

CENTRAL KANSAS
COMMUNITY FOUNDATION, INC.

NEWTON, KANSAS

Independent Auditor's Report

December 31, 2021

Central Kansas Community Foundation, Inc.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Central Kansas Community Foundation, Inc.
Newton, Kansas

Opinion

We have audited the accompanying financial statements of Central Kansas Community Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central Kansas Community Foundation, Inc. as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further describe in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Central Kansas Community Foundation, Inc. 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 auditing standards generally accepted in the United States of America 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 financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Central Kansas Community Foundation, Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Central Kansas Community Foundation, Inc.'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.

Krudsen, Monroe & Company, LLC

Certified Public Accountants
Newton, Kansas

July 21, 2022

Central Kansas Community Foundation, Inc.

STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 940,431	386,754
Prepaid expenses	6,238	10,253
Assets held under trust agreements	750,658	718,306
Investments	27,935,579	24,643,702
Fixed assets, net	<u>773</u>	<u>1,436</u>
Total assets	<u>\$ 29,633,679</u>	<u>25,760,451</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 10,276	12,156
Paycheck Protection Program loan	-	54,200
Remainder trust funds payable	275,623	297,650
Assets held for others as agent	<u>2,510,095</u>	<u>2,372,322</u>
Total liabilities	<u>2,795,994</u>	<u>2,736,328</u>
NET ASSETS		
Without donor restrictions	25,219,492	21,471,315
With donor restrictions	<u>1,618,193</u>	<u>1,552,808</u>
Total net assets	<u>26,837,685</u>	<u>23,024,123</u>
Total liabilities and net assets	<u>\$ 29,633,679</u>	<u>25,760,451</u>

Central Kansas Community Foundation, Inc.

STATEMENTS OF ACTIVITIES

Years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues and gains		
Contributions	\$ 3,609,791	2,062,690
Special events	24,019	7,539
Change in value of split interest agreements	15,345	2,740
Investment income	179,091	50,824
Net realized and unrealized gains on investments	1,754,825	1,166,967
Management fees and other	398,338	334,003
Net assets released from restrictions	<u>95,558</u>	<u>126,471</u>
	<u>6,076,967</u>	<u>3,751,234</u>
Expenses		
Program	1,967,025	1,434,043
General and administrative	273,599	286,107
Fundraising	<u>88,166</u>	<u>101,328</u>
	<u>2,328,790</u>	<u>1,821,478</u>
Increase in net assets without donor restrictions	<u>3,748,177</u>	<u>1,929,756</u>
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	24,574	81,814
Change in value of split interest agreements	(35,672)	(4,443)
Investment income	18,962	9,264
Net realized and unrealized gains on investments	153,079	100,248
Net assets released from restrictions	<u>(95,558)</u>	<u>(126,471)</u>
Increase in net assets with donor restrictions	<u>65,385</u>	<u>60,412</u>
Change in net assets	3,813,562	1,990,168
NET ASSETS, beginning of year	<u>23,024,123</u>	<u>21,033,955</u>
NET ASSETS, end of year	<u>\$ 26,837,685</u>	<u>23,024,123</u>

See notes to financial statements

Central Kansas Community Foundation, Inc.

STATEMENTS OF CASH FLOWS

Years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets, page 4	\$ 3,813,562	1,990,168
Adjustments to reconcile change in net assets to net cash provided by (used in) operations		
Depreciation	663	663
Extinguishment of debt - paycheck protection program	(54,200)	-
Noncash contributions	(1,224,692)	(128,273)
Contributions restricted for long-term purposes	(5,604)	(11,451)
Change in value of split interest agreements	20,327	1,703
Net realized and unrealized investment gain	(1,833,198)	(1,205,360)
Unrealized gain on assets held under trust agreements	(74,706)	(61,855)
(Increase) decrease in other assets	4,015	(4,150)
Increase (decrease) in accounts payable	(1,880)	9,499
Amounts collected as agent for others	54,033	22,436
Amount remitted as agent to others	(174,886)	(60,878)
Net cash provided by operating activities	<u>523,434</u>	<u>552,502</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	3,089,144	7,235,129
Purchase of investments	(3,064,505)	(8,731,177)
Net cash provided by (used in) investing activities	<u>24,639</u>	<u>(1,496,048)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for long-term purposes	5,604	11,451
Proceeds from paycheck protection program loan	-	54,200
Net cash provided by financing activities	<u>5,604</u>	<u>65,651</u>
Net increase (decrease) in cash and cash equivalents	553,677	(877,895)
CASH AND CASH EQUIVALENTS, beginning of year	<u>386,754</u>	<u>1,264,649</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 940,431</u>	<u>386,754</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Net investment income, including (gains) losses, on assets held as agent	<u>\$ (258,626)</u>	<u>(154,906)</u>
Payments to beneficiary from charitable remainder unitrust	<u>\$ 28,961</u>	<u>26,861</u>

Central Kansas Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES

Organization

Central Kansas Community Foundation, Inc. (Foundation) was incorporated September 16, 1999 as a not-for-profit organization exempt from income tax under Section 501(c)(3) and as a public charity under Section 170(b)(1)(A)(vi). In 2009, the Greater Newton Community Foundation, Inc., which was incorporated in 1994, merged into the Foundation. The purpose of the Foundation is to be a funding and service agency to 501(c)(3) organizations and other qualified tax-exempt entities in the Central Kansas region with a primary focus on establishing and enhancing community endowments, and in managing those endowments for the benefit of common charitable goals. Management fees are the principal means of support for the Foundation.

Contributions of noncash assets are recorded at their fair values in the period received. Contributions of services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals or organizations possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Use of Estimates

The preparation of financial statements in conformity 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. At December 31, 2021 and 2020, cash and cash equivalents included cash on hand and bank deposits with a local financial institution. Cash and money market funds held in brokerage accounts are included with investments and are not included in cash and cash equivalents.

Fixed Assets

Office equipment which costs \$2,500 or more and has an estimated useful life in excess of one year is recorded at cost. Depreciation is computed on a straight-line basis over estimated useful lives of five to seven years.

Investments

Investments in equity securities that have a readily determinable fair value, and all debt securities, are recorded at fair value, which is the amount at which an asset could be bought or sold in a current transaction between willing parties. Private investments in investment companies or other similar entities are measured at net asset value (NAV) as a practical expedient for fair value. All other investments are recorded at cost if purchased and at fair value at date of gift if donated.

Central Kansas Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Net Assets

Generally accepted accounting principles require the Foundation to report information regarding its financial position and activities in two classes of net assets – without donor restrictions and with donor restrictions – based upon the existence or absence of donor-imposed restrictions.

The bylaws of the Foundation include a variance provision giving the Board of Directors the power to modify any restriction or condition placed on gifts to the Foundation if, in its sole judgment, the Board determines that the restriction becomes, in effect, incapable of fulfillment or inconsistent with the charitable needs of the community. The Foundation’s governing documents further provide that absent contrary directions given in the transferring instrument regarding the use of the principal, all or part of the principal of any fund may be used subject to certain conditions, including approval of the Board of Directors. Accordingly, such contributions are reported as net assets without donor restrictions.

Net assets with donor restrictions are restricted by the donor for a particular purpose or time and are not subject to the variance provision.

Grants

Grants are made from available principal and income in accordance with the designations of donors. Grants are recorded at the date of approval by the Board of Directors or when a donor-advised grant award is communicated to the grantee.

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Foundation’s financial assets as of the balance sheet date, reduced by amounts not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions. Amounts not available also include assets held as agent and amounts designated by the Board for endowments, scholarships and donor-advised funds.

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 940,431	386,754
Investments	<u>27,935,579</u>	<u>24,643,702</u>
Financial assets, at year end	28,876,010	25,030,456
Less those unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions	(1,293,144)	(1,205,509)
Board-imposed designations	(23,693,856)	(20,080,537)
Held for others as agent	(2,510,095)	(2,372,322)
Plus calculated annual grants from above funds	<u>1,099,480</u>	<u>921,810</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,478,395</u>	<u>2,293,898</u>

As part of the Foundation’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Central Kansas Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

3. ASSETS HELD UNDER TRUST AGREEMENTS

Charitable Remainder Trusts

The Foundation administers several charitable remainder trusts, which provide for the payment of distributions to the grantors or other designated beneficiaries over the trust's term. At the end of the trust's term, the remaining assets are available for the Foundation's use. The portion of the trusts attributable to the future interest of the Foundation is recorded in the statement of activities as a contribution with or without donor restriction in the period the trust was established, depending on the terms of the trust agreement. Assets held in the charitable remainder trusts are recorded at fair value in the Foundation's statement of financial position using Level 1 inputs – that is, quoted prices in active markets for identical assets. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments is calculated using a discount rate equal to the federal prime rate as of December 31, and applicable mortality tables.

The assets held under trust agreements are invested in the following at December 31:

	<u>2021</u>	<u>2020</u>
Charitable remainder trusts		
CKCF pooled funds	\$ 242,587	235,624
Nationwide Life Insurance Company annuity contract	<u>508,071</u>	<u>482,682</u>
	<u>\$ 750,658</u>	<u>718,306</u>

4. FAIR VALUE DISCLOSURES

The Foundation's investments carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurement. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

- Level 1 Quoted prices for identical assets in active markets at the measurement date.
- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by market data for substantially the full term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.
- Level 3 Unobservable inputs supported by little or no market activity which are significant to the fair value measurement. Unobservable inputs reflect the Foundation's best estimate of what hypothetical market participants would use to determine a transaction price for the asset at the reporting date.

There have been no significant changes in the methodologies used at December 31, 2021 and 2020.

Central Kansas Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

5. INVESTMENTS

The following table summarizes the Foundation's investments by fair value hierarchy levels as of December 31:

	<u>2021</u>	<u>2020</u>
Cash equivalents	\$ 1,041,932	1,590,900
Intermediate-term bond funds	1,941,816	1,120,803
Short-term bond funds	1,198,462	1,162,857
Domestic equity funds	9,596,660	8,650,373
International equity funds	392,209	349,669
Corporate bonds	975,046	883,520
Common stocks	5,663,542	4,832,349
Real estate investment trusts	36,162	28,743
U. S. Treasury bills and notes	1,272,580	1,613,898
Alternative funds and other	<u>5,243,866</u>	<u>4,646,214</u>
Total investments valued using Level 1 inputs	27,362,275	24,879,326
Private equity fund, measured at NAV	<u>815,891</u>	-
Total investments	28,178,166	24,879,326
Investments held for charitable remainder trust	<u>(242,587)</u>	<u>(235,624)</u>
	<u>\$ 27,935,579</u>	<u>24,643,702</u>

Of the investment balances, amounts limited for long-term purposes are \$24,987,000 at December 31, 2021, including \$1,293,144 of donor-restricted endowments and \$23,693,856 of various board-designated funds, including donor-advised, scholarship, and endowment funds. Corresponding amounts at December 31, 2020 are \$21,286,046; \$1,205,509; and \$20,080,537, respectively.

For investments in certain entities that calculated the net asset value per share as the investment's fair value measurement, the following table provides an overview of the nature and risks associated with such investments as well as the probability of those investments being sold at amounts different from their reported net asset value per share based on redemption restrictions, if any.

Investment Category	2021	2020	Unfunded Commitments	Redemption	Redemption
	Fair Value	Fair Value		Frequency (if Currently Eligible)	
Private equity fund	\$ 815,891	\$ -	\$ -	Quarterly	Quarterly

Central Kansas Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

6. ASSETS HELD FOR OTHERS AS AGENT

The Foundation has adopted the “Transfers of Assets to a Not-For-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others” subsection of the FASB Accounting Standards Codification Topic 958. This statement establishes standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both, to another entity that is specified by the donor. FASB ASC 958 specifically requires that if a not-for-profit organization establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. FASB ASC 958 also requires that if a donor specifies a designated beneficiary, and does not grant explicit variance power to the community foundation, the community foundation must also account for the transfer of such assets as a liability. The Foundation refers to such funds as Assets Held for Others as Agent.

The agreements with the agencies state that the transfer shall always remain as a permanent endowment and that the transferred assets will not be returned unless the agreement is terminated by the Foundation. The agreements also permit the Foundation to choose another beneficiary in the place of the agency if that agency ceases to exist. The Foundation, therefore, maintains legal ownership of these funds and continues to report the funds as assets of the Foundation. However, in accordance with FASB ASC 958, a liability has been established for the fair value of the funds.

The Foundation’s primary investment objective is to conservatively maximize current return yet still maintain the opportunity for capital growth of the underlying diversified securities. The Foundation Board of Directors changed their payout policy to transition toward a five-year moving average. The 2021 maximum distribution rate was set at 5%, with a Board recommended rate of 4%, of the average amount held as of December 31, 2020, 2019, 2018 and 2017. The 2020 distribution rate was set at 5%, with a Board recommended rate of 4%, of the average amount held as of December 31, 2019, 2018 and 2017. The Board reviews the distribution rate each year, and based upon market return and reinvestment opportunities offered to the agencies, revises the rate accordingly. The organizations have the discretion to waive distributions annually.

The following schedule summarizes the activity of funds held as agent:

Balance at December 31, 2019	\$2,255,858
Additional funds received	22,436
Investment income, including gains (losses)	154,906
Distributions	<u>(60,878)</u>
Balance at December 31, 2020	2,372,322
Additional funds received	54,033
Investment income, including gains (losses)	258,626
Distributions	<u>(174,886)</u>
Balance at December 31, 2021	<u>\$2,510,095</u>

Central Kansas Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

7. ENDOWMENT

The Foundation's endowments consist of donor-restricted and board-designated endowment funds and accumulated earnings or deficit thereon. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board has interpreted the Kansas Prudent Management of Institutional Funds Act (KPMIFA) as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates to the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. Additionally, in accordance with KPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (A) The duration and preservation of the fund
- (B) The purposes of the Foundation and the donor-restricted fund
- (C) General economic conditions
- (D) The possible effect of inflation and deflation
- (E) The expected total return from income and appreciation of investments
- (F) Other resources of the Foundation
- (G) The investment policies of the Foundation

Endowment Net Asset Composition by Type of Fund

As of December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 19,849,481	-	19,849,481
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	1,276,927	1,276,927
Unexpended earnings (deficit)	-	16,217	16,217
	<u>\$ 19,849,481</u>	<u>1,293,144</u>	<u>21,142,625</u>

As of December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 16,497,562	-	16,497,562
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	1,271,323	1,271,323
Unexpended earnings (deficit)	-	(65,814)	(65,814)
	<u>\$ 16,497,562</u>	<u>1,205,509</u>	<u>17,703,071</u>

Central Kansas Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

7. ENDOWMENT (Continued)

The Foundation has interpreted KPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2021, funds with original gift values of \$875,491, fair values of \$850,061, and deficiencies of \$25,430 were reported in net assets with donor restrictions. The corresponding amounts at December 31, 2020 were \$995,001, \$918,073, and \$76,928, respectively. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

Return Objectives and Strategies Employed for Achieving Objectives

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for programs supported by its endowment while seeking to maintain the purchasing power of those endowment assets over the long-term. To satisfy its long-term objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints utilizing the following approximate guidelines:

	Strategic Allocation Target	Acceptable Range
Cash	2%	0 - 10%
Fixed Income	33%	20 - 50%
Equities	65%	50 - 80%
Alternative Investments	0%	0 - 25%

Spending Policy

The Foundation Board of Directors changed their payout policy to transition toward a five-year moving average. The 2021 maximum distribution rate was set at 5%, with a Board recommended rate of 4%, of the average amount held in each endowment as of December 31, 2020, 2019, 2018 and 2017. The 2020 maximum distribution rate was set at 5%, with a Board recommended rate of 4%, of the average amount held in each endowment as of December 31, 2019, 2018 and 2017. The Board reviews the distribution rate each year, and based upon market return and reinvestment opportunities, revises the rate accordingly. Typically, the spending policy will range between 3% and 5%. Over the long-term, the Foundation expects the current spending policy to allow its endowments to consistently grow the aggregate portfolio.

Central Kansas Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

7. ENDOWMENT (Continued)

Endowment Activity

The following is a reconciliation of the beginning and ending balances of the Foundation's endowments for the years ending December 31:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance at December 31, 2019	\$ 15,234,166	1,150,443	16,384,609
Transfers from undesignated	155,561	-	155,561
Contributions	852,793	11,451	864,244
Investment return, net	1,255,565	88,107	1,343,672
Appropriation of endowment assets for expenditure	<u>(1,000,523)</u>	<u>(44,492)</u>	<u>(1,045,015)</u>
Balance at December 31, 2020	16,497,562	1,205,509	17,703,071
Transfers from undesignated	99,124	-	99,124
Contributions	2,264,288	5,604	2,269,892
Investment return, net	2,127,627	124,481	2,252,108
Appropriation of endowment assets for expenditure	<u>(1,139,120)</u>	<u>(42,450)</u>	<u>(1,181,570)</u>
Balance as of December 31, 2021	<u>\$ 19,849,481</u>	<u>1,293,144</u>	<u>21,142,625</u>

8. PAYCHECK PROTECTION PROGRAM LOAN

As a result of the COVID-19 pandemic, the United States government passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The legislation authorized the Treasury Department to use the small business lending program to fund forgivable loans that qualifying organizations can spend to cover payroll, mortgage interest, rent, and utilities. In April 2020 the Foundation applied for, and was awarded, a Paycheck Protection Program loan in the amount of \$54,200. In January 2021 the Foundation applied for, and received, forgiveness of this loan.

9. REVENUE FROM CONTRACTS

Revenues from contracts consist primarily of management fees charged to each fund based on a fee schedule approved by the Board annually. The fees range from 0.75% to 2.25% annually based on the type of fund and the account balance, with a flat rate of \$100 for funds with balances less than \$10,000. Fees are charged monthly based on the balance of each fund as of the end of the month, with the Foundation withdrawing the fees directly from the funds being managed. The related revenue is recognized over time as management services for the applicable month are rendered.

10. RETIREMENT PLAN

The Foundation established a SIMPLE IRA plan beginning in 2016. Employees are eligible to participate if they received \$5,000 or more in compensation during the preceding calendar year. The Foundation matches employee contributions to the plan up to three percent of compensation. The Foundation's contributions were \$6,764 and \$6,479 for the years ended December 31, 2021 and 2020, respectively.

Central Kansas Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

11. COMMITMENTS

Leases that do not meet the criteria for capitalization are classified as operating leases with related rental payments charged to expense as payments are due. The following is a schedule of future minimum lease payments under operating leases as of December 31, 2021.

<u>Year ending December 31</u>	
2022	\$ 6,495
2023	<u>3,387</u>
	<u>\$ 9,882</u>

Rent expense for the years ended December 31, 2021 and 2020 was \$15,694 and \$22,443, respectively.

12. NET ASSETS

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for the following purposes:

	<u>2021</u>	<u>2020</u>
Board designated for:		
Endowments	\$ 16,969,841	13,810,621
Scholarship funds	2,879,640	2,686,941
Donor-advised funds	<u>3,844,375</u>	<u>3,582,975</u>
	23,693,856	20,080,537
Undesignated	<u>1,525,636</u>	<u>1,390,778</u>
Total	<u>\$ 25,219,492</u>	<u>21,471,315</u>

Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods:

	<u>2021</u>	<u>2020</u>
Charitable remainder unitrust	\$ 318,023	299,345
Unexpended earnings (deficit) on endowment funds	16,217	(65,814)
Other	7,026	47,954
Marvin H. Ewert Chaplaincy Endowment	200,100	200,100
Wells Community Endowment	483,388	483,388
Hillsboro Impact Fund	345,646	341,046
Other endowments	<u>247,793</u>	<u>246,789</u>
Total	<u>\$ 1,618,193</u>	<u>1,552,808</u>

Central Kansas Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

13. FUNCTIONAL EXPENSES

	2021			
	Program	General and Administrative	Fundraising	Total
Wages and benefits	\$ 49,426	152,941	65,428	267,795
Supplies and other	8,010	36,427	7,328	51,765
Grants	1,813,782	-	-	1,813,782
Project expenses	73,210	-	-	73,210
Special events	14,163	-	-	14,163
Rent and utilities	5,639	11,278	5,639	22,556
Insurance	964	17,357	964	19,285
Contract services	-	24,052	-	24,052
Training and meetings	251	2,011	251	2,513
Professional fees	560	26,832	4,982	32,374
Advertising	1,020	2,038	3,574	6,632
Depreciation	-	663	-	663
	<u>\$ 1,967,025</u>	<u>273,599</u>	<u>88,166</u>	<u>2,328,790</u>
	2020			
	Program	General and Administrative	Fundraising	Total
Wages and benefits	\$ 51,046	158,683	70,022	279,751
Supplies and other	9,372	29,385	8,288	47,045
Grants	1,285,736	-	-	1,285,736
Project expenses	74,817	-	-	74,817
Special events	4,643	-	-	4,643
Rent and utilities	7,404	14,808	7,404	29,616
Insurance	412	7,406	412	8,230
Contract services	-	49,027	-	49,027
Training and meetings	169	1,356	169	1,694
Professional fees	-	23,890	12,471	36,361
Advertising	444	889	2,562	3,895
Depreciation	-	663	-	663
	<u>\$ 1,434,043</u>	<u>286,107</u>	<u>101,328</u>	<u>1,821,478</u>

Expenses are summarized and categorized based upon their functional classification as either program, general and administrative, or fundraising. Specific expenses that are readily identifiable to a particular function are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The Foundation has allocated wages and related taxes, insurance, supplies and other, rent and utilities, training and meetings, and advertising based on estimates of time spent and resources consumed for these functions.

Central Kansas Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

14. CONCENTRATION OF CREDIT RISK

The Foundation had cash in the bank that exceeded FDIC limits by \$655,728 at December 31, 2021. While the Foundation is mindful of the FDIC limits, it is the practice of the Foundation that cash balances generated in the ordinary course of business will exceed FDIC-insured limits from time to time.

15. SUBSEQUENT EVENTS

As of June 30, 2022, the market value of the Foundation's investments had declined approximately \$4.2 million or 15 percent from the value as of December 31, 2021.

16. DATE OF MANAGEMENT REVIEW

Management has performed an analysis of the activities and transactions subsequent to December 31, 2021 to determine the need for any adjustments to and/or disclosures within the audited financial statements. Management has performed their analysis through July 21, 2022, which is the date at which the financial statements were available to be issued.