

CREATE FOUNDATION, INC.

Tupelo, Mississippi

December 31, 2020

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NAIL MCKINNEY, P.A.
Certified Public Accountants

110 N. Madison • P.O. Box 196
Tupelo, MS 38802
(662) 842-6475 • FAX (662) 842-4531
www.nmcpa.com

Independent Auditors' Report

Board of Directors
CREATE Foundation, Inc.
Tupelo, Mississippi

We have audited the accompanying financial statements of CREATE Foundation, Inc. (a nonprofit organization), which comprise the statements of assets, liabilities, and net assets—modified cash basis as of December 31, 2020 and 2019, and the related statement of support, revenues, expenses, and changes in net assets—modified cash basis and statement of functional expenses—modified cash basis for the year ended December 31, 2020, the related statements of cash flows for the years ended December 31, 2020 and 2019, 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

Auditors' 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 assets, liabilities, and net assets and cash flows of CREATE Foundation, Inc. as of December 31, 2020 and 2019, and its support, revenue and expenses and changes in net assets for the year ended December 31, 2020, in accordance with the modified cash basis of accounting as described in Note 1.

Report on Summarized Comparative Information

We have previously audited CREATE Foundation’s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 6, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

A handwritten signature in cursive script that reads "Nail McKinney P.A.".

Tupelo, Mississippi
April 7, 2021

Statements of Assets, Liabilities, and Net Assets - Modified Cash Basis

CREATE FOUNDATION, INC.

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash and temporary cash investments (Note 2)	\$ 9,114,351	\$ 6,307,234
Investments		
Stocks	56,817	50,681
Investment securities (Note 5)	4,308,527	4,055,686
Cash surrender value of life insurance	242,134	276,739
Endowments (Note 4)	117,545,629	108,656,698
Membership interests in limited liability companies (Notes 4 and 8)	453,210	526,310
Journal, Inc. stock (Note 7)	12,105,616	13,780,721
Total investments	<u>134,711,933</u>	<u>127,346,835</u>
Property and Equipment		
Buildings	1,003,991	965,491
Equipment	205,518	205,518
Land	365,525	365,525
	1,575,034	1,536,534
Less: accumulated depreciation	<u>699,885</u>	<u>666,274</u>
Total property and equipment, net	<u>875,149</u>	<u>870,260</u>
Total assets	<u>\$ 144,701,433</u>	<u>\$ 134,524,329</u>
Net Assets		
Without donor restrictions (Note 13)	\$ 13,083,980	\$ 14,576,521
With donor restrictions (Note 13)	<u>131,617,453</u>	<u>119,947,808</u>
Total net assets	<u>144,701,433</u>	<u>134,524,329</u>
Total liabilities and net assets	<u>\$ 144,701,433</u>	<u>\$ 134,524,329</u>

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

Statements of Support, Revenues, Expenses, and Changes in Net Assets - Modified Cash Basis

CREATE FOUNDATION, INC.

Year ended December 31, 2020 with Comparative Totals for the Year ended December 31, 2019

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>2020 Totals</i>	<i>2019 Totals</i>
Support and Revenue				
Support				
Grants:				
Government	\$ 148,700	\$ 1,962,288	\$ 2,110,988	\$ 356,750
Other	-	108,330	108,330	181,000
Contributions	<u>2,796,924</u>	<u>8,096,831</u>	<u>10,893,755</u>	<u>21,395,310</u>
Total support	<u>2,945,624</u>	<u>10,167,449</u>	<u>13,113,073</u>	<u>21,933,060</u>
Revenue				
Investment return, net of direct expenses	104,949	11,656,086	11,761,035	16,779,125
Dividends from Journal, Inc.	-	-	-	100,000
Administrative fees	1,116,523	(1,092,072)	24,451	32,426
Rental income	<u>34,250</u>	<u>-</u>	<u>34,250</u>	<u>35,150</u>
Total revenue	<u>1,255,722</u>	<u>10,564,014</u>	<u>11,819,736</u>	<u>16,946,701</u>
Total support and revenue	<u>4,201,346</u>	<u>20,731,463</u>	<u>24,932,809</u>	<u>38,879,761</u>
Assets released from restriction:				
Satisfaction of usage restrictions	<u>9,032,519</u>	<u>(9,032,519)</u>	<u>-</u>	<u>-</u>
Expenses				
Allocations to agencies	8,262,878	-	8,262,878	8,496,295
Program services	4,008,844	-	4,008,844	1,602,843
Supporting services:				
Management and general	530,964	-	530,964	441,174
Fundraising	<u>277,914</u>	<u>-</u>	<u>277,914</u>	<u>225,692</u>
Total expenses	<u>13,080,600</u>	<u>-</u>	<u>13,080,600</u>	<u>10,766,004</u>
Excess of support and revenue over expenses	153,265	11,698,944	11,852,209	28,113,757
Change in equity of Journal, Inc.	(1,675,105)	-	(1,675,105)	(2,459,412)
Transfers (Note 10)	<u>29,299</u>	<u>(29,299)</u>	<u>-</u>	<u>-</u>
Change in net assets	<u>(1,492,541)</u>	<u>11,669,645</u>	<u>10,177,104</u>	<u>25,654,345</u>
Net assets, beginning of year	<u>14,576,521</u>	<u>119,947,808</u>	<u>134,524,329</u>	<u>108,869,984</u>
Net assets, end of year	<u>\$ 13,083,980</u>	<u>\$ 131,617,453</u>	<u>\$ 144,701,433</u>	<u>\$ 134,524,329</u>

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

Statements of Functional Expenses - Modified Cash Basis

CREATE FOUNDATION, INC.

Year ended December 31, 2020 with Comparative Totals for the Year ended December 31, 2019

	2020					2019 Total
	Allocations to Agencies	Program Services	SUPPORTING SERVICES		Total	
Management and General			Fundraising			
Compensation and related expenses						
Salaries	\$ -	\$ 463,371	\$ 259,759	\$ 140,670	\$ 863,800	\$ 754,631
Payroll taxes	-	45,301	10,693	5,791	61,785	54,468
Employee insurance	-	48,822	17,623	9,544	75,989	78,203
Retirement plan	-	40,711	10,700	5,795	57,206	54,876
Total	-	598,205	298,775	161,800	1,058,780	942,178
Advised fund disbursements	2,223,043	-	-	-	2,223,043	2,053,082
Designated fund disbursements	600,395	-	-	-	600,395	290,658
Special project disbursements	4,911,764	-	-	-	4,911,764	5,606,393
Endowment fund disbursements	527,676	-	-	-	527,676	546,162
Program services disbursements	-	193,244	-	-	193,244	214,890
Unrestricted grants	-	2,759,904	-	-	2,759,904	51,695
Scholarships	-	365,792	-	-	365,792	318,103
Meeting expenses	-	10,317	2,942	-	13,259	22,797
Communications and publications	-	10,444	5,855	3,171	19,470	19,794
Computer system and software	-	-	31,230	-	31,230	25,643
Contractual services	-	1,344	613	332	2,289	41,286
Depreciation	-	-	33,610	-	33,610	33,659
Direct fundraising costs	-	-	-	31,451	31,451	28,227
Dues and subscriptions	-	5,799	3,250	1,760	10,809	19,517
Insurance	-	13,638	22,786	69,092	105,516	85,523
Legal and professional	-	-	16,970	-	16,970	337,263
Miscellaneous	-	16,160	788	427	17,375	18,969
Postage	-	4,567	2,560	1,386	8,513	9,848
Certification	-	-	500	-	500	500
Repairs	-	-	95,396	-	95,396	41,221
Supplies	-	8,472	4,050	2,193	14,715	15,915
Telephone	-	5,865	3,288	1,780	10,933	10,285
Travel	-	9,058	4,968	2,690	16,716	19,873
Utilities	-	6,035	3,383	1,832	11,250	12,523
	<u>\$ 8,262,878</u>	<u>\$ 4,008,844</u>	<u>\$ 530,964</u>	<u>\$ 277,914</u>	<u>\$ 13,080,600</u>	<u>\$ 10,766,004</u>

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

Statements of Cash Flows
CREATE FOUNDATION, INC.
Years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Excess of support and revenues over expenditures	\$ 11,852,209	\$ 28,113,757
Adjustments to reconcile to net cash provided by operating activities:		
Noncash changes in membership interests in LLCs	73,100	-
Noncash contributions	-	(36,068)
Noncash expenses	-	321,292
Unrealized gain on investments	(9,929,951)	(12,318,340)
Depreciation	33,610	33,659
Gain on sale of assets	(304,200)	(2,291,950)
Securities donated	<u>(669,507)</u>	<u>(1,054,346)</u>
Net cash provided by operating activities	<u>1,055,261</u>	<u>12,768,004</u>
Cash flows from investing activities:		
Purchase of investments	(2,337,881)	(15,605,939)
Increase in cash surrender value of life insurance	(29,823)	(44,742)
Purchase of property and equipment	(38,499)	-
Proceeds from life insurance policy	64,428	-
Proceeds from sale of assets	<u>4,093,631</u>	<u>4,301,526</u>
Net cash provided by (used in) investing activities	<u>1,751,856</u>	<u>(11,349,155)</u>
Change in cash and cash equivalents	2,807,117	1,418,849
Cash and cash equivalents at beginning of year	<u>6,307,234</u>	<u>4,888,385</u>
Cash and cash equivalents at end of year	<u>\$ 9,114,351</u>	<u>\$ 6,307,234</u>
Schedule of noncash investing and financing activities:		
Equity method adjustment - investment in Journal, Inc.	\$ (1,675,105)	\$ (2,459,412)
Membership interests in RJ Wilemon, LLC	<u>(73,100)</u>	<u>-</u>
Aggregate noncash investing and financing activities	<u>\$ (1,748,205)</u>	<u>\$ (2,459,412)</u>

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

Notes to Financial Statements

CREATE FOUNDATION, INC.

December 31, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

CREATE Foundation, Inc. is a nonprofit, charitable organization which serves as a community foundation and is committed to improving the quality of life for the people in a 17 county area in Northeast Mississippi through:

- building permanent community endowment assets
- encouraging philanthropy and managing charitable funds contributed by individuals, families, organizations, and corporations
- strengthening regional community development capacity
- providing leadership on key community issues
- impacting the region through gifts and targeted grant-making.

The significant accounting policies that have been followed by the Organization in preparing the accompanying financial statements are set forth below:

Basis of Accounting

The Organization's policy is to prepare its financial statements on the modified cash basis of accounting. Other than the methods of accounting for depreciation, donated assets, endowment assets, interests in R.J. Wilemon, LLC, and the value of Journal, Inc. stock, which are described below, the Organization recognizes revenues as received and expenses as paid and recognizes only assets and liabilities resulting from cash transactions. These financial statements are not intended to present the financial position and results of operations in conformity with generally accepted accounting principles.

Use of Estimates in the Preparation of Financial Statements

In preparing financial statements in conformity with the basis of accounting described above, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain prior year amounts have been reclassified in order to conform to current year's presentation.

Cash and Temporary Cash Investments

Cash and temporary cash investments consist of cash on hand and on deposit, including cash in checking accounts and money market mutual funds.

Endowments and Investment securities

Endowment assets and investment securities are invested in various stocks, mutual funds, and fixed income securities and are carried at fair value. The increase or decrease in fair value is included in investment return. Purchases and sales of such assets are reflected on a trade-date basis. Gains and losses on sales are based on average cost and are recorded in the statement of activities in the period which the securities are sold.

Journal, Inc. Stock

Journal, Inc. stock is accounted for at the equity value of the wholly-owned subsidiary. Changes in the net book value of the subsidiary which are unrelated to dividends received by the parent from the subsidiary are charged to net assets.

Membership interests in limited liability companies

Membership interest in limited liability companies are valued at the estimated tax-basis capital balance attributable to the Organization's ownership interests.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment is stated at cost or estimated fair market value on the date received if donated.

Depreciation of property and equipment is provided on a straight-line basis over an estimated useful life of five to ten years for furniture and equipment, and forty years for buildings.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, according to a favorable determination letter dated December 21, 1972 received from the Internal Revenue Service. The Organization is a nonprofit corporation for purposes of Mississippi income tax.

On a continuing basis, management analyzes the Organization's tax positions, and, when a tax position meets the measurement and recognition principles outlined in FASB ASC 740, the Organization accrues a liability for unrecognized tax benefits. Any related interest and penalties associated with unrecognized tax benefits are included as a component of other non-interest expense.

The Organization's federal informational return is subject to examination by the taxing authorities generally for three years after it is filed. Management has evaluated the tax positions taken, and has not identified any positions that are unlikely to be sustained upon examination.

Administrative Fees

CREATE Foundation's unrestricted fund charges an administrative fee to certain funds with donor restrictions, typically based on the size of assets under management. The fee income is recognized at a point-in-time as it is assessed and the fee is transferred from donor-restricted funds to the unrestricted funds.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Valuation of Gifts

Gifts of securities or property and equipment are valued at their fair market value at the date of the gift or bequest.

Functional Allocation of Expenses

The costs of providing the programs and activities of the Organization have been summarized on a functional basis in the Statement of Support, Revenue and Expenses, and Changes in Net Assets. Accordingly, certain expenses for salaries and related benefits, supplies, postage, and rent have been allocated among the programs and supporting services benefited based on estimated time and functional usage.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available to be issued.

NOTE 2. CASH AND TEMPORARY CASH INVESTMENTS

Cash and temporary cash investments include amounts in excess of, or not subject to FDIC insurance of \$8,394,791 at December 31, 2020. Cash and cash equivalent accounts have been placed with high credit quality financial institutions. CREATE Foundation has not experienced, nor does it anticipate, any losses with respect to such accounts.

Notes to Financial Statements – (continued)

NOTE 3. AVAILABILITY AND LIQUIDITY

The following table represents the Organization’s financial assets available to meet general expenditures over the next twelve months at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 9,114,351	\$ 6,307,234
Stocks	56,817	50,681
Investment securities	4,308,527	4,055,686
Cash surrender value of life insurance	242,134	276,739
Endowments	117,545,629	108,656,698
Membership interests in limited liability companies	453,210	526,310
Journal, Inc. stock	12,105,616	13,780,721
	<u>143,826,284</u>	<u>133,654,069</u>
Amounts not available to be used for general expenditures within one year:		
Endowment net assets	117,940,364	109,097,552
Other net assets with donor restrictions	12,673,649	9,846,816
Journal, Inc. stock	12,105,616	13,780,721
Quasi endowment established by the board	55,021	47,703
	<u>142,774,650</u>	<u>132,772,792</u>
Available to meet general expenditures over the next twelve months	<u>\$ 1,051,634</u>	<u>\$ 881,277</u>

As part of CREATE Foundation’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. CREATE Foundation invests its cash in excess of daily requirements in short term investments.

NOTE 4. ENDOWMENTS

Endowment funds consist of the following:

	<u>December 31, 2020</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Investment in brokerage account:			
Cash and cash equivalents	\$ 4,643,437	\$ 4,643,437	\$ -
Mutual funds	44,524,560	53,682,455	9,157,895
Index funds	43,376,347	52,171,697	8,795,350
Marketable equity securities	4,552,489	5,448,813	896,324
Fixed income securities	1,493,377	1,537,580	44,203
Alternative investment	43,458	61,647	18,189
	<u>98,633,668</u>	<u>117,545,629</u>	<u>18,911,961</u>
Other endowment assets			
Cash and cash equivalents	(3,454)	(3,454)	-
Membership interest in limited liability company	453,210	453,210	-
	<u>\$ 99,083,424</u>	<u>\$ 117,995,385</u>	<u>\$ 18,911,961</u>

Notes to Financial Statements – (continued)

NOTE 4. ENDOWMENTS (continued)

	<i>December 31, 2019</i>		
	<i>Cost</i>	<i>Fair Value</i>	<i>Unrealized Appreciation (Depreciation)</i>
Investment in brokerage account:			
Cash and cash equivalents	\$ 191,320	\$ 191,320	\$ -
Mutual funds	90,078,716	97,843,853	7,765,137
Index funds	3,742,418	3,833,748	91,330
Marketable equity securities	4,628,763	5,063,286	434,523
Fixed income securities	1,644,952	1,637,833	(7,119)
Alternative investment	61,455	86,658	25,203
	<u>100,347,624</u>	<u>108,656,698</u>	<u>8,309,074</u>
Other endowment assets			
Cash and cash equivalents	(37,753)	(37,753)	-
Membership interest in limited liability company	526,310	526,310	-
	<u>\$ 100,836,181</u>	<u>\$ 109,145,255</u>	<u>\$ 8,309,074</u>

The following schedule summarizes the endowment asset composition by type of fund:

	<i>December 31, 2020</i>		
	<i>Without donor restrictions</i>	<i>With donor restrictions</i>	<i>Total</i>
Donor restricted endowment funds	\$ -	\$ 117,940,364	\$ 117,940,364
Board designated endowment funds	55,021	-	55,021
	<u>\$ 55,021</u>	<u>\$ 117,940,364</u>	<u>\$ 117,995,385</u>

	<i>December 31, 2019</i>		
	<i>Without donor restrictions</i>	<i>With donor restrictions</i>	<i>Total</i>
Donor restricted endowment funds	\$ -	\$ 109,097,552	\$ 109,097,552
Board designated endowment funds	47,703	-	47,703
	<u>\$ 47,703</u>	<u>\$ 109,097,552</u>	<u>\$ 109,145,255</u>

Notes to Financial Statements – (continued)

NOTE 4. ENDOWMENTS (continued)

The following schedule summarizes the changes in endowment net assets:

	<i>Year Ended December 31, 2020</i>		
	<i>Without donor restrictions</i>	<i>With donor restrictions</i>	<i>Total</i>
Endowment net assets, beginning of year	\$ 47,703	\$ 109,097,552	\$ 109,145,255
Investment return			
Interest income	701	1,629,095	1,629,796
Realized gains	121	305,900	306,021
Unrealized gains	4,558	9,928,009	9,932,567
Direct investment expenses	(62)	(205,096)	(205,158)
Contributions	2,000	2,501,447	2,503,447
Appropriations of endowment for expenditures	-	(1,622,363)	(1,622,363)
Transfers to (from)	-	(3,694,180)	(3,694,180)
	<u>\$ 55,021</u>	<u>\$ 117,940,364</u>	<u>\$ 117,995,385</u>
	<i>Year Ended December 31, 2019</i>		
	<i>Without donor restrictions</i>	<i>With donor restrictions</i>	<i>Total</i>
Endowment net assets, beginning of year	\$ 39,869	\$ 82,278,941	\$ 82,318,810
Investment return			
Interest income	1,014	2,218,986	2,220,000
Realized gains	1,136	2,292,855	2,293,991
Unrealized losses	5,746	12,272,747	12,278,493
Direct investment expenses	(62)	(169,312)	(169,374)
Contributions	-	8,527,710	8,527,710
Appropriations of endowment for expenditures	-	(1,417,402)	(1,417,402)
Transfers to (from)	-	3,093,027	3,093,027
	<u>\$ 47,703</u>	<u>\$ 109,097,552</u>	<u>\$ 109,145,255</u>

During the years ended December 31, 2020 and 2019, the Organization accepted endowment contributions of 5% and 5% interests, respectively, in a limited liability company (R.J. Wilemon, LLC) which is invested in various real estate assets. The Organization recorded the initial and subsequent noncash gifts of membership interests in the entity such that the recorded investment is equivalent to the Organization's estimated capital balance within that entity. Wilemon Foundation, the other member of the referenced limited liability company, constitutes a related party to CREATE Foundation due to the partnership interest in the entity. Wilemon Foundation also periodically contributes cash to the endowment fund held by CREATE within which the membership interests in the limited liability company are recorded. Cash contributions received during 2020 and 2019 from Wilemon Foundation amounted to \$272,348 and \$358,773, respectively.

The Organization anticipates that the underlying real estate assets of the limited liability company will be liquidated in an orderly fashion, converting the membership interest assets to cash to be subsequently invested in accordance with the Organization's investment policies for endowment assets.

Notes to Financial Statements – (continued)

NOTE 5. INVESTMENT SECURITIES

Investment securities, exclusive of endowment assets, and their allocation between net assets with and without donor restrictions follows:

	<i>December 31, 2020</i>		
	<i>Cost</i>	<i>Fair Value</i>	<i>Carrying Value</i>
U.S. Treasuries and government agencies	\$ 4,242,295	\$ 4,308,527	\$ 4,308,527
Short-term fixed income funds	-	-	\$ -
	<u>\$ 4,242,295</u>	<u>\$ 4,308,527</u>	<u>\$ 4,308,527</u>
	<i>Without donor restrictions</i>	<i>With donor restrictions</i>	<i>Total</i>
Fund allocation	<u>\$ 311,830</u>	<u>\$ 3,996,697</u>	<u>\$ 4,308,527</u>

	<i>December 31, 2019</i>		
	<i>Cost</i>	<i>Fair Value</i>	<i>Carrying Value</i>
U.S. Treasuries and government agencies	\$ 3,220,909	\$ 3,252,173	\$ 3,252,173
Short-term fixed income funds	806,862	803,513	803,513
	<u>\$ 4,027,771</u>	<u>\$ 4,055,686</u>	<u>\$ 4,055,686</u>
	<i>Without donor restrictions</i>	<i>With donor restrictions</i>	<i>Total</i>
Fund allocation	<u>\$ 238,768</u>	<u>\$ 3,816,918</u>	<u>\$ 4,055,686</u>

The following schedule summarizes the investment return, exclusive of endowment assets, and its classification in the statement of activities:

	<i>Year Ended December 31, 2020</i>	
	<i>Without donor restrictions</i>	<i>With donor restrictions</i>
Interest income	\$ 133,980	\$ -
Realized gains (losses)	-	(1,822)
Unrealized losses	(16,620)	-
Direct investment expenses	(17,729)	-
Total investment return	<u>\$ 99,631</u>	<u>\$ (1,822)</u>

	<i>Year Ended December 31, 2019</i>	
	<i>Without donor restrictions</i>	<i>With donor restrictions</i>
Interest income	\$ 130,194	\$ -
Realized gains	248	(2,289)
Unrealized gains	38,327	-
Direct investment expenses	(10,465)	-
Total investment return	<u>\$ 158,304</u>	<u>\$ (2,289)</u>

NOTE 6. FAIR VALUE

“Fair value” is defined by FASB ASC 820 as 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. FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization’s assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available under the circumstances. The hierarchy is broken down into the following three levels, based on the reliability of inputs:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.
- Level 2 Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data.
- Level 3 Significant unobservable inputs for the asset or liability that reflect the reporting entity’s own assumptions about the assumptions that market participants would use in pricing the asset or liability.

Determination of Fair Value

The Organization uses the valuation methodologies listed below to measure different financial instruments at fair value. An indication of the level in the fair value hierarchy in which each instrument is generally classified is included. Where appropriate, the description includes details of the valuation models, the key inputs to those models as well as any significant assumptions.

Marketable equity securities, mutual funds, index funds, stocks and government income funds

Marketable equity securities, mutual funds, index funds, stocks and government income funds are valued at the closing price reported on the active market on which the individual securities or funds are traded.

U.S. government agencies, U.S. Treasury Notes and other fixed income securities

U.S. government agencies and other fixed income securities are generally determined by matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities’ relationship to other benchmark quoted securities.

Other investments

Other investments consist of the Organization’s investment in its wholly owned subsidiary, which is valued at the subsidiary’s recorded equity balance, investment in Hatteras funds based on management’s unconfirmed estimate of net assets, and membership interests in limited liability companies valued at the estimated capital balance of those entities.

Endowments

The following tables present the balances of endowment assets measured at fair value on a recurring basis:

Notes to Financial Statements – (continued)

NOTE 6. FAIR VALUE (continued)

	<i>December 31, 2020</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Marketable equity securities	\$ 5,448,813	\$ -	\$ -	\$ 5,448,813
Mutual funds	53,682,455	-	-	53,682,455
Index funds	52,171,697	-	-	52,171,697
Fixed income securities	-	1,537,580	-	1,537,580
Membership interests in LLCs	-	-	453,210	453,210
Alternative investments	-	-	61,647	61,647
	<u>\$ 111,302,965</u>	<u>\$ 1,537,580</u>	<u>\$ 514,857</u>	<u>\$ 113,355,402</u>

	<i>December 31, 2019</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Marketable equity securities	\$ 5,063,286	\$ -	\$ -	\$ 5,063,286
Mutual funds	97,843,853	-	-	97,843,853
Index funds	3,833,748	-	-	3,833,748
Fixed income securities	-	1,637,833	-	1,637,833
Membership interests in LLCs	-	-	526,310	526,310
Alternative investments	-	-	86,658	86,658
	<u>\$ 106,740,887</u>	<u>\$ 1,637,833</u>	<u>\$ 612,968</u>	<u>\$ 108,991,688</u>

The following table sets forth a summary of changes in the fair value of the endowment's level 3 assets for the year ended December 31, 2020:

	<i>Membership Interests in LLCs</i>	<i>Alternative Investments</i>
Balance, beginning of year	\$ 526,310	\$ 86,658
Membership interests contributed	(73,100)	-
Unrealized losses	-	(7,283)
Settlements	-	(17,728)
	<u>\$ 453,210</u>	<u>\$ 61,647</u>

Non-endowed investment securities, other investments and stocks

The following table presents the balances of non-endowed assets measured at fair value on a recurring basis:

	<i>December 31, 2020</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
U.S. Treasuries and govt. agencies	\$ -	\$ 4,308,527	\$ -	\$ 4,308,527
Short-term fixed income funds	-	-	-	-
Journal, Inc. stock	-	-	12,105,616	12,105,616
Other stock gifts	56,817	-	-	56,817
	<u>\$ 56,817</u>	<u>\$ 4,308,527</u>	<u>\$ 12,105,616</u>	<u>\$ 16,470,960</u>

Notes to Financial Statements – (continued)

NOTE 6. FAIR VALUE (continued)

	<i>December 31, 2019</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
U.S. Treasuries and govt. agencies	\$ -	\$ 3,252,173	\$ -	\$ 3,252,173
Short-term fixed income funds	803,513	-	-	803,513
Journal, Inc. stock	-	-	13,780,721	13,780,721
Other stock gifts	50,681	-	-	50,681
	<u>\$ 854,194</u>	<u>\$ 3,252,173</u>	<u>\$ 13,780,721</u>	<u>\$ 17,887,088</u>

The following table sets forth a summary of changes in the fair value of the non-endowed level 3 assets for the year ended December 31, 2020:

	<i>Journal, Inc.</i> <i>Stock</i>
Balance, beginning of year	\$ 13,780,721
Change in subsidiary equity	<u>(1,675,105)</u>
	<u>\$ 12,105,616</u>

The Organization has no assets or liabilities recorded at fair value on a nonrecurring basis.

NOTE 7. INVESTMENT IN SUBSIDIARY

Journal, Inc. is a wholly owned subsidiary of the Organization. The stock is carried in the financial statements at the subsidiary's equity. Journal, Inc.'s summarized financial information at December 31, 2020 and 2019 and for the years then ended is as follows:

	<i>2020</i>	<i>2019</i>
Current assets	\$ 2,943,149	\$ 4,619,449
Investments	4,126,362	3,669,634
Property and equipment, net	9,985,635	11,872,129
Other assets	2,827,175	2,548,414
Total assets	<u>19,882,321</u>	<u>22,709,626</u>
Current liabilities	3,285,047	4,362,818
Long-term debt	3,925,751	3,994,095
Capital lease obligations	50,014	75,580
Pension liability	515,893	496,412
Total liabilities	<u>7,776,705</u>	<u>8,928,905</u>
Subsidiary equity	<u>\$ 12,105,616</u>	<u>\$ 13,780,721</u>
Loss from operations	\$ (3,584,230)	\$ (4,442,915)
Other income	1,639,082	362,257
Provision for income taxes	392,543	819,450
Net loss	<u>\$ (1,552,605)</u>	<u>\$ (3,261,208)</u>

NOTE 8. INVESTMENT IN R. J. WILEMON, LLC

As discussed in Note 4, the Organization has received an ownership interest in R. J. Wilemon, LLC in the form of non-cash charitable contributions. The membership interest in that entity is carried at the estimated tax-basis capital balance attributed to that ownership interest. R. J. Wilemon, LLC’s summarized, unaudited, tax-basis financial information at December 31, 2020 and 2019 and for the years then ended is as follows:

	<u>2020</u>	<u>2019</u>
Current assets	\$ 344,650	\$ 20,637
Building and other depreciable assets, net	128,366	602,391
Land	<u>554,785</u>	<u>827,715</u>
Total assets	<u>1,027,801</u>	<u>1,450,743</u>
Current liabilities	<u>23,546</u>	<u>(431)</u>
Member's Capital	<u>\$ 1,004,255</u>	<u>\$ 1,451,174</u>
Rental income	\$ 14,680	\$ 23,855
Capital gains	2,123	45,970
Charitable contributions	-	-
Operating expenses	<u>(216,941)</u>	<u>(121,575)</u>
Net loss	<u>\$ (200,138)</u>	<u>\$ (51,750)</u>

NOTE 9. EMPLOYEE BENEFIT PLAN

The Organization provides a tax-deferred annuity program (403b plan) to all full-time, regular employees. The Organization contributes up to 10% (based on years of service) of all full-time eligible employees’ salary to the employee designated account within the plan. During the first year of full-time employment, employees can contribute up to 10% of their pre-tax salary into the plan. After the first complete year of full-time employment, employees may contribute up to 15% of their salaries to the plan. The Organization’s contributions to the plan in 2020 and 2019 were \$57,206 and \$54,876, respectively.

NOTE 10. TRANSFERS

During 2020 and 2019, the Organization transferred \$29,299 and \$116,747, respectively, from net assets with donor restrictions to net assets without donor restrictions as directed by the Board of Directors.

NOTE 11. COMMITMENTS AND CONTINGENCIES

As of December 31, 2020, the Organization had commitments for grants awarded, not yet paid, for the following purposes or to the following agencies or organizations:

Commission on the Future of NE MS	\$ 13,236
Affiliate Administrative Support	<u>6,000</u>
	<u>\$ 19,236</u>

Notes to Financial Statements – (continued)

NOTE 12. LEASES

The Organization leases certain office equipment under terms accounted for as operating leases. Future minimum lease payments required under these leases are as follows:

2021	\$	10,140
2022	\$	10,140
2023	\$	9,925
2024	\$	1,476

NOTE 13. NET ASSETS

Net assets with donor restrictions consisted of the following:

	<i>December 31,</i>	
	<u>2020</u>	<u>2019</u>
Organizational/Agency endowment funds	\$ 5,369,865	\$ 4,960,396
Scholarship endowment funds	3,849,279	3,369,294
Education endowment funds	62,269,893	58,519,210
Field of interest endowment funds	32,878,051	29,707,146
Community endowment funds	8,491,799	7,821,256
Designated endowments	<u>5,081,477</u>	<u>4,720,250</u>
Endowment net assets	<u>117,940,364</u>	<u>109,097,552</u>
Advised funds yet to be disbursed	6,216,330	4,717,246
Designated contributions yet to be disbursed	1,696,167	349,442
Program service funds	71,884	55,839
Scholarship funds	326,942	319,784
CREATE Foundation, Inc. special project funds	4,361,505	4,402,694
Supporting organization funds	<u>821</u>	<u>1,811</u>
Other donor restricted net assets	<u>12,673,649</u>	<u>9,846,816</u>
Journal, Inc. Stock	<u>1,003,440</u>	<u>1,003,440</u>
Total net assets with donor restrictions	<u>\$ 131,617,453</u>	<u>\$ 119,947,808</u>

Net assets without donor restrictions consisted of the following:

	<i>December 31,</i>	
	<u>2020</u>	<u>2019</u>
Undesignated	\$ 13,028,959	\$ 14,528,818
Board designated	<u>55,021</u>	<u>47,703</u>
	<u>\$ 13,083,980</u>	<u>\$ 14,576,521</u>

NOTE 14. PAYCHECK PROTECTION PROGRAM LOAN RECEIVED

During the year ended December 31, 2020, the Organization borrowed \$148,700 from a bank under the provisions of the Paycheck Protection Program (“PPP”) established by the Coronavirus Relief and Economic Security Act as amended by the Paycheck Protection Program Flexibility Act. Under those provisions, the loan could be forgiven if the terms of forgiveness are met. During the year ended December 31, 2020, the Organization incurred eligible costs sufficient to satisfy the terms of forgiveness, and has elected to treat the loan as a grant. Accordingly, the

NOTE 14. PAYCHECK PROTECTION PROGRAM LOAN RECEIVED (continued)

proceeds of the loan are included in government grant income in the accompanying Statements of Support, Revenues, Expenses and Changes in Net Assets – Modified Cash Basis for the year ended December 31, 2020.

Subsequent to December 31, 2020, the Organization prepared the required forgiveness application which was, in turn, submitted along with supporting documentation of eligible expenditures to the originating bank. The lender, after reviewing and approving the application, submitted the application and recommendation for forgiveness to the Small Business Administration (the “SBA”). On March 19, 2021, the Organization received notification that the SBA had forgiven the PPP loan borrowed in 2020. In addition, subsequent to December 31, 2020, the Organization received a second PPP loan amounting to \$179,000 and expects to incur sufficient eligible costs to receive forgiveness under the terms of the program for that loan.

NOTE 15. UNCERTAINTIES

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. Although the Organization was subject to “shelter-in-place” orders and other restrictions issued by state and local governments, as of the date of the financial statements and through the date of the independent auditor’s report, the Organization had resumed its normal operations.

The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, effectiveness of any vaccine, and the impact on our donors, employees, and vendors all of which are uncertain and cannot be predicted. At this time, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.