

Financial Statements

HAROLD W. McMILLEN CENTER FOR HEALTH EDUCATION, INC.

*Years ended June 30, 2020 and 2019
with of Independent Auditor's Report*

Harold W. McMillen Center for Health Education, Inc.

Financial Statements

Years ended June 30, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Haines, Lumbarger & Skiba, LLC

Fort Wayne, Indiana
August 3, 2020

Harold W. McMillen Center for Health Education, Inc.

Statements of Financial Position

	June 30	
	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 586,006	\$ 339,403
Receivables:		
Pledges receivable	-	70,500
Admission fees and other receivables	61,896	18,629
Accrued interest receivable	1,472	1,514
	<u>63,368</u>	<u>90,643</u>
Inventory	83,756	65,385
Prepaid expenses and other current assets	17,105	19,028
Total current assets	<u>750,235</u>	<u>514,459</u>
Investments	1,919,667	1,940,073
Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	69,182	71,127
Land, building, exhibits, and equipment:		
Land	94,253	94,253
Building and improvements	2,287,308	2,287,308
Exhibits and equipment	1,240,942	1,213,369
	<u>3,622,503</u>	<u>3,594,930</u>
Less accumulated depreciation	<u>2,883,960</u>	<u>2,814,580</u>
	<u>738,543</u>	<u>780,350</u>
Total assets	<u>\$ 3,477,627</u>	<u>\$ 3,306,009</u>
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 9,708	\$ 9,108
Accrued expenses	39,301	23,597
Refundable advances	312,302	98,088
Total current liabilities	<u>361,311</u>	<u>130,793</u>
Net assets:		
Without donor restrictions	1,580,615	1,581,728
With donor restrictions	1,535,701	1,593,488
Total net assets	<u>3,116,316</u>	<u>3,175,216</u>
Total liabilities and net assets	<u>\$ 3,477,627</u>	<u>\$ 3,306,009</u>

See accompanying notes.

Harold W. McMillen Center for Health Education, Inc.

Statements of Activities and Changes in Net Assets

	Year ended June 30	
	2020	2019
Changes in net assets without donor restrictions		
Support, revenues, and gains (losses):		
Contributions	\$ 377,936	\$ 370,440
Government grants	158,080	236,941
Contract revenue	208,868	14,908
Contributed services and materials	4,000	928
Admission fees	109,296	132,827
Merchandise sales, net of cost	75,032	80,825
Net investment return	56,738	97,905
Change in value of beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	(1,945)	1,970
Special events, net	9,463	9,127
Gain on sale on disposal of land, building, exhibits, and equipment	3,500	1,658
Other	897	1,746
	<u>1,001,865</u>	<u>949,275</u>
Net assets released from restrictions	111,957	197,804
Total support, revenues, and gains	<u>1,113,822</u>	<u>1,147,079</u>
Expenses:		
Program services—health education	833,476	770,084
Supporting services:		
Management and general	204,044	247,154
Fundraising and development	77,415	77,767
Total expenses	<u>1,114,935</u>	<u>1,095,005</u>
Increase (decrease) in net assets without donor restrictions	(1,113)	52,074
Changes in net assets with donor restrictions		
Contributions	54,170	104,250
Net assets released from restrictions	(111,957)	(197,804)
Decrease in net assets with donor restrictions	<u>(57,787)</u>	<u>(93,554)</u>
Decrease in net assets	(58,900)	(41,480)
Net assets at beginning of year	3,175,216	3,216,696
Net assets at end of year	<u><u>\$ 3,116,316</u></u>	<u><u>\$ 3,175,216</u></u>

See accompanying notes.

Harold W. McMillen Center for Health Education, Inc.

Statements of Functional Expenses

Year ended June 30, 2020

	Program Services Health Education	Supporting Services		Total Expenses
		Management and General	Fundraising and Development	
Salaries, wages, and benefits	\$ 572,073	\$ 169,115	\$ 52,730	\$ 793,918
Computer expense	21,831	5,759	1,207	28,797
Cost of merchandise sold	84,343	-	-	84,343
Insurance	6,908	3,297	216	10,421
Office supplies and expense	31,540	1,223	734	33,497
Operating supplies and expense	37,925	3,517	4,202	45,644
Professional fees	20,341	14,001	466	34,808
Public relations	4,806	-	2,641	7,447
Repairs and maintenance	20,521	151	454	21,126
Special events direct benefits	-	-	15,406	15,406
Telephone	691	203	81	975
Training	1,355	171	32	1,558
Travel	3,129	887	1,903	5,919
Utilities	19,710	205	617	20,532
Total expenses before depreciation	825,173	198,529	80,689	1,104,391
Depreciation	92,646	5,515	12,132	110,293
Total expenses	917,819	204,044	92,821	1,214,684
Less cost of sales	(84,343)	-	-	(84,343)
Less special events direct benefits	-	-	(15,406)	(15,406)
Total expenses reflected on the statements of activities and changes in net assets	\$ 833,476	\$ 204,044	\$ 77,415	\$ 1,114,935

See accompanying notes.

Harold W. McMillen Center for Health Education, Inc.

Statements 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
Cost of merchandise sold	59,066	-	-	59,066
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
Special events direct benefits	-	-	9,089	9,089
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	740,612	241,883	75,262	1,057,757
Depreciation	88,538	5,271	11,594	105,403
Total expenses	829,150	247,154	86,856	1,163,160
Less cost of sales	(59,066)	-	-	(59,066)
Less special events direct benefits	-	-	(9,089)	(9,089)
Total expenses reflected on the statements of activities and changes in net assets	\$ 770,084	\$ 247,154	\$ 77,767	\$ 1,095,005

See accompanying notes.

Harold W. McMillen Center for Health Education, Inc.

Statements of Cash Flows

	Year ended June 30	
	2020	2019
Operating activities		
Decrease in net assets	\$ (58,900)	\$ (41,480)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	110,293	105,403
Realized and unrealized gain on investments, net	(11,849)	(53,752)
Change in value of beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	1,945	(1,970)
Gain on sale or disposal of land, building, exhibits, and equipment	(3,500)	(1,658)
Changes in operating assets and liabilities:		
Pledges receivables	70,500	(4,828)
Admissions fees and other receivables	(43,267)	45,516
Accrued interest receivable	42	541
Inventory	(18,371)	(4,493)
Prepaid expenses and other current assets	1,923	(4,017)
Accounts payable	600	(5,834)
Accrued expenses	15,704	(10,909)
Refundable advances	214,214	93,760
Cash provided by operating activities	<u>279,334</u>	<u>116,279</u>
Investing activities		
Additions to land, building, exhibits, and equipment	(68,486)	(15,975)
Proceeds from sale of land, building, exhibits, and equipment	3,500	2,140
Purchases of investments	(858,064)	(565,159)
Proceeds from sale and maturities of investments	890,319	596,052
Cash provided by (used in) investing activities	<u>(32,731)</u>	<u>17,058</u>
Increase in cash and cash equivalents	246,603	133,337
Cash and cash equivalents at beginning of year	339,403	206,066
Cash and cash equivalents at end of year	<u>\$ 586,006</u>	<u>\$ 339,403</u>

See accompanying notes.

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements

June 30, 2020

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, 2017.

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, 2020 or 2019.

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 2020 and 2019.

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.

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The extent of the impact of the COVID-19 outbreak on the financial performance of McMillen Health will depend on future developments, including the duration and severity of the outbreak and its impact on the financial markets and the overall economy, all of which are highly uncertain and cannot be predicted. If the financial markets and/or the overall economy are impacted for an extended period, McMillen Health's financial performance, including net investment return, may be materially adversely affected.

A prolonged widespread epidemic could adversely impact global economies and financial markets resulting in an economic downturn that may negatively affect McMillen Health's ability to obtain contributions and/or grants as well as disrupt the demand for services. Such disruptions could adversely impact cash flows and financial results for 2021.

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, 2020 and 2019 were \$84,343 and \$59,066, respectively.

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

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 receives contributions conditional upon the sale of certain Brush! dental health education materials. During the year ended June 30, 2020 conditional promises to give for specified numbers of session and Brush! dental health education materials were \$292,316, and McMillen Health recognized contribution revenue of \$166,542. McMillen Health received a Paycheck Protection Program loan from the Small Business Administration during the year ended June 30, 2020. Management expects the loan to be fully forgiven in accordance with the terms of the Coronavirus Aid Relief and Economic Security Act and has accounted for the forgivable loan as a conditional contribution. Accordingly, McMillen Health has recorded a refundable advance of \$120,000 for the forgivable loan as of June 30, 2020 and will recognize contribution revenue when the loan has been forgiven.

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, 2020, the value of contributed services and materials recognized as revenue in the accompanying statements of activities and changes in net assets was \$4,000.

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, 2020 and 2019, 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.

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

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

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 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.

Reclassifications

Certain amounts for the year ended June 30, 2019 have been reclassified to conform with the presentation for the year ended June 30, 2020.

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

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:

	June 30	
	2020	2019
Cash and cash equivalents	\$ 586,006	\$ 339,403
Receivables	63,368	90,643
Investments	1,919,667	1,940,073
Financial assets at end of year	2,569,041	2,370,119
Less donor-imposed restrictions for endowments making financial assets unavailable for general expenditure	(1,493,322)	(1,493,322)
Less contractual or donor-imposed restrictions on receivables making financial assets unavailable for general expenditure	-	(36,000)
Financial assets available within one year to meet cash needs for general expenditures within one year	\$ 1,075,719	\$ 840,797

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.

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.

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

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, McMillen Health had pledges receivable due in one year of \$70,500.

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;
- 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.

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

4. Fair Value Measurements (continued)

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, 2020 and 2019.

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, 2020 and 2019:

	Assets at Fair Value at June 30, 2020			
	Level 1	Level 2	Level 3	Total
Money market fund	\$ 37,463	\$ -	\$ -	\$ 37,463
Common stock				
Consumer discretionary	84,343	-	-	84,343
Consumer staples	43,865	-	-	43,865
Energy	14,531	-	-	14,531
Financial	71,612	-	-	71,612
Healthcare	82,265	-	-	82,265
Industrials	56,694	-	-	56,694
Information technology	159,867	-	-	159,867
Materials	14,930	-	-	14,930
Real estate	12,702	-	-	12,702
Telecommunication services	58,651	-	-	58,651
Utilities	19,550	-	-	19,550
	619,010	-	-	619,010
Mutual funds and exchange traded funds				
Equity funds:				
Large cap growth	35,821	-	-	35,821
Large cap value	34,381	-	-	34,381
Large blend	199,750	-	-	199,750
Mid cap growth	67,837	-	-	67,837
Mid cap value	31,647	-	-	31,647
Small cap blend	30,875	-	-	30,875
Diversified emerging markets	41,504	-	-	41,504
Diversified—international	142,210	-	-	142,210
Real estate	48,303	-	-	48,303
Commodities	10,042	-	-	10,042
Fixed income funds:				
Intermediate-term bond	377,672	-	-	377,672
Corporate bond	95,805	-	-	95,805
World bond	49,853	-	-	49,853
Emerging markets bond	9,684	-	-	9,684
Bank loan	20,692	-	-	20,692
Nontraditional bond	67,118	-	-	67,118
	1,263,194	-	-	1,263,194
Funds held by the Community				
Foundation of Greater Fort Wayne Inc.	-	69,182	-	69,182
Total assets at fair value	\$ 1,919,667	\$ 69,182	\$ -	\$ 1,988,849

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, 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
	675,737	-	-	675,737
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
	1,210,815	-	-	1,210,815
Funds held by the Community				
Foundation of Greater Fort Wayne Inc.	-	71,127	-	71,127
Total assets at fair value	\$ 1,940,073	\$ 71,127	\$ -	\$ 2,011,200

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 \$15,611 and \$15,872 at June 30, 2020 and 2019, 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	
	2020	2019
Investment income:		
Interest and dividends	\$ 53,853	\$ 53,207
Interest on cash equivalents	309	132
Net realized gain on investments	80,486	35,852
Net unrealized gain (loss) on investments	(68,637)	17,900
	<u>66,011</u>	<u>107,091</u>
Investment expenses	(9,273)	(9,186)
Net investment return	<u>\$ 56,738</u>	<u>\$ 97,905</u>

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, 2020 and 2019, 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 (continued)

Endowment net asset composition by type of fund as of June 30, 2020 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.	69,182	-	69,182
Other	426,345	-	426,345
	495,527	-	495,527
Total funds	\$ 495,527	\$ 1,493,322	\$ 1,988,849

Changes in endowment net assets for the year ended June 30, 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets			
at beginning of year	\$ 517,878	\$ 1,493,322	\$ 2,011,200
Net investment return	56,429	-	56,429
Change in value of beneficial interest			
on funds held by the Community			
Foundation Greater Fort Wayne Inc.	(1,945)	-	(1,945)
	54,484	-	54,484
Other changes—			
Distribution of endowment			
net assets for expenditures	(76,835)	-	(76,835)
Endowment net assets at end of year	\$ 495,527	\$ 1,493,322	\$ 1,988,849

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

7. Endowment (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

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, 2020 and 2019, there were no deficiencies in donor-restricted endowment funds.

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

7. Endowment (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, 2020 and 2019, 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, 2020 and 2019, the annual distribution was \$76,835 and \$74,914, 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	
	2020	2019
Subject to specified purpose:		
Future program operations	\$ 40,216	\$ 22,716
Brain display in Great Hall	1,638	-
Dental health education	525	525
TAM restoration	-	31,900
Technology	-	9,025
Promises to give, the proceeds from which have been restricted by donors for:		
TAM restoration	-	15,000
Vehicle	-	21,000
	42,379	100,166
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>\$1,535,701</u>	<u>\$1,593,488</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 \$111,957 in 2020 and \$197,804 in 2019.

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, 2020. The line of credit arrangement bears interest at the bank base rate plus .5 percent (3.75 percent at June 30, 2020), which is due and payable monthly. There were no borrowings pursuant to this line of credit arrangement at June 30, 2020 and 2019.

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 \$14,245 and \$14,560 for the years ended June 30, 2020 and 2019, 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 3, 2020, the date on which the financial statements were available to be issued.