

**PORTER COUNTY GOVERNMENT CHARITABLE
NONPROFIT FOUNDATION, INC.**

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

December 31, 2020 and 2019

**PORTER COUNTY GOVERNMENT CHARITABLE NONPROFIT
FOUNDATION, INC.**

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Independent Auditors' Report

Board of Trustees
Porter County Government Charitable Nonprofit Foundation, Inc.

We have audited the accompanying financial statements of Porter County Government Charitable Nonprofit Foundation, Inc., which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Porter County Government Charitable Nonprofit Foundation, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
September 7, 2021

PORTER COUNTY GOVERNMENT CHARITABLE NONPROFIT FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

ASSETS

	2020	2019
ASSETS		
Investments	<u>\$ 188,015,526</u>	<u>173,502,472</u>
TOTAL ASSETS	<u>\$ 188,015,526</u>	<u>\$ 173,502,472</u>

NET ASSETS

NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ 188,015,526</u>	<u>\$ 173,502,472</u>
TOTAL NET ASSETS	<u>\$ 188,015,526</u>	<u>\$ 173,502,472</u>

See accompanying notes.

PORTER COUNTY GOVERNMENT CHARITABLE NONPROFIT FOUNDATION, INC.

STATEMENTS OF ACTIVITIES
Years Ended December 31, 2020 and 2019

	2020	2019
REVENUES AND SUPPORT		
Interest and dividend income	\$ 6,678,533	\$ 7,069,477
In-kind investment expense	(65,000)	(65,000)
Unrealized gains on investments	6,602,026	15,888,106
Realized gains on investments	8,729,739	-
In-kind revenues	104,153	93,426
Total Revenues and Support	<u>22,049,451</u>	<u>22,986,009</u>
EXPENSES		
Program Expenses:		
Transfer to Porter County	7,497,244	-
General and Administrative Expenses:		
In-kind salaries expense	9,630	8,108
In-kind professional fees	29,523	20,318
Total Expenses	<u>7,536,397</u>	<u>28,426</u>
INCREASE IN NET ASSETS	14,513,054	22,957,583
NET ASSETS		
Beginning of Year	<u>173,502,472</u>	<u>150,544,889</u>
End of Year	<u>\$ 188,015,526</u>	<u>\$ 173,502,472</u>

See accompanying notes.

PORTER COUNTY GOVERNMENT CHARITABLE NONPROFIT FOUNDATION, INC.

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2020 and 2019

	2020	2019
OPERATING ACTIVITIES		
Increase in net assets	\$ 14,513,054	\$ 22,957,583
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Realized gains on investments	(8,729,739)	-
Unrealized gains on investments	(6,602,026)	(15,888,106)
Decrease in certain assets:		
Contributions receivable	-	600,000
Net Cash Provided (Used) by Operating Activities	<u>(818,711)</u>	<u>7,669,477</u>
INVESTING ACTIVITIES		
Purchases of investments	(91,387,038)	(7,607,811)
Proceeds from sales and maturities of investments	91,594,122	-
Net Cash Provided (Used) by Investing Activities	<u>207,084</u>	<u>(7,607,811)</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS INCLUDED IN INVESTMENTS	(611,627)	61,666
CASH AND EQUIVALENTS INCLUDED IN INVESTMENTS		
Beginning of Year	<u>3,306,264</u>	<u>3,244,598</u>
End of Year	<u>\$ 2,694,637</u>	<u>\$ 3,306,264</u>

See accompanying notes.

PORTER COUNTY GOVERNMENT CHARITABLE NONPROFIT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS December 31, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

On February 22, 2016, the Porter County Government Charitable Nonprofit Foundation, Inc. (the Foundation) was incorporated as a public benefit corporation, for the purpose to benefit, perform, and carry out the charitable, scientific, and educational purposes of Porter County, Indiana and to lessen the burden of the primary government in providing public service. The Foundation was established in accordance with Indiana Code (IC) 36-1-14-3, which allows the county legislative body and the county fiscal body to establish a charitable nonprofit foundation to hold the proceeds of the sale of capital assets in trust for the benefit of the county. In 2016, the Porter County Treasurer transferred \$135.9 million from a county fund that held the proceeds from the sale of the county hospital.

The Foundation is governed by a Board of Trustees, which assumes responsibility for meeting the Foundation's primary emphasis and exercise all the powers of the Foundation.

Basis of Presentation: The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the Foundation to report information regarding its financial position and activities depending on the absence or presence of donor imposed restrictions. As of December 31, 2020 and 2019, none of the Foundation's net assets were subject to donor imposed restrictions and could be used at the discretion of management and the Board of Trustees, and therefore were all classified as net assets without donor restrictions.

Estimates: The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Cash and Equivalents consist of cash in highly liquid investments purchased with an original maturity of three months or less. The Foundation maintains its cash in bank deposit accounts which, at times, may exceed the federally insured limits. The Foundation has not experienced any losses from its bank accounts.

Investment Valuation and Income Recognition: Investments are initially recorded at cost, if purchased, or at fair value, if donated. Thereafter, investments are stated at fair value. See Note 3 for discussion of fair value measurements.

The statements of activities includes interest and dividend income and realized and unrealized capital gains and losses, and related in-kind investment expense. Interest income is recorded on the accrual basis, and dividends are recorded on the ex-dividend date. Purchases and sales of investments are recorded on the trade date. Gains and losses on the sale of investments are determined using the specific-identification method.

The Board of Trustees has adopted an investment policy that fulfills all fiduciary duties and is aligned with statutory code IC 36-1-14-3. The Foundation's investment philosophy is total return in nature and broadly diversified across asset classes and underlying investments. Accordingly, a total return measurement will be utilized to best comply with statutory code. As such, the net annual total return on the assets will be determined as of December 31st each year. Total return for the calendar year up to 5% will be transferred to the County Fund, which is a fund designated for transfer back to Porter County, with any total return above 5% being added back to the principal of the Fund. If the total return is negative, no assets will be transferred. The actual transfer of assets will occur in January or February based on operational considerations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-kind Contributions: Contributions of services, which consisted of services provided by County elected or appointed officials, are recorded at estimated fair value when received if such services require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not donated.

Functional Allocation of Expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Directly identifiable expenses are charged to the specific programs and supporting services benefited. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

Income Taxes: The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded from the Code. In addition, the Foundation has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income tax for the years ended December 31, 2020 and 2019.

The Foundation files U.S. federal and state of Indiana information returns. The Foundation is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2017. Management believes that the Foundation's income tax filing positions will be sustained on audit and does not anticipate any adjustments that will result in a material change.

Subsequent Events: The Foundation has evaluated the financial statements for subsequent events occurring through September 7, 2021, the date the financial statements were available to be issued. See Note 2.

NOTE 2 - AVAILABLE RESOURCES AND LIQUIDITY

Distributions and payments from investment earnings of the Foundation shall not, during any one calendar year, exceed 5% of the amount of principal at the beginning of the year. To the extent that investment income earned on money in the Fund during a calendar year exceeds 5% of the amount of the principal at the beginning of the calendar year, that excess investment income shall be added to and be considered a part of the principal of the Fund. The Foundation's contributions receivable are added to the Fund principal when received. Therefore, the Foundation's financial assets available within one year would consist of 5% of its principal balance or \$8,300,246 and \$7,497,244 at December 31, 2020 and 2019, respectively.

Per the Investment Policy Statement, short-term liquidity requirements, while expected to be infrequent, will be handled from contributions (if any exist), the amount allocated to cash, and/or by the income, appreciation, or reallocation of Fund investments.

In 2021, the Foundation's Board agreed to adopt a smoothing approach for calculating the annual distribution, which replaces the 5% method discussed above.

NOTE 3 - FAIR VALUE MEASUREMENTS

The Foundation has categorized its assets and liabilities that are measured at fair value into a three-level fair value hierarchy. The hierarchy 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 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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 – Inputs to the valuation methodology may 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; and/or 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. In situations where there is little or no market activity for the asset or liability, the Foundation makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

Following is a description of the valuation methodologies used by the Foundation for assets that are measured at fair value on a recurring basis. There have been no changes in the methodologies used at December 31, 2020 and 2019.

Mutual Fund Shares and Money Market Fund Shares: Valued at the daily closing price as reported by the funds. These funds are required to publish their daily net asset value (NAV) and to transact at that price. These funds are deemed to be actively traded.

Following is a summary, by major nature and risks class within each level of the fair value hierarchy, of the Foundation's assets that are measured at fair value on a recurring basis as of December 31, 2020 and 2019:

2020	Level 1	Total
Investments:		
Money market fund shares	\$ 2,694,637	\$ 2,694,637
Mutual fund shares:		
Fixed income	104,333,605	104,333,605
Large cap growth	26,214,161	26,214,161
Large cap blend	20,053,685	20,053,685
Mid cap value	6,940,436	6,940,436
Mid cap growth	7,295,290	7,295,290
International	<u>20,483,712</u>	<u>20,483,712</u>
Total Assets at Fair Value	<u>\$188,015,526</u>	<u>\$188,015,526</u>
 2019		
Investments:		
Money market fund shares	\$ 3,306,264	\$ 3,306,264
Mutual fund shares:		
Fixed income	99,094,890	99,094,890
Large cap growth	12,789,243	12,789,243
Large cap blend	19,014,995	19,014,995
Large cap value	12,423,262	12,423,262
Mid cap value	10,051,685	10,051,685
International	<u>16,822,133</u>	<u>16,822,133</u>
Total Assets at Fair Value	<u>\$173,502,472</u>	<u>\$173,502,472</u>

NOTE 4 - INVESTMENTS

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

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Money market fund shares	\$ 2,694,637	\$ 2,694,637	\$ 3,306,264	\$ 3,306,264
Mutual fund shares	<u>166,951,413</u>	<u>185,320,889</u>	<u>158,459,820</u>	<u>170,196,208</u>
Total Investments	<u>\$169,646,050</u>	<u>\$188,015,526</u>	<u>\$161,766,084</u>	<u>\$173,502,472</u>

The Foundation’s investments are exposed to various kinds and levels of risk, including market, liquidity, interest rate, and credit risk. Market risk is the risk associated with major movements of the equity markets, both foreign and domestic. Liquidity risk is affected by the willingness of market participants to buy and sell given securities and tends to be higher for foreign equities and equities related to small capitalization companies. Interest rate risk relates to changes in value of securities due to interest rate changes. Credit risk is the risk that the obligator of a security will not fulfill its obligation.

Due to the volatility of the capital markets, there is a reasonable possibility of significant changes in fair value of investments and additional gains or losses in the near term.

NOTE 5 - DONATED SERVICES AND IN-KIND CONTRIBUTIONS

Porter County donated services to the Foundation consisting of salaries aggregating \$9,630 and \$8,108 in 2020 and 2019, respectively. These amounts are reflected in the statements of activities as in-kind revenues and salaries expense.

In 2020 and 2019, the investment advisor fees that are being paid by Porter County on the Foundation’s behalf were \$65,000. These amounts are reflected in the statements of activities as in-kind investment expense, net with revenues and support, and as in-kind revenues.

In 2020 and 2019, the audit fees that are being paid by Porter County on the Foundation’s behalf were \$29,523 and \$20,318, respectively. These amounts are reflected in the statements of activities as in-kind revenues and professional fees expense.