

Financial Statements

HAROLD W. McMILLEN CENTER FOR HEALTH EDUCATION, INC.

*Years ended June 30, 2019 and 2018
with of Independent Auditor's Report*

Harold W. McMillen Center for Health Education, Inc.

Financial Statements

Years ended June 30, 2019 and 2018

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Independent Auditor's Report

The Board of Directors
Harold W. McMillen Center
for Health Education, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Harold W. McMillen Center for Health Education, Inc. (McMillen Health), doing business as McMillen Health, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, 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 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 McMillen Health as of June 30, 2019 and 2018, 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.

Haines, Lumbarger & Skiba, LLC

Fort Wayne, Indiana
August 13, 2019

Harold W. McMillen Center for Health Education, Inc.

Statements of Financial Position

	June 30	
	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 339,403	\$ 206,066
Receivables:		
Pledges receivable	70,500	65,672
Admission fees and other receivables	18,629	64,145
Accrued interest receivable	1,514	2,055
	<u>90,643</u>	131,872
Inventory	65,385	60,892
Prepaid expenses and other current assets	19,028	15,011
Total current assets	<u>514,459</u>	413,841
Investments	1,940,073	1,917,214
Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	71,127	69,157
Land, building, exhibits, and equipment:		
Land	94,253	94,735
Building and improvements	2,287,308	2,282,708
Exhibits and equipment	1,213,369	1,201,994
	<u>3,594,930</u>	3,579,437
Less accumulated depreciation	2,814,580	2,709,177
	<u>780,350</u>	870,260
Total assets	<u>\$ 3,306,009</u>	<u>\$ 3,270,472</u>
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 9,108	\$ 14,942
Accrued expenses	23,597	34,506
Deferred revenue	98,088	4,328
Total current liabilities	<u>130,793</u>	53,776
Net assets:		
Without donor restrictions	1,581,728	1,529,654
With donor restrictions	1,593,488	1,687,042
Total net assets	<u>3,175,216</u>	3,216,696
Total liabilities and net assets	<u>\$ 3,306,009</u>	<u>\$ 3,270,472</u>

See accompanying notes.

Harold W. McMillen Center for Health Education, Inc.

Statements of Activities and Changes in Net Assets

	Year ended June 30	
	2019	2018
Changes in net assets without donor restrictions		
Support, revenues, and gains:		
Contributions	\$ 370,440	\$ 165,885
Government grants	236,941	196,762
Contract revenue	14,908	18,371
Contributed services and materials	928	-
Admission fees	132,827	116,242
Merchandise sales, net of cost	80,825	69,070
Net investment return	97,905	160,449
Change in value of beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	1,970	6,343
Special events, net	9,127	7,135
Gain on sale on disposal of land, building, exhibits, and equipment	1,658	3,100
Other	1,746	2,213
	<u>949,275</u>	<u>745,570</u>
Net assets released from restrictions	197,804	327,796
Total support, revenues, and gains	<u>1,147,079</u>	<u>1,073,366</u>
Expenses:		
Program services—health education	770,084	681,155
Supporting services:		
Management and general	247,154	266,609
Fundraising and development	77,767	75,634
Total expenses	<u>1,095,005</u>	<u>1,023,398</u>
Increase in net assets without donor restrictions	52,074	49,968
Changes in net assets with donor restrictions		
Contributions	104,250	295,120
Net assets released from restrictions	(197,804)	(327,796)
Decrease in net assets with donor restrictions	<u>(93,554)</u>	<u>(32,676)</u>
Increase (decrease) in net assets	(41,480)	17,292
Net assets at beginning of year	3,216,696	3,199,404
Net assets at end of year	<u>\$ 3,175,216</u>	<u>\$ 3,216,696</u>

See accompanying notes.

Harold W. McMillen Center for Health Education, Inc.

Statement of Functional Expenses

Year ended June 30, 2019

	Program Services Health Education	Supporting Services		Total Expenses
		Management and General	Fundraising and Development	
Salaries, wages, and benefits	\$ 478,365	\$ 204,999	\$ 51,834	\$ 735,198
Computer expense	15,330	4,063	923	20,316
Insurance	6,880	3,366	215	10,461
Office supplies and expense	17,406	1,980	1,118	20,504
Operating supplies and expense	94,194	3,926	5,105	103,225
Professional fees	14,030	15,027	251	29,308
Public relations	6,930	-	3,654	10,584
Repairs and maintenance	17,118	109	325	17,552
Telephone	1,482	171	69	1,722
Training	3,135	1,148	187	4,470
Travel	6,142	6,880	1,850	14,872
Utilities	20,534	214	642	21,390
Total expenses before depreciation	681,546	241,883	66,173	989,602
Depreciation	88,538	5,271	11,594	105,403
Total expenses	\$ 770,084	\$ 247,154	\$ 77,767	\$ 1,095,005

See accompanying notes.

Harold W. McMillen Center for Health Education, Inc.

Statement of Functional Expenses

Year ended June 30, 2018

	Program Services Health Education	Supporting Services		Total Expenses
		Management and General	Fundraising and Development	
Salaries, wages, and benefits	\$ 409,378	\$ 217,950	\$ 46,059	\$ 673,387
Computer expense	38,469	9,963	1,383	49,815
Insurance	6,805	3,365	213	10,383
Office supplies and expense	17,317	1,864	1,257	20,438
Operating supplies and expense	51,675	3,917	5,374	60,966
Professional fees	2,892	13,925	473	17,290
Provision for uncollectible receivables	-	5	-	5
Public relations	9,509	-	4,899	14,408
Repairs and maintenance	16,831	112	335	17,278
Telephone	2,586	408	163	3,157
Training	2,313	323	58	2,694
Travel	5,805	8,703	1,900	16,408
Utilities	18,826	196	589	19,611
Total expenses before depreciation	582,406	260,731	62,703	905,840
Depreciation	98,749	5,878	12,931	117,558
Total expenses	\$ 681,155	\$ 266,609	\$ 75,634	\$ 1,023,398

See accompanying notes.

Harold W. McMillen Center for Health Education, Inc.

Statements of Cash Flows

	Year ended June 30	
	2019	2018
Operating activities		
Increase (decrease) in net assets	\$ (41,480)	\$ 17,292
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	105,403	117,558
Realized and unrealized gain on investments, net	(53,752)	(115,699)
Change in value of beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	(1,970)	(6,343)
Gain on sale or disposal of land, building, exhibits, and equipment	(1,658)	(3,100)
Changes in operating assets and liabilities:		
Pledges receivables	(4,828)	8,628
Admissions fees and other receivables	45,516	(21,252)
Accrued interest receivable	541	(820)
Inventory	(4,493)	(2,900)
Prepaid expenses and other current assets	(4,017)	189
Accounts payable	(5,834)	(33,442)
Accrued expenses	(10,909)	14,016
Deferred revenue	93,760	(857)
Cash provided by (used in) operating activities	116,279	(26,730)
Investing activities		
Additions to land, building, exhibits, and equipment	(15,975)	(27,909)
Proceeds from sale of land, building, exhibits, and equipment	2,140	3,100
Purchases of investments	(565,159)	(376,758)
Proceeds from sale and maturities of investments	596,052	405,865
Cash provided by investing activities	17,058	4,298
Increase (decrease) in cash and cash equivalents	133,337	(22,432)
Cash and cash equivalents at beginning of year	206,066	228,498
Cash and cash equivalents at end of year	\$ 339,403	\$ 206,066

See accompanying notes.

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements

June 30, 2019

1. Organization and Summary of Significant Accounting Policies

Organization

The mission of the Harold W. McMillen Center for Health Education, Inc. (McMillen Health), doing business as McMillen Health, is:

to provide vital, effective preventive health education that promotes physical, emotional, and social well-being.

Founded in 1981, McMillen Health is one of less than 5 independently operated health education centers nationwide. McMillen is recognized as the number one resource for health education in the Northern Indiana region — reaching nearly 90,000 students annually. McMillen Health is housed in a 16,000 square foot facility with four themed teaching theaters, a 125 seat auditorium, and a Great Hall with various hands-on displays. McMillen Health provides fact-based health education and resources to students nationally and internationally.

McMillen Health provides more than 90 programs on general health; safety; HIV/STDs; drug/alcohol/tobacco use prevention; nutrition and fitness; human growth and development; bullying prevention, and more. Sample program topics include the KinderHealth program to teach children about maintaining their health, the Health Adventure program to teach third-graders the four keys of staying healthy, the Balance Your Act program to provide information to middle school students about health risks and prevention of obesity; and the Breast Self-Exam and Testicular Self-Exam programs to provide teens with information on the early detection of cancer.

In order to best meet the needs of those it serves, McMillen Health offers programs here at our facility, on site at a school or organization within 150 miles, and via distance learning where our professional educators can connect multiple classes at once in one of our two state-of-the-art distance learning studios.

McMillen Health is exempt from income taxes under Section 501(c) (3) of the United States Internal Revenue Code and qualifies for the 60 percent charitable contribution deduction. McMillen Health has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. McMillen Health is also exempt from state income taxes.

However, McMillen Health is subject to federal income tax on any unrelated business taxable income. McMillen Health provides liabilities for uncertain income tax positions when a liability is probable and estimable. Management believes that it has appropriate support for any tax positions taken or expects to be taken and as such, does not have any uncertain tax positions that

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Organization (continued)

should be recognized, measured, or disclosed in the financial statements. Management believes McMillen Health is no longer subject to examination by taxing authorities for years before June 30, 2016.

Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents with the exception of money market funds. McMillen Health maintains cash accounts at a local bank. At various times during the year, cash accounts exceeded federally insured limits.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, the Foundation's investments are reported at their fair values in the statements of financial position. Net investment return (loss) is reported in the statements of activities and changes in net assets and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investments expenses. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See *Note 4* for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Dividend income is recorded on the ex-dividend date. Interest income from securities is recorded as earned on an accrual basis. Capital gain distributions are included in dividend income.

Net realized and unrealized investment gains or losses are determined by comparison of asset cost, using the specific identification method, to net proceeds received at the time of sale and changes in the difference between market values and cost, respectively.

Land, Building, Exhibits, and Equipment

Land, building, exhibits, and equipment are stated at cost or if donated, at fair market value at the date of donation, except for land, building, exhibits, and equipment that have been impaired. For impaired assets, the carrying amount is reduced to the estimated fair market value. There were no impaired assets as of June 30, 2019 or 2018.

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Land, Building, Exhibits, and Equipment (continued)

Items with a cost of \$1,500 or more and a useful life of one year or more are capitalized. Depreciation is computed by the straight-line method over the following estimated useful lives:

Building and improvements	7 – 40 years
Exhibits and equipment	5 – 10 years

Expenses for normal repairs and maintenance are expensed as incurred.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. If a donor restriction expires in the same reporting period that the contribution was made, such contribution is reported as an unrestricted contribution in the statements of activities and changes in net assets.

Concentration of Credit Risk

McMillen Health grants credit to the users of its services, which are primarily schools in the northeastern Indiana area. McMillen Health performs ongoing credit evaluations, provides an allowance for uncollectible receivables, if necessary, and writes off uncollectible amounts as they become known. McMillen Health received the largest portion of its admission fees from Fort Wayne Community School Corporation in 2019 and 2018.

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Concentration of Credit Risk (continued)

McMillen Health's investment portfolio consists of a diverse mix of investments, without concentration of risk by type, industry, or geographic area, which are managed by professional investment managers in compliance with the investment policy established by the Board of Directors. Investments are exposed to various risks, such as interest rate, market volatility, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investments may occur in the near term and that such changes could materially affect account balances.

Revenue

McMillen Health recognizes revenue upon admission and contractual delivery of health education services and instruction or completion of a special event. Accordingly, funds received for admissions or special events related to future periods are recorded as deferred revenue. Special events included the Vitality Awards.

Revenue from merchandise sales, primarily dental care books and DVD's, is recognized when the product is shipped to the customer and is recorded net of customer returns and discounts. Cost of sales for the year ended June 30, 2019 and 2018 were \$59,066 and \$45,293, respectively.

Contributions and Pledges Receivable

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. McMillen Health received contributions which require it to complete specified numbers of sessions of various programs that it considers conditional promises to give. McMillen Health also received contributions conditional upon the sale of certain Brush! dental health education materials. During the year ended June 30, 2019 total conditional promises to give were \$313,249, and McMillen Health recognized contribution revenue of \$186,106.

Contributions of assets other than cash are recorded at their fair market value.

Contributions of services are recognized as revenue if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and typically need to be purchased if not provided by donation. During the year ended June 30, 2019, the value of contributed services and materials recognized as revenue in the accompanying statements of activities and changes in net assets was \$928.

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Contributions and Pledges Receivable (continued)

Unconditional promises or pledges are recorded at net realizable value. McMillen Health provides an allowance for uncollectible pledges which is based on historical collection experience and management's estimate of the losses that will be incurred in the collection of all pledges receivable. As of June 30, 2019 and 2018, no allowance for uncollectible pledges was deemed necessary.

Government Grants

Government grants are recognized as McMillen Health performs the contracted services pursuant to grant agreements. Grant revenue is recognized as earned as the eligible expenses are incurred. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. The government grants originated from the Indiana State Department of Health.

Financial Instruments

Financial instruments consist of cash, cash equivalents, receivables, investments, accounts payable, and accrued expenses. The carrying amounts reported in the statements of financial position for cash and cash equivalents, pledges receivable, admission fees and other receivables, accrued interest receivable, accounts payable, and accrued expenses approximate their fair value. Management's estimate of the fair value of investments is as previously described and is in *Notes 4 and 5* to the financial statements.

Use of Estimates

Preparation of the 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 in the financial statements and accompanying notes. Actual results could differ from those estimates.

Functional Expenses

The cost of providing the program and other activities has been summarized on a functional basis in the accompanying statements of activities and changes in net assets. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Functional Expenses (continued)

applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other expenses, which are allocated on the basis of estimates of time and effort.

Recently Issued Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for McMillen Health's June 30, 2021 financial statements. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. McMillen Health is currently evaluating the effect of the pending adoption of the new standard on the financial statements.

Change in Accounting Principles

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. McMillen Health has implemented ASU 2016-14 and has adjusted the presentation of these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard is intended to address questions stemming from FASB ASU No. 2014-09, *Revenue from Contracts with Customers*, regarding its implications on the grants and contracts of not-for-profit organizations. The guidance clarifies how entities determine whether to account for a transfer of assets (or a reduction, settlement or cancellation of a liability) as an exchange transaction or a contribution. The new guidance also clarifies that a contribution is conditional if the agreement includes both a barrier (or barriers) that must be overcome for the recipient to be

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Change in Accounting Principles (continued)

entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets. ASU 2018-08 applies to resource providers and resource recipients. The new standard is effective for McMillen Health in the year ending June 30, 2021. On July 1, 2019, McMillen Health implemented ASU 2018-08 using the modified prospective basis, as permitted.

Reclassifications

Certain amounts for the year ended June 30, 2018 have been reclassified to conform with the presentation for the year ended June 30, 2019.

2. Liquidity and Availability

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

Cash and cash equivalents	\$ 339,403
Receivables	90,643
Investments	<u>1,940,073</u>
Financial assets at end of year	2,370,119
Less donor-imposed restrictions for endowments making financial assets unavailable for general expenditure	(1,493,322)
Less contractual or donor-imposed restrictions on receivables making financial assets unavailable for general expenditure	<u>(36,000)</u>
Financial assets available within one year to meet cash needs for general expenditures within one year	<u>\$ 840,797</u>

McMillen Health's endowment funds consist of donor-restricted and board-designated endowments. While donor-restricted endowment funds are not available for general expenditure, the income from these donor-restricted endowments is available for operating purposes. McMillen Health has adopted a prudent approach to spending and reinvestment that requires using a spending formula to provide protection against inflation over time. The actual distribution amount is determined by recommendation from Finance Committee and staff to the full Board of Directors.

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

2. Liquidity and Availability (continued)

McMillen Health receives contributions each year from donors which are available to help meet its cash needs for general expenditures.

As part of its liquidity management plan, McMillen Health has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations become due. It invests cash in excess of daily requirements in short-term investments, including savings accounts.

3. Pledges Receivable

Unconditional promises to give to McMillen Health are recorded as pledges receivable at the present value of expected future cash flows. At June 30, 2019 and 2018, McMillen Health had pledges receivable due in one year of \$70,500 and \$65,672, respectively.

4. Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820 (ASC 820), *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides 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 under ASC 820 are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that McMillen Health 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;
- 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.

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

4. Fair Value Measurements (continued)

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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019 and 2018.

Money market fund: The money market fund is valued at a quoted market price in an exchange and active market, which represent the net asset values of shares held by McMillen Health at year-end.

Common stock: Valued at closing price reported on the active market on which the individual securities are traded.

Mutual funds and exchange traded funds: Valued at the daily closing price as reported by the fund. Mutual funds held by McMillen Health are open-end funds that are registered with the Securities and Exchange Commission. Exchange traded funds are open-end funds that can be bought and sold throughout the day on a stock exchange. Mutual funds are required to publish their daily net asset value and to transact at that price. The mutual funds and exchange traded funds held by McMillen Health are deemed to be actively traded.

Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.: Valued at the fair market value of the underlying investments, as reported by the Community Foundation of Greater Fort Wayne Inc. at year-end.

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

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

4. Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, McMillen Health's assets at fair value as of June 30, 2019 and 2018:

	Assets at Fair Value at June 30, 2019			
	Level 1	Level 2	Level 3	Total
Money market fund	\$ 53,521	\$ -	\$ -	\$ 53,521
Common stock				
Consumer discretionary	82,229	-	-	82,229
Consumer staples	45,620	-	-	45,620
Energy	29,556	-	-	29,556
Financial	94,787	-	-	94,787
Healthcare	83,435	-	-	83,435
Industrials	77,770	-	-	77,770
Information technology	137,715	-	-	137,715
Materials	22,173	-	-	22,173
Real estate	12,056	-	-	12,056
Telecommunication services	61,298	-	-	61,298
Utilities	29,098	-	-	29,098
	<u>675,737</u>	-	-	<u>675,737</u>
Mutual funds and exchange traded funds				
Equity funds:				
Large cap growth	76,265	-	-	76,265
Large cap value	111,251	-	-	111,251
Long-short equity	62,162	-	-	62,162
Mid cap growth	45,902	-	-	45,902
Mid cap value	54,897	-	-	54,897
Small cap blend	38,206	-	-	38,206
Diversified emerging markets	45,241	-	-	45,241
Diversified—international	144,631	-	-	144,631
Real estate	31,108	-	-	31,108
Commodities	12,521	-	-	12,521
Fixed income funds:				
Intermediate-term bond	315,117	-	-	315,117
Corporate bond	87,439	-	-	87,439
World bond	50,994	-	-	50,994
Inflation-protected bond	48,084	-	-	48,084
Bank loan	22,046	-	-	22,046
Nontraditional bond	64,951	-	-	64,951
	<u>1,210,815</u>	-	-	<u>1,210,815</u>
Funds held by the Community				
Foundation of Greater Fort Wayne Inc.	-	71,127	-	71,127
Total assets at fair value	<u>\$ 1,940,073</u>	<u>\$ 71,127</u>	<u>\$ -</u>	<u>\$ 2,011,200</u>

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

4. Fair Value Measurements (continued)

	Assets at Fair Value at June 30, 2018			
	Level 1	Level 2	Level 3	Total
Money market fund	\$ 38,197	\$ -	\$ -	\$ 38,197
Common stock				
Consumer discretionary	89,712	-	-	89,712
Consumer staples	30,138	-	-	30,138
Energy	39,983	-	-	39,983
Financial	102,133	-	-	102,133
Healthcare	88,316	-	-	88,316
Industrials	79,116	-	-	79,116
Information technology	165,675	-	-	165,675
Materials	24,083	-	-	24,083
Real estate	11,219	-	-	11,219
Telecommunication services	6,871	-	-	6,871
Utilities	16,359	-	-	16,359
	653,605	-	-	653,605
Mutual funds and exchange traded funds				
Equity funds:				
Large cap growth	71,873	-	-	71,873
Large cap value	110,606	-	-	110,606
Large cap blend	56,105	-	-	56,105
Long-short equity	56,479	-	-	56,479
Mid cap growth	45,572	-	-	45,572
Mid cap value	48,791	-	-	48,791
Small cap growth	42,279	-	-	42,279
Diversified emerging markets	45,815	-	-	45,815
Diversified—international	147,997	-	-	147,997
Real estate	29,246	-	-	29,246
Commodities	14,110	-	-	14,110
Fixed income funds:				
Intermediate-term bond	294,738	-	-	294,738
Corporate bond	79,770	-	-	79,770
World bond	50,198	-	-	50,198
Inflation-protected bond	47,117	-	-	47,117
Bank loan	22,402	-	-	22,402
Nontraditional bond	62,314	-	-	62,314
	1,225,412	-	-	1,225,412
Funds held by the Community				
Foundation of Greater Fort Wayne Inc.	-	69,157	-	69,157
Total assets at fair value	\$ 1,917,214	\$ 69,157	\$ -	\$ 1,986,371

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

5. Beneficial Interest in Funds Held by the Community Foundation of Greater Fort Wayne Inc.

The beneficial interest in the funds held by the Community Foundation of Greater Fort Wayne Inc. (Foundation) are the result of an agreement whereby McMillen Health has transferred assets to the Foundation and has specified itself as the beneficiary of the assets. McMillen Health may draw up to a certain percent of the value of the assets each year, subject to certain conditions and limitations, but may only obtain a return of the full value of the assets upon consent of the Foundation. McMillen Health's beneficial interest in these funds is included in investments.

Additionally, the Foundation holds investment assets, with a value of \$15,872 and \$15,114 at June 30, 2019 and 2018, respectively, for the benefit of McMillen Health. McMillen Health is precluded from recognizing these assets held by the Foundation because of the explicitly granted variance power held by the Foundation. Accordingly, McMillen Health only recognizes its annual grants by the Foundation from these funds as contributions.

6. Net Investment Return

The composition of investment return recognized in the statements of activities and changes in net assets are as follows:

	Year ended June 30	
	2019	2018
Investment income:		
Interest and dividends	\$ 53,207	\$ 43,863
Interest on cash equivalents	132	887
Net realized gain on investments	35,852	53,264
Net unrealized gain on investments	17,900	71,747
	107,091	169,761
Investment expenses	(9,186)	(9,312)
Net investment return	\$ 97,905	\$ 160,449

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

7. Endowment

ASC 958, *Not-for-Profit Entities*, required certain net asset classification changes for institutional endowment funds under Uniform Prudent Management of Institutional Funds Act (UPMIFA). Effective July 1, 2007, the Indiana General Assembly adopted UPMIFA.

McMillen Health's endowment (Endowment) consists of several individual funds established by donors to provide annual funding for specific activities and general operations. The Endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Directors.

The Board of Directors of McMillen Health has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2019 and 2018, there were no such donor stipulations. As a result of this interpretation, McMillen Health retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. McMillen Health considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of McMillen Health and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation (depreciation) of investments.
- Other resources of McMillen Health.
- The investment policies of McMillen Health.

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

7. Endowment Funds (continued)

Endowment net asset composition by type of fund as of June 30, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
McMillen Foundation	\$ -	\$ 1,010,986	\$ 1,010,986
Other	-	482,336	482,336
	-	1,493,322	1,493,332
Board-designated endowment funds:			
Funds held by the Community Foundation of Greater Fort Wayne Inc.	71,127	-	71,127
Other	446,751	-	446,751
	517,878	-	517,878
Total funds	\$ 517,878	\$ 1,493,322	\$ 2,011,200

Changes in endowment net assets for the year ended June 30, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	\$ 493,049	\$ 1,493,322	\$ 1,986,371
Net investment return	97,773	-	97,773
Change in value of beneficial interest on funds held by the Community Foundation Greater Fort Wayne Inc.	1,970	-	1,970
	99,743	-	99,743
Other changes— Distribution of endowment net assets for expenditures	(74,914)	-	(74,914)
Endowment net assets at end of year	\$ 517,878	\$ 1,493,322	\$ 2,011,200

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

7. Endowment Funds (continued)

Endowment net asset composition by type of fund as of June 30, 2018 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
McMillen Foundation	\$ -	\$ 1,010,986	\$ 1,010,986
Other	-	482,336	482,336
	-	1,493,322	1,493,322
Board-designated endowment funds:			
Funds held by the Community Foundation of Greater Fort Wayne Inc.	69,157	-	69,157
Other	423,892	-	423,892
	493,049	-	493,049
Total funds	\$ 493,049	\$ 1,493,322	\$ 1,986,371

Changes in endowment net assets for the year ended June 30, 2018 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	\$ 400,114	\$ 1,493,322	\$ 1,893,436
Net investment return	159,562	-	159,562
Change in value of beneficial interest on funds held by the Community Foundation Greater Fort Wayne Inc.	6,343	-	6,343
	165,905	-	165,905
Other changes— Distribution of endowment net assets for expenditures	(72,970)	-	(72,970)
Endowment net assets at end of year	\$ 493,049	\$ 1,493,322	\$ 1,986,371

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). McMillen Health has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2019 and 2018, there were no deficiencies in donor-restricted endowment funds.

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

7. Endowment Funds (continued)

Investment and Spending Policies

McMillen Health has adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments. Pursuant to this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of certain investment benchmark indices while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time.

McMillen Health's Board of Directors uses an endowment spending-rate formula to determine the maximum amount to spend from the Endowment, including those endowments deemed to be underwater, each year. This annual distribution is calculated at 4 percent of the 12 quarter rolling average on March 31 and is limited to the unrestricted portion of the endowment fund. During the years ended June 30, 2019 and 2018, the spending rate maximum was 4 percent. In establishing this policy, McMillen Health considered the long-term expected return on the Endowment and set the rate with the objective of maintaining the purchasing power of the Endowment over time.

During the years ended June 30, 2019 and 2018, the annual distribution was \$74,914 and \$72,970, respectively.

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

8. Net Assets

Net assets with donor restrictions are restricted for the following purposes or periods.

	June 30	
	2019	2018
Subject to specified purpose:		
TAM restoration	\$ 31,900	\$ -
Future program operations	22,716	87,446
Technology	9,025	-
Dental health education	525	64,682
Capital campaign for renovation project	-	26,592
Babies born narcotics dependent	-	15,000
Promises to give, the proceeds from which have been restricted by donors for:		
TAM restoration	15,000	-
Vehicle	21,000	-
	100,166	193,720
Endowment funds that require the principal be invested and that earnings are subject to spending policy and appreciation for operating purposes	1,493,322	1,493,322
	<u>\$1,593,488</u>	<u>\$1,687,042</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donor or by occurrence of the passage of time were \$197,804 in 2019 and \$327,796 in 2018.

9. Debt Arrangements

Pursuant to a revolving line of credit arrangement with a bank, McMillen Health may borrow up to \$200,000 subject to certain terms and conditions. This line of credit arrangement expires on October 9, 2019. The line of credit arrangement bears interest at the bank base rate plus .5 percent (6.0 percent at June 30, 2019), which is due and payable monthly. There were no borrowings pursuant to this line of credit arrangement at June 30, 2019 and 2018.

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

10. Employee Retirement Plan

McMillen Health sponsors a Section 403(b) plan. All employees are eligible to participate in the plan, which allows the maximum employee contribution permitted under the Internal Revenue Code. Effective August 1, 2017, McMillen Health began making matching contribution to the plan. McMillen Health's contributions to the plan were \$14,560 and \$12,144 for the years ended June 30, 2019 and 2018, respectively.

11. Related Party Transactions

Certain members of the Board of Directors are employed by organizations that have paid admission fees to or provided services for McMillen Health. The fees received or paid for these services were based on customary and reasonable rates for such services.

12. Subsequent Events

Management has evaluated subsequent events through August 13, 2019, the date on which the financial statements were available to be issued.