

MORTON COMMUNITY FOUNDATION
Morton, Illinois

Financial Statements
and
Auditor's Report

June 30, 2020 and 2019

MORTON COMMUNITY FOUNDATION

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CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS CONSULTANTS

7625 N. University, Suite A
Peoria, IL 61614-8303
309.671.2350

Morton Line: 309.266.5923
Telefax: 309.671.5459
email@ginolicpa.com
www.ginolicpa.com

Independent Auditor's Report

Board of Trustees
Morton Community Foundation
Morton, Illinois

We have audited the accompanying financial statements of Morton Community Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditor's 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 auditor considers 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 Morton Community Foundation as of June 30, 2020 and 2019, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

GINOLI & COMPANY LTD

GINOLI & COMPANY LTD
Certified Public Accountants

Peoria, Illinois
February 11, 2021

MORTON COMMUNITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 621,457	\$ 464,113
Restricted cash	42,636	5,983
Investments	6,477,112	5,631,966
Accounts receivable	4,981	4,411
Capital assets, net	<u>7,664</u>	<u>979</u>
TOTAL ASSETS	<u>\$ 7,153,850</u>	<u>\$ 6,107,452</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
LIABILITIES:		
Grants payable	\$ 154,792	\$ 31,087
Accounts payable and accrued expenses	5,737	6,653
PPP loan	24,900	-
Payroll liabilities	2,789	2,394
Agency liabilities	42,636	5,983
Custodial funds managed for others	<u>275,861</u>	<u>256,728</u>
Total liabilities	<u>\$ 506,715</u>	<u>\$ 302,845</u>
NET ASSETS		
Without donor restrictions	\$ 1,539,048	\$ 770,504
With donor restrictions	<u>5,108,087</u>	<u>5,034,103</u>
Total net assets	<u>\$ 6,647,135</u>	<u>\$ 5,804,607</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,153,850</u>	<u>\$ 6,107,452</u>

The notes to financial statements are an integral part of this exhibit.

MORTON COMMUNITY FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Contributions	\$ 876,213	\$ 261,886	\$ 1,138,099	\$ 129,901	\$ 269,840	\$ 399,741
Less custodial funds received	-	-	-	-	20,201	20,201
Total contributions	<u>\$ 876,213</u>	<u>\$ 261,886</u>	<u>\$ 1,138,099</u>	<u>\$ 129,901</u>	<u>\$ 249,639</u>	<u>\$ 379,540</u>
Investment income	\$ 20,215	\$ 128,487	\$ 148,702	\$ 19,598	\$ 124,151	\$ 143,749
Less investment income on custodial funds	-	6,635	6,635	-	6,150	6,150
Total investment income	<u>\$ 20,215</u>	<u>\$ 121,852</u>	<u>\$ 142,067</u>	<u>\$ 19,598</u>	<u>\$ 118,001</u>	<u>\$ 137,599</u>
Net unrealized and realized gains on investments	\$ 6,068	\$ 44,277	\$ 50,345	\$ 17,411	\$ 125,377	\$ 142,788
Less net unrealized and realized gains on investments of custodial funds	-	4,264	4,264	-	6,456	6,456
Total unrealized and realized gains on investments	<u>\$ 6,068</u>	<u>\$ 40,013</u>	<u>\$ 46,081</u>	<u>\$ 17,411</u>	<u>\$ 118,921</u>	<u>\$ 136,332</u>
Management fees	55,317	-	55,317	51,184	-	51,184
Fundraising income	26,630	-	26,630	53,165	-	53,165
In-kind rent	12,000	-	12,000	12,000	-	12,000
Net assets released from restrictions	349,767	(349,767)	-	408,645	(408,645)	-
Total revenue and support	<u>\$ 1,346,210</u>	<u>\$ 73,984</u>	<u>\$ 1,420,194</u>	<u>\$ 691,904</u>	<u>\$ 77,916</u>	<u>\$ 769,820</u>
DISTRIBUTIONS AND EXPENSES						
Development	\$ 67,046	\$ -	\$ 67,046	\$ 84,143	\$ -	\$ 84,143
Administration	82,190	-	82,190	75,295	-	75,295
Grants and program services	428,430	-	428,430	484,439	-	484,439
Total distributions and expenses	<u>\$ 577,666</u>	<u>\$ -</u>	<u>\$ 577,666</u>	<u>\$ 643,877</u>	<u>\$ -</u>	<u>\$ 643,877</u>
CHANGES IN NET ASSETS	\$ 768,544	\$ 73,984	\$ 842,528	\$ 48,027	\$ 77,916	\$ 125,943
NET ASSETS - BEGINNING OF YEAR	770,504	5,034,103	5,804,607	722,477	5,189,016	5,911,493
PRIOR PERIOD ADJUSTMENT	-	-	-	-	(232,829)	(232,829)
NET ASSETS - END OF YEAR	<u>\$ 1,539,048</u>	<u>\$ 5,108,087</u>	<u>\$ 6,647,135</u>	<u>\$ 770,504</u>	<u>\$ 5,034,103</u>	<u>\$ 5,804,607</u>

The notes to financial statements are an integral part of this exhibit.

MORTON COMMUNITY FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020				2019			
	Development "Gather"	Administration "Grow"	Grants & Program Services "Grant"	Total	Development "Gather"	Administration "Grow"	Grants & Program Services "Grant"	Total
Grants	\$ -	\$ -	\$ 318,139	\$ 318,139	\$ -	\$ -	\$ 384,591	\$ 384,591
Less grants from custodial funds	-	-	2,950	2,950	-	-	5,525	5,525
Total grants and program services	\$ -	\$ -	\$ 315,189	\$ 315,189	\$ -	\$ -	\$ 379,066	\$ 379,066
Investment management fees	\$ -	\$ -	\$ 82,938	\$ 82,938	\$ -	\$ -	\$ 76,704	\$ 76,704
Less management fees from custodial funds	-	-	3,691	3,691	-	-	3,383	3,383
Total grants and program services	\$ -	\$ -	\$ 79,247	\$ 79,247	\$ -	\$ -	\$ 73,321	\$ 73,321
Salaries and wages	49,840	49,840	24,919	124,599	48,197	48,197	24,097	120,491
Payroll taxes	3,813	3,813	1,906	9,532	3,687	3,687	1,844	9,218
Employee benefits	1,648	1,648	825	4,121	1,648	1,648	825	4,121
In-kind rent	4,800	4,800	2,400	12,000	4,800	4,800	2,400	12,000
Rent	960	960	480	2,400	-	-	-	-
Telephone and internet	-	1,517	-	1,517	-	1,412	-	1,412
Office expenses - shared	952	952	475	2,379	726	726	362	1,814
Office operations and supplies	985	985	493	2,463	1,196	1,196	598	2,990
Computer supplies	165	1,319	165	1,649	110	884	110	1,104
Postage	638	638	320	1,596	691	691	345	1,727
Web expenses	302	34	-	336	6,322	702	-	7,024
Tech support	782	6,256	782	7,820	126	1,012	126	1,264
Insurance	945	945	473	2,363	1,025	1,025	513	2,563
Professional fees	371	2,971	371	3,713	513	4,099	513	5,125
Depreciation	-	567	-	567	-	653	-	653
Conferences and seminars	273	2,189	273	2,735	220	1,764	220	2,204
Education and dues	112	900	112	1,124	99	796	99	994
Fundraising - printing materials and postage	-	-	-	-	1,840	-	-	1,840
Fundraising - food, beverage, entertainment	-	-	-	-	4,541	-	-	4,541
Fundraising - rentals and décor	-	-	-	-	5,353	-	-	5,353
Fundraising - miscellaneous event expense	460	-	-	460	3,049	-	-	3,049
Miscellaneous	-	1,856	-	1,856	-	2,003	-	2,003
Total Expenses	\$ 67,046	\$ 82,190	\$ 428,430	\$ 577,666	\$ 84,143	\$ 75,295	\$ 484,439	\$ 643,877

The notes to financial statements are an integral part of this exhibit.

MORTON COMMUNITY FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 842,528	\$ 125,943
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	567	653
Unrealized (gains) losses on investments	110,959	(79,783)
In-kind income	(12,000)	(12,000)
In-kind expense	12,000	12,000
Change in assets and liabilities:		
Accounts receivable	(570)	(300)
Grants payable	123,705	(26,601)
Accounts payable and accrued expenses	(916)	2,159
Payroll liabilities	395	145
Agency liabilities	36,653	(191)
Custodial funds managed for others	19,133	23,899
	<u>\$ 1,132,454</u>	<u>\$ 45,924</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	\$ (980,989)	\$ (361,721)
Interest/dividends reinvested	(146,601)	(141,231)
Realized gains reinvested	(161,304)	(63,005)
Distributions from investments	249,850	273,568
Withdrawals for investment fees	82,939	76,704
Purchase of capital assets	(7,252)	-
	<u>\$ (963,357)</u>	<u>\$ (215,685)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
PPP loan proceeds received	\$ 24,900	\$ -
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>\$ 193,997</u>	<u>\$ (169,761)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>470,096</u>	<u>639,857</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 664,093</u></u>	<u><u>\$ 470,096</u></u>

The notes to financial statements are an integral part of this exhibit.

MORTON COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES

A. Nature of Activities

The Morton Community Foundation (Foundation) was organized on May 2, 2000. The Foundation is a nonprofit organization, and its purpose is to receive, manage, and distribute philanthropic gifts for the long-term benefit of Morton Area residents.

B. Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (GAAP) for the nonprofit industry. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

C. Basis of Presentation

The Foundation is required to report information regarding its financial position and activities as follows:

Net Assets Without Donor Restrictions – This represents net assets that are available for use in general operations and not subject to any donor-imposed limitations. These assets are available for community grants as approved by the Board of Trustees or may be used to fund the administrative expenses of the organization. The Board of Trustees has designated a portion of these net assets as board-designated endowments and operating reserves.

Net Assets With Donor Restrictions – This represents net assets that are limited by donor-imposed stipulations as to time or specified purpose. They also may include donor-imposed restrictions that neither expire due to passage of time nor can be removed by actions of the organization. When a restriction is satisfied or expires, these assets are reclassified to net assets without donor restrictions. Donor-advised funds and donor-designated funds are always considered to be net assets with donor restrictions. Endowment funds with donor-imposed restrictions are also included in this classification.

D. Use of Estimates

The financial statements include estimates and assumptions made by management that affect the carrying amounts of assets and liabilities and the reported amounts of revenues and expenses. Actual amounts may differ from those estimates.

MORTON COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES – continued

E. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents.

F. Revenue Recognition

Contributions received are recorded as revenue in the appropriate category based on whether there are donor restrictions or not.

In certain instances, donors direct their donations to specific other charitable organizations. The Foundation has no discretion over the use of the assets received and, therefore, are considered to be acting in an agency capacity. Therefore, resources received and distributions disbursed are reported as increases and decreases in assets and liabilities, rather than contributions and distributions. The cash held for this purpose is reported as restricted cash on the statement of financial position with the related agency liability.

G. Custodial Funds Managed for Others

The Foundation manages several endowment funds in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958-20, *“Transfer of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others”*. This guidance requires the Foundation to account for assets that are contributed by a not-for profit organization for the benefit of that organization or one of its affiliated organizations as a liability to the specified beneficiary concurrent with its recognition of the assets received, even if the assets are irrevocably transferred to the Foundation. All asset transfers of this type, and the activity associated with those assets, are recognized as custodial fund transactions in the financial statements.

In order to present the full scope of the Foundation’s operations, the Foundation includes the activity (contributions, investment income, net realized and unrealized gains and losses, grants, and management fees) related to such transactions in the statement of activities but separately shows the custodial fund activity as a reduction. These assets held on behalf of these agencies are reported as investments in the statement of financial position and the related liability is shown as custodial funds managed for others. Assets and liabilities related to such funds totaled \$275,861 and \$256,728 at June 30, 2020 and 2019, respectively. These funds are managed in accordance with the same investment approach as the Foundation’s other endowment funds.

MORTON COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES – continued

H. Capital Assets

Capital assets are recorded at cost and are being depreciated using the straight-line method over their estimated useful life of five years. Expenditures for maintenance and repairs are charged to operations. Depreciation expense for the years ending June 30, 2020 and 2019 was \$567 and \$653, respectively.

I. Income Tax

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income unrelated to its exempt purposes, if any, would be subject to income taxes. The income tax returns for the years ending June 30, 2020, 2019, and 2018 are open for examination by the taxing authorities.

J. Cost allocation and functional allocation of expenses

The costs of program and supporting service activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Costs are charged on a direct functional basis whenever practical. Certain categories of expenses are attributable to more than one function and therefore, are allocated between the different categories based on estimated applicability. Management believes their allocations are reasonable and consistent. The organization has categorized its functions as grants and program services, administration, and development.

Grant and program services includes the processes associated with assessing community needs and opportunities; interpretation of donor intentions; the processing of applications, review, and award and post-grant evaluation of charitable grants and scholarships, along with related reporting.

Administration includes functions and processes in the establishment and maintenance of the management of the organization including strategy development, policy making, and oversight. This also encompasses the managing of human resources and the maintenance, repair, and operation of facilities and equipment.

Development includes relationship building and maintenance, donor services, promotion, and image building.

MORTON COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 2: CONCENTRATION OF CREDIT RISK

The Foundation maintains its checking and money market accounts at high credit quality financial institutions. The balance, at times, may exceed federally insured limits. At June 30, 2020, the balance did temporarily exceed the limit due to a large donation near that date. At June 30, 2019, the Foundation did not exceed the limit.

The investments of the Foundation are managed by the Community Foundation of Central Illinois (CFCI). Management believes CFCI invests Foundation funds to adequately meet its objectives for acceptable levels of risk and desire for growth and earnings.

NOTE 3: INVESTMENTS

The Foundation invests the majority of its funds in an Endowment Fund administered by the Community Foundation of Central Illinois (CFCI). CFCI manages the assets and maintains an accounting of the Foundation's portion of the fund. These fund assets are invested approximately 60% in equities, and approximately 40% in fixed income securities.

Investments are reported at fair value based on quoted prices and are comprised of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Investments with donor restrictions	\$5,078,371	\$4,926,282
Investment without donor restrictions	<u>1,398,741</u>	<u>705,684</u>
Total Investments	<u>\$6,477,112</u>	<u>\$5,631,966</u>

Investment income from these investments is summarized as follows:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$146,601	\$141,231
Net realized gains	161,304	63,005
Net unrealized gains (losses)	<u>(110,959)</u>	<u>79,783</u>
Total investment income	<u>\$196,946</u>	<u>\$284,019</u>

NOTE 4: CAPITAL ASSETS

Capital assets consist of the following:

	<u>6/30/19</u>	<u>Additions</u>	<u>6/30/20</u>
Equipment	\$18,907	\$ -	\$18,907
Leasehold improvements	<u>-</u>	<u>7,252</u>	<u>7,252</u>
Total	\$18,907	\$ 7,252	\$26,159
Accumulated depreciation	<u>17,928</u>	<u>567</u>	<u>18,495</u>
Capital assets, net	<u>\$ 979</u>	<u>\$ 6,685</u>	<u>7,664</u>

MORTON COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 5: FAIR VALUE MEASUREMENTS

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

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 include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's 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.

As of June 30, 2020 and 2019, the only assets or liabilities that are measured at fair value on a recurring basis in periods subsequent to initial recognition are the investments held in an Endowment Fund administered by CFCI. Securities listed on a national market or exchange are valued at the last sales price. Such securities and cash equivalent securities are classified within Level 1 of the valuation hierarchy.

NOTE 6: ENDOWMENTS

The Foundation's endowments consist of funds established to support various programs and activities of the Foundation. Its endowments consist of both donor-restricted endowment funds and funds designated by the Board of Directors (Board) to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

MORTON COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 6: ENDOWMENTS - continued

Interpretation of Relevant Law

The Board of the Foundation has interpreted the Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Consequently, the Foundation would classify all endowments as donor-restricted until those amounts are appropriated for expenditure by the Foundation's Board. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Spending Policy

The Foundation, acting through the Board of Directors, implements the spending policy through such actions as budget review and approval, review and approval of monthly financial statements, and review and assessment of investment performance.

Return Objectives and Strategies Employed for Achieving Objectives

The Foundation relies on a total return strategy of the CFCI in which investment returns are achieved through capital appreciation and current yield (interest and dividends). The primary objective for the investment management for endowment assets is to emphasize long-term growth of principal while avoiding risk. Short-term volatility will be tolerated to the extent that it is consistent with the volatility of a comparable market index. CFCI targets a diversified asset allocation strategy as follows:

Fixed Income Investments	- 40%
Equity Investments	- 60%

MORTON COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 6: ENDOWMENTS - continued

Endowment net asset composition by type of fund, including transfers pending, as of June 30, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$5,083,405	\$5,083,405
Board designated endowment funds	<u>1,398,741</u>	<u>-</u>	<u>1,398,741</u>
Total funds	<u>\$1,398,741</u>	<u>\$5,083,405</u>	<u>\$6,482,146</u>

Changes in endowment net assets for the fiscal year ended June 30, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net assets, beginning of year	\$ 705,684	\$4,931,295	\$5,636,979
Contributions	711,505	269,505	981,010
Investment return:			
Investment income	18,114	128,487	146,601
Net realized and unrealized gains (losses)	6,069	44,276	50,345
Appropriation of endowment assets for expenditure	<u>(42,631)</u>	<u>(290,158)</u>	<u>(332,789)</u>
Net assets, end of year	<u>\$1,398,741</u>	<u>\$5,083,405</u>	<u>\$6,482,146</u>

Endowment net asset composition by type of fund, including transfers pending, as of June 30, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$4,931,295	\$4,931,295
Board designated endowment funds	<u>705,684</u>	<u>-</u>	<u>705,684</u>
Total funds	<u>\$ 705,684</u>	<u>\$4,931,295</u>	<u>\$5,636,979</u>

MORTON COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 6: ENDOWMENTS - continued

Changes in endowment net assets for the fiscal year ended June 30, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net assets, beginning of year	\$626,667	\$4,714,832	\$5,341,499
Contributions	83,065	278,669	361,734
Investment return:			
Investment income	17,083	124,147	141,230
Net realized and unrealized gains	17,411	125,377	142,788
Appropriation of endowment assets for expenditure	<u>(38,542)</u>	<u>(311,730)</u>	<u>(350,272)</u>
Net assets, end of year	<u>\$ 705,684</u>	<u>\$4,931,295</u>	<u>\$5,636,979</u>

NOTE 7: IN-KIND INCOME AND EXPENSE

The Morton Community Foundation occupied a building owned by a local church organization without being charged rent. Monthly rent was estimated at \$1,000 and was recorded as an income and expense item. Total rent recorded was \$12,000 for the years ended June 30, 2020 and 2019.

NOTE 8: AGENCY LIABILITIES

Agency liabilities represent contributions collected and ultimately paid for the benefit of other organizations. The Morton Community Foundation receives a 2% fee for all contributions received on behalf of these projects and organizations. Agency fund assets are reported as restricted cash in the Statement of Financial Position.

Agency transactions for the year ended June 30, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 5,983	\$ 6,174
Contributions	60,001	2,850
Distributions and grants	(23,324)	(2,993)
Transfers	<u>(24)</u>	<u>(48)</u>
Ending balance	<u>\$ 42,636</u>	<u>\$ 5,983</u>

MORTON COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 9: PRIOR PERIOD ADJUSTMENT

An error was discovered during the year ended June 30, 2019 in how four of the endowment funds managed by the Foundation were being handled. These funds should have been treated as custodial funds managed for others as these funds only benefit the contributor of the funds. Therefore, the activity in these funds should not have affected net assets in the past but rather should have been reported as a liability in accordance with ASC Topic 958-20 previously discussed.

In order to correct this error, the balances of these funds as of June 30, 2018 of \$232,829 are reported as a prior period adjustment to reduce the net assets of the organization and to reflect the liability in the Foundation's statements of financial position.

NOTE 10: PPP LOAN

As part of the government program for employers to maintain employees in conjunction with the global pandemic, the Foundation applied for and received a Payroll Protection Program loan of \$24,900. If the loan is spent in accordance with the parameters of the program, the loan will be forgiven. Due to the changing rules surrounding these funds, the Foundation has not applied for forgiveness, however they fully expect the loan will be forgiven. At June 30, 2020, it is shown as a liability of the Foundation. However, if and when forgiveness of the loan is granted, it will be recognized as income.

NOTE 11: SUBSEQUENT EVENTS

Subsequent events were evaluated through the financial statement issuance date of February 11, 2021. No subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.