

Financial Statements

HAROLD W. McMILLEN CENTER FOR HEALTH EDUCATION, INC.

*Years ended June 30, 2021 and 2020
with of Independent Auditor's Report*

Harold W. McMillen Center for Health Education, Inc.

Financial Statements

Years ended June 30, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Haines, Lumbarger & Skiba, LLC

Fort Wayne, Indiana
August 3, 2021

Harold W. McMillen Center for Health Education, Inc.

Statements of Financial Position

	June 30	
	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 774,508	\$ 586,006
Receivables:		
Pledges receivable	4,775	-
Admission fees and other receivables	73,806	61,896
Accrued interest receivable	1,628	1,472
	<u>80,209</u>	<u>63,368</u>
Inventory	119,121	83,756
Prepaid expenses and other current assets	17,271	17,105
Total current assets	<u>991,109</u>	<u>750,235</u>
Investments	2,311,741	1,919,667
Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	95,556	69,182
Land, building, exhibits, and equipment:		
Land	94,253	94,253
Building and improvements	2,303,028	2,287,308
Exhibits and equipment	1,274,645	1,240,942
Software in progress	42,500	-
	<u>3,714,426</u>	<u>3,622,503</u>
Less accumulated depreciation	2,975,574	2,883,960
	<u>738,852</u>	<u>738,543</u>
Total assets	<u>\$ 4,137,258</u>	<u>\$ 3,477,627</u>
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 8,955	\$ 9,708
Accrued expenses	40,921	39,301
Refundable advances	143,132	312,302
Total current liabilities	<u>193,008</u>	<u>361,311</u>
Net assets:		
Without donor restrictions	2,377,038	1,580,615
With donor restrictions	1,567,212	1,535,701
Total net assets	<u>3,944,250</u>	<u>3,116,316</u>
Total liabilities and net assets	<u>\$ 4,137,258</u>	<u>\$ 3,477,627</u>

See accompanying notes.

Harold W. McMillen Center for Health Education, Inc.

Statements of Activities and Changes in Net Assets

	Year ended June 30	
	2021	2020
Changes in net assets without donor restrictions		
Support, revenues, and gains:		
Contributions	\$ 743,737	\$ 377,936
Government grants	316,067	158,080
Contract revenue	119,331	208,868
Contributed services and materials	1,597	4,000
Admission fees	125,423	109,296
Merchandise sales, net of cost	77,736	75,032
Net investment return	471,529	56,738
Change in value of beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	26,374	(1,945)
Special events, net	22,425	9,463
Gain on sale on disposal of land, building, exhibits, and equipment	-	3,500
Other	806	897
	<u>1,905,025</u>	<u>1,001,865</u>
Net assets released from restrictions	85,062	111,957
Total support, revenues, and gains	<u>1,990,087</u>	<u>1,113,822</u>
Expenses:		
Program services—health education	852,845	827,381
Supporting services:		
Management and general	276,499	212,707
Fundraising and development	64,320	74,847
Total expenses	<u>1,193,664</u>	<u>1,114,935</u>
Increase (decrease) in net assets without donor restrictions	796,423	(1,113)
Changes in net assets with donor restrictions		
Contributions	116,573	54,170
Net assets released from restrictions	(85,062)	(111,957)
Increase (decrease) in net assets with donor restrictions	<u>31,511</u>	<u>(57,787)</u>
Increase (decrease) in net assets	827,934	(58,900)
Net assets at beginning of year	3,116,316	3,175,216
Net assets at end of year	<u>\$ 3,944,250</u>	<u>\$ 3,116,316</u>

See accompanying notes.

Harold W. McMillen Center for Health Education, Inc.

Statements of Functional Expenses

Year ended June 30, 2021

	Program Services Health Education	Supporting Services		Total Expenses
		Management and General	Fundraising and Development	
Salaries, wages, and benefits	\$ 596,429	\$ 230,964	\$ 44,868	\$ 872,261
Computer expense	41,045	8,916	1,277	51,238
Cost of merchandise sold	60,763	-	-	60,763
Insurance	6,362	3,091	199	9,652
Office supplies and expense	9,494	1,273	686	11,453
Operating supplies and expense	77,607	2,601	3,232	83,440
Professional fees	3,508	17,393	575	21,476
Public relations	2,828	1,565	1,602	5,995
Repairs and maintenance	20,018	153	457	20,628
Special events direct benefits	-	-	7,206	7,206
Telephone	740	218	87	1,045
Training	4,511	571	104	5,186
Travel	537	107	88	732
Utilities	12,811	5,066	1,068	18,945
Total expenses before depreciation	836,653	271,918	61,449	1,170,020
Depreciation	76,955	4,581	10,077	91,613
Total expenses	913,608	276,499	71,526	1,261,633
Less cost of sales	(60,763)	-	-	(60,763)
Less special events direct benefits	-	-	(7,206)	(7,206)
Total expenses reflected on the statements of activities and changes in net assets	\$ 852,845	\$ 276,499	\$ 64,320	\$ 1,193,664

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	12,544	1,149	589	14,282
Operating supplies and expense	56,914	3,770	4,175	64,859
Professional fees	20,341	14,001	466	34,808
Public relations	4,078	2,256	1,113	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	3,140	2,227	552	5,919
Utilities	14,339	5,093	1,100	20,532
Total expenses before depreciation	819,078	207,192	78,121	1,104,391
Depreciation	92,646	5,515	12,132	110,293
Total expenses	911,724	212,707	90,253	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	\$ 827,381	\$ 212,707	\$ 74,847	\$ 1,114,935

See accompanying notes.

Harold W. McMillen Center for Health Education, Inc.

Statements of Cash Flows

	Year ended June 30	
	2021	2020
Operating activities		
Increase (decrease) in net assets	\$ 827,934	\$ (58,900)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	91,613	110,293
Realized and unrealized gain on investments, net	(436,307)	(11,849)
Change in value of beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	(26,374)	1,945
Gain on sale or disposal of land, building, exhibits, and equipment	-	(3,500)
Changes in operating assets and liabilities:		
Pledges receivables	(4,775)	70,500
Admissions fees and other receivables	(11,910)	(43,267)
Accrued interest receivable	(156)	42
Inventory	(35,365)	(18,371)
Prepaid expenses and other current assets	(166)	1,923
Accounts payable	(753)	600
Accrued expenses	1,620	15,704
Refundable advances	(169,170)	214,214
Cash provided by operating activities	<u>236,191</u>	<u>279,334</u>
Investing activities		
Additions to land, building, exhibits, and equipment	(91,922)	(68,486)
Proceeds from sale of land, building, exhibits, and equipment	-	3,500
Purchases of investments	(1,003,254)	(858,064)
Proceeds from sale and maturities of investments	1,047,487	890,319
Cash used in investing activities	<u>(47,689)</u>	<u>(32,731)</u>
Increase in cash and cash equivalents	188,502	246,603
Cash and cash equivalents at beginning of year	586,006	339,403
Cash and cash equivalents at end of year	<u>\$ 774,508</u>	<u>\$ 586,006</u>

See accompanying notes.

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements

June 30, 2021

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 opened as the second independently operated health education center in the nation. McMillen Health's focus was health education for children, particularly drug abuse prevention, general health, reproductive health, nutrition, and fitness. Today, McMillen Health is recognized as the oldest independently operated health education center in the United States and one of only four left in the nation. To remain sustainable, our focus has expanded to now offer more preventive health education programs, curricula development, media design, and video production.

McMillen Health currently offers 200 preventive health education programs, reaching nearly 90,000 students annually. Programs include Preschool Dental, Child Sexual Abuse Prevention, General Health, Nutrition and Fitness, Drug/Alcohol/Tobacco Prevention, Bullying Prevention, Teen Suicide Prevention, Teen Dating Violence Prevention, Teen Pregnancy Prevention, Disease Prevention (including COVID-19), Reproductive Health, Social and Emotional Health/Mental Health, programs for students with special needs, professional development for adults serving youth, and programs for aging adults.

To best meet the needs of those we serve, McMillen Health offers programming at our facility on the Southeast side of Fort Wayne, via Outreach where health educators travel up to 150 miles from our center, via live distance learning where our professional health educators can connect with up to 400 students in the classroom and/or at home, and via E-Learning.

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 expected to be taken and as such, does not have any uncertain tax positions

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

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

Organization (continued)

that 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, 2018.

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, McMillen Health'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, 2021 or 2020.

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.

Risks and Uncertainties

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

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

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

Risks and Uncertainties (continued)

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 2022.

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, 2021 and 2020 were \$60,763 and \$84,343, respectively.

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 Warsaw Community School Corporation in 2021 and Fort Wayne Community School Corporation in 2020.

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

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, 2021 conditional promises to give for specified numbers of session and Brush! dental health education materials were \$337,878, and McMillen Health recognized contribution revenue of \$166,300. McMillen Health received a Paycheck Protection Program loan from the Small Business Administration (SBA) during the year ended June 30, 2020 and accounted for it as a conditional contribution. Accordingly, McMillen Health recorded a refundable advance of \$120,000 for the forgivable loan as of June 30, 2020. On November 23, 2020, McMillen Health received notification from the SBA approving the forgiveness of the loan, and revenue was recognized as a government grant during the year ended June 30, 2021.

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, 2021, the value of contributed services and materials recognized as revenue in the accompanying statements of activities and changes in net assets was \$1,597.

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, 2021 and 2020, 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.

Recently Issued Accounting Standard

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 clarifies the presentation and disclosure of contributed nonfinancial assets, including land, buildings, and other items. This standard is intended to enhance the presentation and disclosures of these items; however, the recognition and measurement requirements for these nonfinancial assets remain unchanged in Accounting Standards Codification (ASC) 958-605. ASU 2020-07 is effective for McMillen Health's periods beginning after June 15, 2021 and should be applied on a retrospective basis. McMillen Health is currently evaluating the effect of the pending adoption of the new standard on its financial statements.

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

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

Reclassifications

Certain amounts for the year ended June 30, 2020 have been reclassified to conform with the presentation for the year ended June 30, 2021.

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	
	2021	2020
Cash and cash equivalents	\$ 774,508	\$ 586,006
Receivables	80,209	63,368
Investments	2,311,741	1,919,667
Financial assets at end of year	3,166,458	2,569,041
Less donor-imposed restrictions for endowments making financial assets unavailable for general expenditure	(1,493,322)	(1,493,322)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,673,136</u>	<u>\$ 1,075,719</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.

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, 2021, McMillen Health had pledges receivable due in one year of \$4,775.

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, 2021 and 2020.

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, 2021 and 2020:

	Assets at Fair Value at June 30, 2021			
	Level 1	Level 2	Level 3	Total
Money market fund	\$ 14,255	\$ -	\$ -	\$ 14,255
Common stock				
Consumer discretionary	49,390	-	-	49,390
Consumer staples	49,905	-	-	49,905
Energy	13,549	-	-	13,549
Financial	63,627	-	-	63,627
Healthcare	88,562	-	-	88,562
Industrials	52,253	-	-	52,253
Information technology	145,159	-	-	145,159
Materials	16,928	-	-	16,928
Real estate	14,182	-	-	14,182
Telecommunication services	62,927	-	-	62,927
Utilities	17,052	-	-	17,052
	<u>573,534</u>	-	-	<u>573,534</u>
Mutual funds and exchange traded funds				
Equity funds:				
Large cap value	38,428	-	-	38,428
Large blend	277,298	-	-	277,298
Mid cap growth	91,796	-	-	91,796
Mid cap value	39,282	-	-	39,282
Small cap blend	49,216	-	-	49,216
Diversified emerging markets	59,734	-	-	59,734
Diversified—international	188,920	-	-	188,920
Real estate	62,868	-	-	62,868
Energy limited partnerships	83,764	-	-	83,764
Fixed income funds:				
Long-term bond	99,090	-	-	99,090
Short-term bond	543,263	-	-	543,263
World bond	32,076	-	-	32,076
Emerging markets bond	10,088	-	-	10,088
Bank loan	88,417	-	-	88,417
Nontraditional bond	59,712	-	-	59,712
	<u>1,723,952</u>	-	-	<u>1,723,952</u>
Funds held by the Community				
Foundation of Greater Fort Wayne Inc.	-	95,556	-	95,556
Total assets at fair value	<u>\$ 2,311,741</u>	<u>\$ 95,556</u>	<u>\$ -</u>	<u>\$ 2,407,297</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, 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)

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.

Additionally, the Foundation holds investment assets, with a value of \$21,783 and \$15,611 at June 30, 2021 and 2020, 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	
	2021	2020
Investment income:		
Interest and dividends	\$ 45,445	\$ 53,853
Interest on cash equivalents	302	309
Net realized gain on investments	176,243	80,486
Net unrealized gain (loss) on investments	260,064	(68,637)
	<u>482,054</u>	<u>66,011</u>
Investment expenses	(10,525)	(9,273)
Net investment return	<u>\$ 471,529</u>	<u>\$ 56,738</u>

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.

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

7. Endowment (continued)

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, 2021 and 2020, 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, 2021 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.	95,556	-	95,556
Other	818,419	-	818,419
	913,975	-	913,975
Total funds	<u>\$ 913,975</u>	<u>\$ 1,493,322</u>	<u>\$ 2,407,297</u>

Changes in endowment net assets for the year ended June 30, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets			
at beginning of year	\$ 495,527	\$ 1,493,322	\$ 1,988,849
Net investment return	471,227	-	471,227
Change in value of beneficial interest			
on funds held by the Community			
Foundation Greater Fort Wayne Inc.	26,374	-	26,374
	497,601	-	497,601
Other changes–			
Distribution of endowment			
net assets for expenditures	(79,153)	-	(79,153)
Endowment net assets at end of year	<u>\$ 913,975</u>	<u>\$ 1,493,322</u>	<u>\$ 2,407,297</u>

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

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, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020, the annual distribution was \$79,153 and \$76,835, 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	
	2021	2020
Subject to specified purpose:		
Opioid use disorder app	\$ 35,275	\$ -
Future program operations	16,595	40,216
Dental health education	12,025	525
Technology	5,220	-
Brain display in Great Hall	-	1,638
Promises to give, the proceeds from which have been restricted by donors for:		
Opioid use disorder app	4,775	-
	<u>73,890</u>	<u>42,379</u>
Endowment funds that require the principal be invested and that earnings are subject to spending policy and appreciation for operating purposes	<u>1,493,322</u>	<u>1,493,322</u>
	<u>\$ 1,567,212</u>	<u>\$ 1,535,701</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 \$85,062 in 2021 and \$111,957 in 2020.

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, 2021. The line of credit arrangement bears interest at the bank base rate plus .5 percent (3.75 percent at June 30, 2021), which is due and payable monthly. There were no borrowings pursuant to this line of credit arrangement at June 30, 2021 and 2020.

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 \$18,107 and \$14,245 for the years ended June 30, 2021 and 2020, respectively.

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

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, 2021, the date on which the financial statements were available to be issued.