair value as defined under GAAP is an exit price, representing 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.

Generally accepted accounting principles establish a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1: Observable inputs such as quoted prices in active markets.
- Level 2: Inputs other than quoted prices in active markets that are either directly or indirectly observable.
- Level 3: Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The Polk County Community Foundation, Inc. and Supporting Organization
Notes to Consolidated Financial Statements

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There were no changes during the years ended December 31, 2021 or 2020 to the Foundation's valuation techniques used to measure asset and liability fair values on a recurring basis.

The methods used may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level within the fair value hierarchy the Foundation's financial assets accounted for at fair value on a recurring basis as of December 31, 2021 and 2020:

<u>Description</u>	<u>Fair Value Measurements at Reporting Date</u>			
	<u>2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments at fair value:				
Mutual funds	\$ 64,926,261	\$ 64,926,261	\$ -	\$ -
Assets held in trust – mutual funds	<u>2,534,438</u>	<u>2,534,438</u>	-	-
Total investments at fair value	<u>\$ 67,460,699</u>	<u>\$ 67,460,699</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Description</u>	<u>Fair Value Measurements at Reporting Date</u>			
	<u>2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments at fair value:				
Mutual funds	\$ 60,320,565	\$ 60,320,565	\$ -	\$ -
Assets held in trust – mutual funds	<u>2,520,970</u>	<u>2,520,970</u>	-	-
Total investments at fair value	<u>\$ 62,841,535</u>	<u>\$ 62,841,535</u>	<u>\$ -</u>	<u>\$ -</u>

4. Property and Equipment

Property and equipment are comprised of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Land	\$ 3,247,426	\$ 3,014,976
Land improvements	70,165	70,165
Building	628,301	614,534
Furniture and equipment	<u>141,780</u>	<u>141,780</u>
Total fixed assets	4,087,672	3,841,455
Less: accumulated depreciation	<u>(508,639)</u>	<u>(489,454)</u>
Property and equipment, net	<u>\$ 3,579,033</u>	<u>\$ 3,352,001</u>

The Polk County Community Foundation, Inc. and Supporting Organization
Notes to Consolidated Financial Statements

5. Retirement Plan

The Foundation provides a Simplified Employee Pension - Individual Retirement Account (“SEP-IRA”) for its employees who have attained the age of 21. Contributions of \$101,887 and \$88,240, representing 20% of eligible employees salaries were made during the years ended December 31, 2021 and 2020, respectively.

6. Endowments

The Foundation’s endowments consist of approximately 127 individual funds established for a variety of community purposes. Net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Foundation 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 stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with restrictions held in perpetuity (a) the original value of gifts donated to the endowment held in perpetuity, (b) the original value of subsequent gifts to the endowment held in perpetuity, and (c) accumulations to the endowment held in perpetuity 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 held in perpetuity is classified as with donor restricted net assets with a time or donor restriction until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the Foundation and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The desirability of moderating fluctuations in distributions from year to year.
- The expected total return from income and the appreciation of investments.
- Other resources of the Foundation.
- The investment and distribution policies of the Foundation.

Endowment net assets composition by type of funds as of December 31, 2021 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowments	\$ 10,956,508	\$ -	\$ 10,956,508
Donor restricted endowment funds	<u>-</u>	<u>41,452,863</u>	<u>41,452,863</u>
Total endowment net assets	<u>\$ 10,956,508</u>	<u>\$ 41,452,863</u>	<u>\$ 52,409,371</u>

The Polk County Community Foundation, Inc. and Supporting Organization
Notes to Consolidated Financial Statements

Endowment net assets composition by type of funds as of December 31, 2020 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowments	\$ 10,531,352	\$ -	\$ 10,531,352
Donor restricted endowment funds	<u>-</u>	<u>38,443,780</u>	<u>38,443,780</u>
Total endowment net assets	<u>\$ 10,531,352</u>	<u>\$ 38,443,780</u>	<u>\$ 48,975,132</u>

Changes in endowment net assets for the years ended December 31, 2021 and 2020 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2019	\$ 9,079,236	\$ 35,192,889	\$ 44,272,125
Investment income, net	1,509,768	3,644,510	5,154,278
Contributions	-	1,001,257	1,001,257
Other income	577,829	-	577,829
Amounts appropriated for expenditure	<u>(635,481)</u>	<u>(1,394,876)</u>	<u>(2,030,357)</u>
Changes in endowment net assets	<u>1,452,116</u>	<u>3,250,891</u>	<u>4,703,007</u>
Endowment net assets, December 31, 2020	10,531,352	38,443,780	48,975,132
Investment income, net	788,885	4,263,867	5,052,752
Contributions	-	377,039	377,039
Other income	676,069	-	676,069
Amounts appropriated for expenditure	<u>(1,039,798)</u>	<u>(1,631,823)</u>	<u>(2,671,621)</u>
Changes in endowment net assets	<u>425,156</u>	<u>3,009,083</u>	<u>3,434,239</u>
Endowment net assets, December 31, 2021	<u>\$ 10,956,508</u>	<u>\$ 41,452,863</u>	<u>\$ 52,409,371</u>

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2021 and 2020, there were no underwater endowments.

Spending policy, return objectives and risk parameters

The Board of Directors of the Foundation has determined that it must preserve the amount explicitly stipulated by the donors. The Foundation classifies the endowed amount as net assets with donor restrictions at the original value of gifts donated to the Foundation.

The Polk County Community Foundation, Inc. and Supporting Organization
Notes to Consolidated Financial Statements

The Foundation has adopted endowment investment and spending policies that attempt to provide a stream of funding to programs supported by the endowments while ensuring that the purchasing power of the endowments does not decline over time. The spending policy defines the amount of money that can be disbursed from a fund each year for charitable purposes. A spending percentage rate of 4.5% is the standard rate and is subject to the review and approval by the Foundation annually. The spending policy rate is based upon a “total return” approach, which anticipates that both income and capital appreciation will be withdrawn for charitable distributions. The calculation of the spending policy amount for each fund of the Foundation shall be made using the average of the previous 12 quarters of the fund’s market value. The formula shall be applied to the 12 quarters evaluated at June 30 of the preceding fiscal year in which the distribution is planned. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 3-4% annually. The spending amount is intended to be used for grant making or similar related purposes approved by the Foundation.

The Board of Directors has determined that the majority of the Foundation’s contributions are subject to the terms of the Foundation’s fund agreements and the Foundation’s Governing Documents. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the Foundation.

7. Liquidity and Availability

The Foundation’s management structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Foundation’s financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date is made up of cash and cash equivalents totaling \$8,282,242 and \$7,935,849 as of December 31, 2021 and 2020, respectively. The Foundation also has unrestricted investments available for general expenditures in excess of the Foundation’s endowment fund as of December 31, 2021 and 2020.

The Foundation’s endowment fund consist of donor-restricted endowments and board-designated endowments. Income from donor-restricted endowments is restricted for specific purposes and therefore, is not available for general expenditure. The board-designated endowments have a spending rate of 4.5% and appropriations from these funds are available within one year. Although the Foundation does not intend to spend from its board-designated endowments other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowments could be made available if necessary.

8. Board Designated Funds Without Donor Restrictions

The Board has designated funds without donor restrictions for the following purposes as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Scholarships, community events and community benefit events	\$ 2,582,580	\$ 2,757,353
Immediate-need community purposes	1,527,538	1,584,774
Designated for administrative budget items	3,867,022	3,583,855
Designated for capital improvement projects	445,285	442,040
Designated from the Fund for the Foundation’s grant making	2,005,849	1,690,604
Other various community purposes	<u>528,234</u>	<u>472,726</u>
	<u>\$ 10,956,508</u>	<u>\$ 10,531,352</u>

The Polk County Community Foundation, Inc. and Supporting Organization
Notes to Consolidated Financial Statements

9. Composition of Net Assets With Donor Restrictions

The Foundation's net assets with donor restrictions consist of amounts subject to expenditure for a specified purpose (non-endowed) and amounts subject to the Foundation's spending policy and appropriation (endowed). Net assets with donor restrictions as of December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purposes	\$ 3,227,103	\$ 3,115,198
Subject to spending policy and appropriation:		
Earnings on endowment which once appropriated, is expendable to support:		
Various Polk County community and charitable purposes	<u>41,452,863</u>	<u>38,443,780</u>
	<u>\$ 44,679,966</u>	<u>\$ 41,558,978</u>

10. Functional Allocation of Expenses

The method used to allocate costs to program and support functions, which primarily affects salaries and related expenses, is based upon employee time spent on programs versus support services. Other expenses are classified based upon the assessment by management of relevant programs supported by the expenses incurred or supporting functions benefited.

Expenses presented on a functional basis for the year ended December 31, 2021 are as follows:

	<u>Supporting Services</u>			
	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	
Personnel costs	\$ 371,642	\$ 217,564	\$ 75,077	\$ 664,283
Grants to others	1,850,001	-	-	1,850,001
Individual beneficiary distributions and other, net	133,270	78,018	26,922	238,210
Conferences, conventions, and meetings	-	638	-	638
Services and professional fees	-	41,367	600	41,967
Insurance	12,156	7,116	2,456	21,728
Depreciation	<u>10,732</u>	<u>6,285</u>	<u>2,168</u>	<u>19,185</u>
	<u>\$ 2,377,801</u>	<u>\$ 350,988</u>	<u>\$ 107,223</u>	<u>\$ 2,836,012</u>

The Polk County Community Foundation, Inc. and Supporting Organization
Notes to Consolidated Financial Statements

Expenses presented on a functional basis for the year ended December 31, 2020 are as follows:

	Supporting Services			Total
	Program Services	Management & General	Fundraising	
Personnel costs	\$ 167,471	\$ 320,098	\$ 170,547	\$ 658,116
Grants to others	2,122,103	-	-	2,122,103
Individual beneficiary distributions and other, net	9,402	-	1,508	10,910
Conferences, conventions, and meetings	8,861	2,774	111	11,746
Services and professional fees	-	39,690	-	39,690
Insurance	-	18,581	-	18,581
Depreciation	-	17,657	-	17,657
	<u>\$ 2,307,837</u>	<u>\$ 398,800</u>	<u>\$ 172,166</u>	<u>\$ 2,878,803</u>

11. Contingency

In March 2020, the World Health Organization declared the outbreak of COVID-19, a novel strain of Coronavirus, a pandemic. The coronavirus outbreak has had widespread and unpredictable impacts on the global society, economics and business practice mandating social distancing, suspension of certain gatherings, and shuttering of certain nonessential businesses.

There is uncertainty in the nature and degree of the severity of the COVID-19 pandemic and its continued effects over time. The extent to which it will impact our business going forward will depend on a variety of factors including the duration and continued spread of the outbreak, impact on our donors and employees, as well as governmental, regulatory and private sector responses. Further, the pandemic may have a significant impact on management's accounting estimates and assumptions. The consolidated financial statements do not reflect any adjustments as a result of the economic uncertainty.

12. Subsequent Events

Subsequent events have been evaluated through June 23, 2022 which is the date the consolidated financial statements were available to be issued.

Supplementary Information

The Polk County Community Foundation, Inc. and Supporting Organization
Consolidating Statement of Financial Position
December 31, 2021 (with comparative totals for 2020)

	Polk County Community Foundation	Bradley Endowment Fund	2021	2020
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 7,363,135	\$ 919,107	\$ 8,282,242	\$ 7,935,849
Advanced conditional grants	-	-	-	95,200
Other current assets	160	-	160	97
Total current assets	7,363,295	919,107	8,282,402	8,031,146
Property and equipment, net	331,607	3,247,426	3,579,033	3,352,001
Assets held in trust	2,534,438	-	2,534,438	2,520,970
Investments	56,388,855	8,537,406	64,926,261	60,320,565
Total assets	<u>66,618,195</u>	<u>12,703,939</u>	<u>79,322,134</u>	<u>74,224,682</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	12,179	-	12,179	1,580
Total current liabilities	12,179	-	12,179	1,580
Trust liability	1,726,608	-	1,726,608	1,695,822
Due to other organizations (agency)	3,185,708	-	3,185,708	3,030,527
Total liabilities	<u>4,924,495</u>	<u>-</u>	<u>4,924,495</u>	<u>4,727,929</u>
Net assets:				
Without donor restrictions	27,711,824	2,005,849	29,717,673	27,937,775
With donor restrictions	33,981,876	10,698,090	44,679,966	41,558,978
Total net assets	<u>61,693,700</u>	<u>12,703,939</u>	<u>74,397,639</u>	<u>69,496,753</u>
Total liabilities and net assets	<u>\$ 66,618,195</u>	<u>\$ 12,703,939</u>	<u>\$ 79,322,134</u>	<u>\$ 74,224,682</u>

See independent auditors' report.

The Polk County Community Foundation, Inc. and Supporting Organization
Consolidating Statement of Activities
Year Ended December 31, 2021 (with comparative totals for 2020)

	<u>Polk County Community Foundation</u>	<u>Bradley Endowment Fund</u>	<u>Eliminating Entries</u>	<u>2021</u>	<u>2020</u>
Revenues, gains and other support:					
Contributions	\$ 860,045	\$ -	\$ -	\$ 860,045	\$ 2,331,711
Investment income, net	5,811,330	976,196	-	6,787,526	7,138,011
PCCF management fees	289,900	-	(247,902)	41,998	39,534
Change in value of trust agreements	47,329	-	-	47,329	101,778
	<u>7,008,604</u>	<u>976,196</u>	<u>(247,902)</u>	<u>7,736,898</u>	<u>9,611,034</u>
Total revenues, gains and other support					
Expenses:					
Program expenses	2,111,938	389,814	(123,951)	2,377,801	2,307,837
Supporting services:					
General and administrative	234,437	240,502	(123,951)	350,988	398,800
Fundraising and promotion	76,586	30,637	-	107,223	172,166
	<u>2,422,961</u>	<u>660,953</u>	<u>(247,902)</u>	<u>2,836,012</u>	<u>2,878,803</u>
Total expenses					
Increase in net assets	4,585,643	315,243	-	4,900,886	6,732,231
Net assets, beginning of year	57,108,057	12,388,696	-	69,496,753	62,764,522
Net assets, end of year	<u>\$ 61,693,700</u>	<u>\$ 12,703,939</u>	<u>\$ -</u>	<u>\$ 74,397,639</u>	<u>\$ 69,496,753</u>