

**THE LICKING COUNTY FOUNDATION
AND SUBSIDIARIES**

FINANCIAL REPORT

DECEMBER 31, 2020 AND 2019

THE LICKING COUNTY FOUNDATION AND SUBSIDIARIES

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Independent Auditors' Report

To the Governing Committee
The Licking County Foundation
Newark, Ohio

We have audited the accompanying consolidated financial statements of The Licking County Foundation and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses, 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

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

Meloney + Novotny LLC

Cleveland, Ohio
August 10, 2021

THE LICKING COUNTY FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
CASH	\$ 705,335	\$ 24,255
RECEIVABLES, NET	425,178	571,605
PREPAID EXPENSES	14,553	26,916
CHARITABLE LEAD ANNUITY TRUST RECEIVABLE, NET	283,371	310,113
INVESTMENTS		
Private equity funds	3,484,603	3,171,997
Marketable securities	<u>112,506,300</u>	<u>99,627,038</u>
Total investments	115,990,903	102,799,035
BENEFICIAL INTEREST IN PERPETUAL TRUST	2,950,735	2,824,067
PROPERTY AND EQUIPMENT, NET	<u>7,898,990</u>	<u>7,538,285</u>
TOTAL ASSETS	\$ <u>128,269,065</u>	\$ <u>114,094,276</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable and accrued expenses	\$ 41,023	\$ 86,478
Grants payable	252,697	220,253
UBIT payable	20,000	20,000
Line of credit	107,724	83,984
Agency fund liabilities	<u>11,285,135</u>	<u>10,131,795</u>
Total liabilities	11,706,579	10,542,510
NET ASSETS		
Without donor restrictions:		
Donor advised	14,329,588	12,381,549
Community charitable and project	3,866,968	3,040,645
Designated	23,496,067	20,765,766
Field of interest	12,741,342	11,795,133
Scholarship	42,946,807	38,149,334
Other	<u>15,423,872</u>	<u>13,713,554</u>
	112,804,644	99,845,981
With donor restrictions	<u>3,757,842</u>	<u>3,705,785</u>
Total net assets	<u>116,562,486</u>	<u>103,551,766</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>128,269,065</u>	\$ <u>114,094,276</u>

The accompanying notes are an integral part of these financial statements.

THE LICKING COUNTY FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended December 31, 2020 and 2019

	Year Ended December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contribution revenue	\$ 2,514,237	\$ 634,722	\$ 3,148,959
Investment return, net	13,798,175	499	13,798,674
Change in value of beneficial interest in perpetual trust	-	261,895	261,895
Real estate rental revenue	39,148	-	39,148
Change in present value of annuities	-	10,079	10,079
Miscellaneous revenue	32,687	-	32,687
Total revenues, gains and other support	16,384,247	907,195	17,291,442
Net assets released from restrictions and reclassification	855,138	(855,138)	-
Total revenues, gains and other support	17,239,385	52,057	17,291,442
EXPENSES			
Program services	3,741,773	-	3,741,773
Management and general	308,032	-	308,032
Fundraising	230,917	-	230,917
Total expenses	4,280,722	-	4,280,722
CHANGE IN NET ASSETS	12,958,663	52,057	13,010,720
NET ASSETS, BEGINNING OF YEAR	99,845,981	3,705,785	103,551,766
NET ASSETS, END OF YEAR	<u>\$ 112,804,644</u>	<u>\$ 3,757,842</u>	<u>\$ 116,562,486</u>

The accompanying notes are an integral part of these financial statements.

THE LICKING COUNTY FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended December 31, 2020 and 2019

	Year Ended December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contribution revenue	\$ 2,805,713	\$ 178,000	\$ 2,983,713
Investment return, net	16,821,928	-	16,821,928
Change in value of beneficial interest in perpetual trust	137,735	316,583	454,318
Real estate rental revenue	43,192	-	43,192
Change in present value of annuities	-	10,920	10,920
Miscellaneous revenue	26,938	-	26,938
Total revenues, gains and other support	19,835,506	505,503	20,341,009
Net assets released from restrictions and reclassification	288,036	(288,036)	-
Total revenues, gains and other support	20,123,542	217,467	20,341,009
EXPENSES			
Program services	3,524,726	-	3,524,726
Management and general	305,594	-	305,594
Fundraising	209,568	-	209,568
Total expenses	4,039,888	-	4,039,888
CHANGE IN NET ASSETS	16,083,654	217,467	16,301,121
NET ASSETS, BEGINNING OF YEAR	83,762,327	3,488,318	87,250,645
NET ASSETS, END OF YEAR	<u>\$ 99,845,981</u>	<u>\$ 3,705,785</u>	<u>\$ 103,551,766</u>

The accompanying notes are an integral part of these financial statements.

THE LICKING COUNTY FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2020 and 2019

	Year Ended December 31, 2020			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- raising</u>	<u>Total</u>
FUNCTIONAL EXPENSES				
Grants and scholarships	\$ 3,255,781	\$ -	\$ -	\$ 3,255,781
Salaries and wages	139,639	146,718	109,754	396,111
Employee benefits	25,762	27,066	20,247	73,075
Payroll taxes	10,142	10,655	7,971	28,768
Occupancy	53,308	7,953	5,950	67,211
Advertising and marketing	15,475	-	46,425	61,900
Office expenses	7,743	8,744	6,545	23,032
Information technology	26,020	27,338	20,450	73,808
Professional fees	122,391	41,271	144	163,806
Depreciation	50,452	16,908	12,649	80,009
Taxes and insurance	28,524	9,974	-	38,498
Miscellaneous	6,536	11,405	782	18,723
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	\$ <u>3,741,773</u>	\$ <u>308,032</u>	\$ <u>230,917</u>	\$ <u>4,280,722</u>

The accompanying notes are an integral part of these financial statements.

THE LICKING COUNTY FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2020 and 2019

	Year Ended December 31, 2019			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- raising</u>	<u>Total</u>
FUNCTIONAL EXPENSES				
Grants and scholarships	\$ 3,047,128	\$ -	\$ -	\$ 3,047,128
Salaries and wages	131,676	136,736	101,789	370,201
Employee benefits	21,748	22,583	16,812	61,143
Payroll taxes	9,878	10,257	7,636	27,771
Occupancy	47,759	5,713	4,253	57,725
Advertising and marketing	17,517	-	53,621	71,138
Office expenses	8,457	9,214	6,635	24,306
Information technology	13,915	14,450	10,757	39,122
Professional fees	158,745	44,463	2,434	205,642
Depreciation	46,659	7,564	5,631	59,854
Taxes and insurance	19,330	47,722	-	67,052
Miscellaneous	1,914	6,892	-	8,806
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	\$ <u>3,524,726</u>	\$ <u>305,594</u>	\$ <u>209,568</u>	\$ <u>4,039,888</u>

The accompanying notes are an integral part of these financial statements.

THE LICKING COUNTY FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 13,010,720	\$ 16,301,121
Adjustments to reconcile change in net assets		
net cash provided by operating activities:		
Depreciation	80,009	59,854
Unrealized and realized gain on investments	(12,027,161)	(15,166,413)
Change in value of beneficial interest in perpetual trust	(261,895)	(454,318)
Change in present value of charitable lead annuity trust receivable	(10,079)	(10,920)
Change in discount on long-term pledges receivable	4,927	(26,246)
Noncash grants of real estate investments	-	671,871
Decrease (increase) in:		
Receivables	141,500	99,463
Prepaid expenses	12,363	(17,624)
Charitable lead annuity trust receivable	36,821	36,819
Increase (decrease) in:		
Accounts payable and accrued expenses	(45,455)	72,339
Grants payable	32,444	206,282
UBIT payable	-	20,000
Agency fund liabilities	1,153,340	996,085
Net cash provided by operating activities	<u>2,127,534</u>	<u>2,788,313</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(26,724,158)	(15,605,155)
Proceeds from sales or maturities of investments	25,559,451	14,657,503
Proceeds from beneficial interest in perpetual trust	135,227	137,735
Purchase of property and equipment	(440,714)	(2,055,928)
Net cash (used) by investing activities	<u>(1,470,194)</u>	<u>(2,865,845)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in line of credit, net	23,740	83,984
Net cash provided by financing activities	<u>23,740</u>	<u>83,984</u>
NET INCREASE IN CASH	681,080	6,452
CASH, BEGINNING OF YEAR	<u>24,255</u>	<u>17,803</u>
CASH, END OF YEAR	<u><u>\$ 705,335</u></u>	<u><u>\$ 24,255</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u><u>\$ 3,825</u></u>	<u><u>\$ 197</u></u>

The accompanying notes are an integral part of these financial statements.

THE LICKING COUNTY FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Operations

The Licking County Foundation (the "Foundation") is a public charitable organization which is made up of a collection of various funds given by caring individuals, businesses, and organizations that have a common interest for the well-being of the people of Licking County.

The Foundation is a vehicle for the receipt and distribution of charitable funds primarily in Ohio. Investments are comprised of 276 funds. Each fund is used for charitable purposes in the community pursuant to the authority of the Governing Committee of the Foundation.

Note 2. Summary of Significant Accounting Policies

- A. Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.
- B. Principles of Consolidation – The consolidated financial statements include the accounts of the Foundation and its Subsidiaries, collectively referred to as LCF herein. LCF held certain assets in the Licking County Foundation Charitable Trust (the "Trust") and certain other assets in the Foundation. The Foundation is the sole member of the following subsidiaries: LCF Foundation, LLC; LCF Parks, LLC; LCF Investments I, LLC; LCF Investments II, LLC; LCF Programs, LLC; and LCF Preservation, LLC. The subsidiaries were created in February 2010 for the purpose of holding real estate separate from the Trust. In June 2016, LCF formed LCF Investments III, LLC and LCF Investments IV, LLC to hold certain partnership interests transferred from a donor's estate. In May 2018, LCF formed LCF Parks II, LLC to hold a park property in which a BMX bike park was constructed. These entities are also subsidiaries of the Foundation. Any inter-organization account balances or transactions as of or during the years ended December 31, 2020 and 2019 were eliminated within the consolidated financial statements.

During August 2019, the Trust was dissolved, and all assets were transferred to the Foundation.

- C. Financial Statement Presentation – The consolidated financial statements are presented on the accrual basis of accounting. Net assets of LCF and changes therein are reported according to two classes of net assets:
- Without Donor Restrictions – Net assets without donor restrictions represent net assets that are not subject to, or are no longer subject to, donor-imposed stipulations on their expenditure and are available for use in LCF's ongoing operations.
 - With Donor Restrictions – Net assets with donor restrictions are limited as to use by donor-imposed restrictions that either expire by passage of time, can be fulfilled and removed by action of LCF pursuant to those restrictions, or upon receipt of funding, or allow only the use of investment earnings for unrestricted or restricted purposes.

THE LICKING COUNTY FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 2. Summary of Significant Accounting Policies (Continued)

C. Financial Statement Presentation (Continued)

Under the terms of the governing documents, the Governing Committee of LCF has the variance power to modify any restriction on the distribution of funds for any specified charitable purpose, or to specified organizations, if, in the sole judgment of the Governing Committee, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of Licking County or if the mission of the specified organization no longer fulfills the donor's intent. As a result of the variance power, all contributions not classified as with donor restrictions are classified as without donor restrictions.

When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Contributions and investment income with donor-imposed restrictions that are met within the same period are recorded as without donor restrictions.

- D. Cash** – For purposes of reporting cash flows, cash includes all checking accounts used for grants and general operations. Cash excludes money market funds reported in marketable securities that are held in investment portfolios. Cash is held in two accounts with one financial institution and, at times, balances may exceed federally insured limits.
- E. Revenue Recognition** – Unconditional contributions are recognized as revenue in the period the commitment or payment is first received. Conditional contributions are not recognized until the conditions are substantially met. Contributions of assets other than cash are recorded at their estimated fair value as of the date of the contribution. Bequests are recorded when all requirements for the transfer of the assets to LCF are met and appropriate court orders are issued. Contributions are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions.
- F. Investments** – LCF records investments in marketable securities at fair value. Investments in certificates of deposit are recorded at original cost plus accrued interest, which approximates fair value as described above.

Investments in private equity funds are valued at fair value based upon net asset values reported by fund managers. LCF believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such difference could be material.

Dividend and interest income from investments is recorded as the income is earned. Realized and unrealized gains and losses, as well as dividend and interest income, are included in the change in net assets in the accompanying consolidated statements of activities. These are recorded as income with donor restrictions or income without donor restriction based on the donor's intent, with the income with donor restrictions being released from restriction based on the donor-restricted purpose being fulfilled and/or the restricted time period elapsing.

THE LICKING COUNTY FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 2. Summary of Significant Accounting Policies (Continued)

- G. Fair Value of Financial Instruments – LCF estimates the fair value of its financial instruments using available market information and other generally accepted valuation methodologies. Fair value is defined as the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The inputs used to measure fair value are classified into three levels:

Level 1 – Quoted market prices in active markets for identical assets and liabilities.

Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 – Unobservable inputs in which little or no market data exists.

The following tables set forth by level within the fair value hierarchy LCF's financial assets that were accounted for at fair value on a recurring basis as of December 31, 2020 and 2019. The tables do not include cash on hand or other assets and liabilities that are measured at historical cost or any basis other than fair value; for these items, their carrying value estimates fair value.

As of December 31, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Investments subject to fair value leveling				
Common stock	\$ 48,420,311			\$ 48,420,311
Corporate bonds		\$ 10,133,906		10,133,906
Certificates of deposit		5,206,089		5,206,089
Government securities		299,983		299,983
Mutual funds - equities	29,010,976			29,010,976
Mutual funds - fixed income	10,584,753			10,584,753
Foreign equities	1,821,845			1,821,845
Money market		<u>7,028,437</u>		<u>7,028,437</u>
Total investments subject to fair value leveling	89,837,885	22,668,415		112,506,300
Investments using the NAV practical expedient				<u>3,484,603</u>
				115,990,903
Beneficial interest				
in perpetual trust			\$ 2,950,735	2,950,735

THE LICKING COUNTY FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 2. Summary of Significant Accounting Policies (Continued)

G. Fair Value of Financial Instruments (Continued)

As of December 31, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Investments subject to fair value leveling				
Common stock	\$ 41,335,950			\$ 41,335,950
Corporate bonds		\$ 14,576,214		14,576,214
Certificates of deposit		6,110,600		6,110,600
Government securities		1,502,018		1,502,018
Mutual funds - equities	22,895,679			22,895,679
Mutual funds - fixed income	3,885,504			3,885,504
Foreign equities	2,654,307			2,654,307
Money market		<u>6,666,766</u>		<u>6,666,766</u>
Total investments subject to fair value leveling	70,771,440	28,855,598		99,627,038
Investments using the NAV practical expedient				<u>3,171,997</u>
				102,799,035
Beneficial interest in perpetual trust				
			\$ 2,824,067	2,824,067

The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. LCF's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and their placement within the fair value hierarchy levels.

Level 1 investments consist of investments in common stock, mutual funds, and foreign equities which are valued based upon quoted prices in active markets.

Level 2 investments consist of investments in corporate bonds, certificates of deposit, government securities, and money market accounts and are valued based upon quoted prices in active markets for similar assets or based on yields currently available on comparable securities of issuers with similar credit.

Level 3 assets consist of funds held in trust by others which are valued based on inputs that are quoted prices in active markets which are used to estimate the future cash flows of the trust. There is no market for LCF's interest in the trust and LCF does not have the ability to liquidate these holdings.

Net asset value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, is used as a practical expedient to estimate the fair value of the private equity funds which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

THE LICKING COUNTY FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 2. Summary of Significant Accounting Policies (Continued)

G. Fair Value of Financial Instruments (Continued)

The valuation methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. LCF believes its valuation methodologies are appropriate; however, 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.

During the years ended December 31, 2020 and 2019, there were no purchases or transfers into or out of level 3 assets.

- H. Receivables – LCF records unconditional promises to give at net realizable value and, if expected to be collected in more than one year, at the present value of their estimated future cash flows. Management establishes an allowance for doubtful accounts based upon its analysis of current outstanding balances, historical collections, and current economic conditions. As of December 31, 2020 and 2019, management determined that no allowance was necessary.
- I. Property and Equipment – Property and equipment are carried at cost or, if donated, at the fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the respective asset. Maintenance and repairs, which do not improve or extend the estimated useful lives of the respective assets, are expensed as incurred. Major improvements and betterments are capitalized and depreciated. Assets purchased but not placed in service are capitalized but depreciation is not recognized until the asset is placed in service. Upon disposal of assets, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is included in income. Estimated useful lives by major asset class are as follows:

Buildings	39 years
Furniture, fixtures, and equipment	5 - 7 years

Programmatic real estate includes assets that are leased at reduced rates or for free to other tax-exempt agencies. The value of these leases cannot be reasonably estimated and, therefore, were not recognized as donated rental revenue and expense.

- J. Impairment of Long-Lived Assets – The carrying value of long-lived assets is reviewed for impairment whenever events or changes in circumstances indicate the amount of the assets may not be recoverable. When an indication of impairment is present and the undiscounted cash flows estimated to be generated by the related assets are less than the assets' carrying amount, an impairment loss will be recorded based on the difference between the carrying amount of the assets and their estimated fair value. Any impairment loss would be included as an unrealized loss in the consolidated statements of activities. No impairment was recorded for the years ended December 31, 2020 and 2019.

THE LICKING COUNTY FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 2. Summary of Significant Accounting Policies (Continued)

- K. Grants Payable – Grants made by LCF are recorded in the consolidated financial statements at the time the unconditional grants are approved by the Governing Committee of LCF and notification to the grantee is provided. Conditional grants payable would be recorded when the conditions are substantially met. All grants are anticipated to be paid within one year.
- L. Income Taxes – LCF is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. LCF is the sole member of the subsidiary LLCs which are treated as disregarded entities for tax purposes. As of December 31, 2020 and 2019, a provision for unrelated business income tax has been recorded for \$20,000. There were no unrecognized tax positions as of December 31, 2020 and 2019. LCF's income tax returns remain subject to examination by the Internal Revenue Service, as well as various state and local taxing authorities, generally for three years.
- M. Administrative Fees – LCF assesses annual administrative fees to the various funds, calculated quarterly based on a minimum fee of \$250 per fund and a graduated fee structure beginning at 1% and decreasing to a minimum fee of 0.1% based upon the size and type of the fund. Because it is an interfund transaction, administrative fee income is net against administrative fee expense in the consolidated statements of activities.
- N. Functional Expenses – The consolidated statements of functional expenses reports certain categories of expenses that are attributable to more than one program or supporting function. Certain expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel costs, occupancy costs and office expenses, which are allocated based on time and effort.
- O. Subsequent Events – LCF has evaluated subsequent events through August 10, 2021, which is the date the consolidated financial statements were available to be issued.

In May 2021, LCF sold two of three parcels of land that were held in the Raymond H. and Beryl Dean Penick Real Estate Fund. The sale price was \$545,000 and cost on the books was \$294,550 resulting in a gain of \$250,450. After closing costs, the net cash provided was \$530,232, which was deposited into the Raymond H. and Beryl Dean Penick Memorial Scholarship Fund.

- P. Reclassification – Certain amounts previously reported have been reclassified to conform to the current year presentation.

THE LICKING COUNTY FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 3. Receivables

LCF has received several pledge commitments to fund the restoration of the Louis Sullivan Building of Newark (reference footnote 12). The pledges will be paid annually through 2024. A rate of 4.5% was used to provide for a discount for pledges receivable beyond one year at December 31, 2020 and 2019.

The table below summarizes the scheduled payments to be received by LCF as of December 31:

	<u>2020</u>	<u>2019</u>
Expected to collected in:		
Less than one year	\$ 252,000	\$ 376,500
One to five years	214,000	231,000
More than five years	-	-
Total due	<u>466,000</u>	<u>607,500</u>
Less: discount	<u>(40,822)</u>	<u>(35,895)</u>
Total receivables	<u>\$ 425,178</u>	<u>\$ 571,605</u>

Note 4. Charitable Lead Annuity Trust Receivable

The Foundation is a beneficiary in a charitable lead annuity trust ("CLAT") agreement, providing an irrevocable unconditional right to receive an annual annuity payment of \$36,820 for 20 years, beginning December 31, 2010. At the end of the 20-year annuity, any remaining assets in the trust will be transferred to a third-party recipient. The donor specified that the annuity payment contributions are to be recorded within a fund with donor restrictions that was already established at the Foundation. Investment earnings from that fund are available for donor-restricted purposes to support specific organizations identified in the trust agreement. The receivable is recorded as follows:

	<u>2020</u>	<u>2019</u>
Gross receivable	\$ 331,380	\$ 368,200
Less: discount (3.25%)	<u>(48,009)</u>	<u>(58,087)</u>
Net receivable	<u>\$ 283,371</u>	<u>\$ 310,113</u>

THE LICKING COUNTY FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 5. Investments

LCF's investment policy for marketable securities was established to provide general guidance to investment managers with a goal of earning a reasonable rate of return on investments based on market conditions while minimizing risk. LCF has three pooled investment categories to allow for diversification and support donors' charitable intentions as follows:

Category	Target Allocations
Preservation of capital portfolio	100% cash and cash equivalents
Income portfolio	35% equity, 65% fixed income
Growth and income portfolio	70% equity, 30% fixed income

Acceptable ranges are also specified for each category within the policy.

Management performs an annual assessment to determine whether decreases in investment values are other than temporary. If such determination is made, an impairment loss is recorded. No investment impairment loss was recorded for the years ended December 31, 2020 and 2019.

The Foundation is a limited partner in various investment partnerships. The nature of these partnership interests is that distributions are received through liquidation of the underlying assets of the partnerships over their remaining life. The fair value of the investments in these assets has generally been estimated using the Foundation's capital account balances with each partnership. To evaluate the fair value of the Foundation's externally managed investments, the Foundation has assessed factors including, but not limited to, the external advisor's adherence to fair value principles in calculating the capital account balances, the existence of transactions at net asset value at the measurement date, and the existence or absence of certain restrictions at the measurement date. Investments in externally managed funds generally have limited redemption options for investors and, subsequent to final closing, may or may not permit subscriptions by new or existing investors. These entities may also have the ability to impose gates, lockups, and other restrictions on an investor's ability to redeem out of their investment interest in the partnership.

At December 31, 2020, the Foundation has committed and may be required to make additional capital contributions of approximately \$605,000 to various private equity managers. These commitments are to be satisfied through the redistribution of investment assets. As of December 31, 2020, the Foundation's investments in limited partnerships are illiquid and the Foundation will receive distributions at the partnerships' determination.

Note 6. Beneficial Interest in Perpetual Trust

LCF has a partial interest in the assets of the Miller Trust. The Miller Trust consists of investments in marketable securities and is administered by a separate financial institution. LCF may not use the principal of the Miller Trust. The Miller Trust agreement specifies LCF receives annually one half of the income generated by the Miller Trust for perpetuity, paid semi-annually. LCF has reported the Miller Trust at \$2,950,735 and \$2,824,067, which represents its pro-rata share of the fair value of the assets in the Miller Trust as of December 31, 2020 and 2019.

THE LICKING COUNTY FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 7. Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Buildings	\$ 692,091	\$ 692,091
Furniture, fixtures, and equipment	296,430	318,020
Land	138,448	138,448
Programmatic real estate	4,077,606	4,077,606
Construction in progress	<u>3,325,430</u>	<u>3,135,218</u>
	8,530,005	8,361,383
Less: accumulated depreciation	<u>(631,015)</u>	<u>(823,098)</u>
Property and equipment - net	<u>\$7,898,990</u>	<u>\$7,538,285</u>

Note 8. Line of Credit

As of December 31, 2020, LCF had a \$2,000,000 unsecured line of credit with a bank which is payable on demand. The line of credit has a balance of \$107,724 and \$83,984 as of December 31, 2020 and 2019, respectively. The line of credit bears interest at a variable interest rate as defined in the promissory note (2.75% as of December 31, 2020). Interest expense for the years ended December 31, 2020 and 2019 was \$3,825 and \$197, respectively.

Note 9. Agency Fund Liabilities

LCF receives and distributes assets under certain agency arrangements where it is acting as an intermediary for non-profit organizations as resource providers, or for third-party donors who fund these specific agency liability accounts. The funds are held by LCF with distributions made for the benefit of the specific non-profit organization as determined by the agency agreement. Accordingly, these transactions are recognized as changes in assets and liabilities and do not affect the consolidated statement of activities. The agency liability balance reflects the fair value of the investments held by LCF specifically for these agency funds.

The activity for the agency liability accounts was as follows for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Agency liability at January 1	\$ 10,131,795	\$ 9,135,710
Amounts received	323,643	715,164
Investment return, net	1,459,829	1,580,126
Other miscellaneous revenue and expense	(42,667)	2,192
Transfers	(105,817)	(890,132)
Grants paid	<u>(481,648)</u>	<u>(411,265)</u>
Agency liability at December 31	<u>\$ 11,285,135</u>	<u>\$ 10,131,795</u>

THE LICKING COUNTY FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 10. Net Assets with Donor Restrictions

Net assets with donor restrictions as of December 31, 2020 and 2019 include receivables, a charitable lead annuity trust receivable, and a beneficial interest in perpetual trust. Net assets with donor restrictions as of December 31, 2020 also includes the balance of a project fund created for pandemic relief. These net assets are to be used for the charitable purposes stipulated by the donor and/or are subject to time restrictions.

Note 11. Endowment Funds

Interpretation of Relevant Law

Management has determined that the majority of LCF's net assets do not meet the definition of an endowment under the Ohio Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). Contributions to LCF are subject to the governing documents which include variance power and the specified gift instruments. LCF, however, manages most funds held at the foundation in a manner that is similar to an endowment fund.

Return Objectives and Risk Parameters

LCF has adopted investment and spending policies for most funds held at the foundation that attempt to provide a predictable stream of funding to programs supported by the fund while seeking to maintain the purchasing power of the fund's assets. Under this policy, as approved by the Governing Committee, the assets are invested with investment policies intended to produce results that exceed the price and yield results of the S&P 500 index for equity investments while assuming a moderate level of investment risk. LCF expects its investments, over time, to provide an average rate of return of at least 5% plus rate of inflation annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, LCF 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). LCF targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

LCF's spending policy defines the total amount available to distribute from a fund in a given year as the expendable amount. LCF performs the annual expendable amount calculation in the fall of the prior year, using the approved spending rate applied to the 12 trailing quarter market value average of the funds, through September 30. The approved spending rate for each fund shall not exceed 5% of a fund's average market value and the expendable amount cannot exceed 4% of a fund's average market value. In establishing this policy, LCF considered the long-term expected return on its assets. Accordingly, over the long-term, LCF expects the current spending policy to allow its assets to grow at an average of at least 5% plus rate of inflation annually. This is consistent with LCF's objective to maintain the purchasing power of the funds held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. Community charitable funds, project funds and some donor advised funds are not subject to the spending policy.

THE LICKING COUNTY FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 12. Retirement Plan

LCF adopted a Simplified Employee Pension ("SEP IRA") retirement plan which covers all eligible employees. Under the plan, LCF contributes quarterly to the SEP IRA accounts which are managed by a financial firm chosen by the employees in an amount of 5% of the employee's gross salary. Retirement plan expense was \$19,381 and \$18,510 for the years ended December 31, 2020 and 2019, respectively.

Note 13. The Louis Sullivan Building of Newark

In 2013, the Louis Sullivan Building of Newark (the "Sullivan Building") was donated to the Foundation. Since that time, the Foundation has been working to bring form and function back to the building. The adaptive reuse of the Sullivan Building will celebrate the building's historic architecture and create a community resource that will bring new life to the building, downtown Newark, and Licking County. The first floor will be home to the county's tourism center, and the second floor will house the offices of Explore Licking County. The building will also serve as a public gathering place with meeting areas, exhibits, retail space, and public restrooms. In order to achieve full accessibility for the Sullivan Building, the adjacent building was purchased in 2017 and will be rehabilitated to create an annex with accessible stairs and an elevator shaft to provide access to all three levels of the Sullivan Building.

Through December 31, 2020, the Foundation has incurred \$3,443,926 of costs related to the rehabilitation of the basement of the Sullivan Building, and for the completion of construction plans for the restoration of the entire Sullivan Building and the annex, and the physical restoration of the building's exterior. The total cost of the project is expected to be approximately \$8.75 million. In 2018, the Foundation entered into contracts for exterior construction work totaling approximately \$2,368,400. Work commenced on these projects in May 2019 and was completed in August 2020. As of December 31, 2020, the Foundation had outstanding commitments related to the construction project of \$219,051.

In 2018, the Foundation began a fundraising campaign to support the project. As of December 31, 2020, the Foundation has received approximately \$2,707,365 of cash and \$466,000 of pledges restricted to the Sullivan Building Project. During July 2017, the Foundation received a conditional challenge grant of \$750,000 from a private foundation wherein contributions up to \$1,500,000 received by the Foundation would be matched on a 1 to 2 basis. The fundraising goal was met, and the grant was received in September 2019.

Note 14. Transfer of Properties

During 2019, LCF gifted three park properties to the City of Newark. These properties were held by LCF Parks, LLC and LCF Parks II, LLC. The net book value of these properties on the date of the transfer was \$671,871.

THE LICKING COUNTY FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 15. Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash	\$ 705,335	\$ 24,255
Receivables, net	425,178	571,605
Charitable lead annuity trust receivable	283,371	310,113
Investments in funds for general use	15,423,872	13,713,554
Beneficial interest in perpetual trusts	<u>2,950,735</u>	<u>2,824,067</u>
Financial assets, at year-end	19,788,491	17,443,594
Less those not available for general expenditure within one year:		
Pledge receivables restricted by donors	(425,178)	(571,605)
Investments held in trust and annuity reserves	<u>(3,234,106)</u>	<u>(3,134,180)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 16,129,207</u>	<u>\$ 13,737,809</u>

LCF's investments consist of funds that are not intended to be spent within the next year. Income is intended for specific purposes, with the exception of the amounts available for general use. Funds held at LCF are charged an administrative fee to cover the general expenditures necessary to operate LCF. The administrative fee amounted to \$614,745 and \$584,986 during the years ended December 31, 2020 and 2019, respectively.

Note 16. COVID-19 Pandemic

Physical and economic conditions worldwide have been impacted by the ongoing COVID-19 pandemic. There are uncertainties surrounding COVID-19's impact on the economy as a whole and on organizations. There is also uncertainty regarding the positive impact of any federal government relief. Accordingly, the impact of the global pandemic on the operations and financial plans or future results of LCF is unknown.

During March 2020, the Coronavirus Aid, Relief and Economic Security ("CARES") Act created the Paycheck Protection Program ("PPP") to be administered by the U.S. Small Business Administration. In April 2020, the Foundation received a \$91,977 unsecured loan under the PPP. Provisions of the PPP allow for partial or full forgiveness of the loan provided the proceeds are used for covered expenditures and certain other requirements are satisfied. During 2020, the Foundation has used all of the loan proceeds for purposes consistent with the PPP, resulting in recognition of the entire PPP loan amount as contribution revenue in the accompanying financial statements. During February 2021, the SBA provided complete forgiveness of the PPP loan.