

**THE PORTLAND FOUNDATION
AND AFFILIATE**

COMBINED FINANCIAL STATEMENTS

**For the Years Ended December 31, 2019
and December 31, 2018**

THE PORTLAND FOUNDATION AND AFFILIATE

Table of Contents

Page

INDEPENDENT AUDITOR’S REPORT.....	1 & 2
-----------------------------------	-------

FINANCIAL STATEMENTS

Combined Statements of Financial Position.....	3 & 4
Combined Statements of Activities	5 & 6
Combined Statements of Functional Expenses	7 & 8
Combined Statements of Cash Flows.....	9 & 10
Notes to the Financial Statements	11 - 25

Board of Trustees
The Portland Foundation
Portland, Indiana 47371

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying combined financial statements of The Portland Foundation (a non-profit organization organized as a trust) and The Portland Foundation, Inc. (affiliate), which comprise the combined statements of financial position as of December 31, 2019 and 2018, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of The Portland Foundation and affiliate as of December 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2019 the Organization adopted Accounting Standards Update (ASU) No. 2014-09 *Revenue from Contracts with Customers (Topic 606)* and the related amendments with the same effective date, ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, and ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. Our opinion is not modified with respect to these matters.

Bollenbacher & Associates, LLC

Portland, Indiana
September 30, 2020

The Portland Foundation and Affiliate
Combined Statements of Financial Position
December 31, 2019 and December 31, 2018

	<u>Assets</u>	
	<u>12/31/2019</u>	<u>12/31/2018</u>
<u>Current Assets:</u>		
Cash, cash equivalents, and restricted cash		
Without donor restrictions	\$ 211,052	\$ 122,898
With donor restrictions	41,553	42,553
	<u>252,605</u>	<u>165,451</u>
Income tax receivable	-	26
Investments; at market - Assets held for others	404,000	166,912
Investments; at market - With donor restrictions	<u>6,980,801</u>	<u>2,854,561</u>
Total current assets	<u>7,637,406</u>	<u>3,186,950</u>
<u>Property and Equipment; at cost</u>		
Computer hardware	13,340	13,340
Computer software	2,370	2,370
Leasehold improvements	351,385	351,385
Office furniture and fixtures	<u>3,504</u>	<u>3,504</u>
	370,599	370,599
<u>Less: Accumulated depreciation</u>	<u>(256,297)</u>	<u>(234,087)</u>
	114,302	136,512
Land - Freedom Park	<u>220,423</u>	<u>220,423</u>
Total property and equipment	<u>334,725</u>	<u>356,935</u>
<u>Noncurrent Assets:</u>		
Investments; at market - Assets held for others	1,346,006	1,345,409
Investments; at market - With donor restrictions	30,613,108	29,177,921
Paintings - With donor restrictions	<u>3,800</u>	<u>3,471</u>
Total noncurrent assets	<u>31,962,914</u>	<u>30,526,801</u>
Total assets	<u>\$39,935,045</u>	<u>\$34,070,686</u>

- See Accompanying Notes -

The Portland Foundation and Affiliate
Combined Statements of Financial Position
December 31, 2019 and December 31, 2018

<u>Liabilities and Net Assets</u>		
	<u>12/31/2019</u>	<u>12/31/2018</u>
<u>Current Liabilities:</u>		
Accrued liabilities	\$ 1,801	\$ -
Current portion of non-current liability	<u>57,627</u>	<u>45,188</u>
Total current liabilities	<u>59,428</u>	<u>45,188</u>
 <u>Non-Current Liabilities:</u>		
Liabilities for assets held for others	1,750,006	1,512,321
<u>Less:</u> Amount to be disbursed within one year	<u>(57,627)</u>	<u>(45,188)</u>
Total non-current liabilities	<u>1,692,379</u>	<u>1,467,133</u>
Total liabilities	<u>1,751,807</u>	<u>1,512,321</u>
 <u>Net Assets:</u>		
Without donor restrictions	543,976	479,859
With donor restrictions:		
Time-restricted for future periods	7,022,354	2,897,114
Perpetual in nature	<u>30,616,908</u>	<u>29,181,392</u>
Total with donor restrictions	<u>37,639,262</u>	<u>32,078,506</u>
Total net assets	<u>38,183,238</u>	<u>32,558,365</u>
Total liabilities and net assets	<u>\$39,935,045</u>	<u>\$34,070,686</u>

- See Accompanying Notes -

The Portland Foundation and Affiliate

Combined Statement of Activities

For the Year Ended December 31, 2019

		<u>With Donor Restrictions</u>			
	<u>Without Donor Restriction</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total With Donor Restrictions</u>	<u>Total</u>
<u>Revenues, Gains, and Other Support:</u>					
Contributions	\$ 3,740	\$ 114,135	\$ 837,027	\$ 951,162	\$ 954,902
Interest and dividends	-	1,014,374	-	1,014,374	1,014,374
Realized and unrealized gains and (losses) from investments, net	-	5,771,538	-	5,771,538	5,771,538
Other income	-	-	-	-	-
Loss on disposal of fixed assets	-	-	-	-	-
Partnership investment income (loss)	-	-	-	-	-
	<u>3,740</u>	<u>6,900,047</u>	<u>837,027</u>	<u>7,737,074</u>	<u>7,740,814</u>
Less: Contributions to assets held for others	-	-	(597)	(597)	(597)
Less: Investment income from assets held for others	-	(280,614)	-	(280,614)	(280,614)
	<u>3,740</u>	<u>6,619,433</u>	<u>836,430</u>	<u>7,455,863</u>	<u>7,459,603</u>
Net assets released from restrictions	<u>1,895,107</u>	<u>(2,494,193)</u>	<u>599,086</u>	<u>(1,895,107)</u>	<u>-</u>
Total revenues, gains, and other support	<u>1,898,847</u>	<u>4,125,240</u>	<u>1,435,516</u>	<u>5,560,756</u>	<u>7,459,603</u>
<u>Grants, Scholarships, and Other Expenses:</u>					
Grants	1,032,601	-	-	-	1,032,601
Scholarships	343,276	-	-	-	343,276
Investment management fees	41,269	-	-	-	41,269
Trustee fees	146,029	-	-	-	146,029
Functional expenses - Per attached schedule	<u>315,081</u>	-	-	-	<u>315,081</u>
	<u>1,878,256</u>	-	-	-	<u>1,878,256</u>
Less: Disbursements from assets held for others	<u>(43,526)</u>	-	-	-	<u>(43,526)</u>
Total distributions and other expenses	<u>1,834,730</u>	-	-	-	<u>1,834,730</u>
<u>Change in Net Assets</u>	<u>64,117</u>	<u>4,125,240</u>	<u>1,435,516</u>	<u>5,560,756</u>	<u>5,624,873</u>
<u>Net Assets - Beginning</u>	<u>479,859</u>	<u>2,897,114</u>	<u>29,181,392</u>	<u>32,078,506</u>	<u>32,558,365</u>
<u>Net Assets - Ending</u>	<u>\$ 543,976</u>	<u>\$7,022,354</u>	<u>\$30,616,908</u>	<u>\$37,639,262</u>	<u>\$38,183,238</u>

- See Accompanying Notes -

The Portland Foundation and Affiliate

Combined Statement of Activities

For the Year Ended December 31, 2018

		With Donor Restrictions			
	Without Donor Restriction	Temporarily Restricted	Permanently Restricted	Total With Donor Restrictions	Total
<u>Revenues, Gains, and Other Support:</u>					
Contributions	\$ 451	\$ 522,693	\$ 469,833	\$ 992,526	\$ 992,977
Interest and dividends	-	685,054	-	685,054	685,054
Realized and unrealized gains and (losses) from investments, net	-	(3,062,722)	-	(3,062,722)	(3,062,722)
Other income	7,300	-	-	-	7,300
Loss on disposal of fixed assets	(4,759)	-	-	-	(4,759)
Partnership investment income (loss)	(37)	-	-	-	(37)
	2,955	(1,854,975)	469,833	(1,385,142)	(1,382,187)
Less: Contributions to assets held for others	-	-	(432)	(432)	(432)
Plus: Investment loss from assets held for others	-	133,557	-	133,557	133,557
	2,955	(1,721,418)	469,401	(1,252,017)	(1,249,062)
Net assets released from restrictions	1,556,337	(1,622,970)	66,633	(1,556,337)	-
Total revenues, gains, and other support	1,559,292	(3,344,388)	536,034	(2,808,354)	(1,249,062)
<u>Grants, Scholarships, and Other Expenses:</u>					
Grants	994,031	-	-	-	994,031
Scholarships	312,781	-	-	-	312,781
Investment management fees	41,135	-	-	-	41,135
Trustee fees	138,398	-	-	-	138,398
Functional expenses - Per attached schedule	305,916	-	-	-	305,916
	1,792,261	-	-	-	1,792,261
Less: Disbursements from assets held for others	(62,614)	-	-	-	(62,614)
Total distributions and other expenses	1,729,647	-	-	-	1,729,647
<u>Change in Net Assets</u>	(170,355)	(3,344,388)	536,034	(2,808,354)	(2,978,709)
<u>Net Assets - Beginning</u>	650,214	6,241,502	28,645,358	34,886,860	35,537,074
<u>Net Assets - Ending</u>	\$ 479,859	\$2,897,114	\$29,181,392	\$32,078,506	\$32,558,365

- See Accompanying Notes -

The Portland Foundation and Affiliate

Combined Statement of Functional Expenses

For the Year Ended December 31, 2019

Salaries and Related Expenses:

	Program	Management and General	Fundraising	Total
Director's salary	\$ 56,481	\$ 56,481	\$ -	\$ 112,962
Other salaries and wages	44,758	28,133	-	72,891
Payroll taxes	7,078	6,037	-	13,115
Employee benefits	8,764	6,814	-	15,578
Directors' and officers' insurance	-	1,070	-	1,070
Travel	-	917	-	917
Total salaries and related expenses	<u>117,081</u>	<u>99,452</u>	<u>-</u>	<u>216,533</u>

Other Expenses:

Advertising	-	1,396	-	1,396
Dues and subscriptions	-	2,418	-	2,418
Insurance	-	1,203	-	1,203
Internet	291	291	-	582
Legal and accounting	-	8,150	-	8,150
Lilly Community Scholarship	5,631	-	-	5,631
Miscellaneous	3,380	-	-	3,380
Office supplies	-	2,734	-	2,734
Postage	-	893	-	893
Printing and promotion	2,887	-	6,546	9,433
Rent	-	32,400	-	32,400
Repairs and maintenance	-	4,783	-	4,783
Telephone	-	2,554	-	2,554
Utilities	-	781	-	781
Total other expenses	<u>12,189</u>	<u>57,603</u>	<u>6,546</u>	<u>76,338</u>
<u>Depreciation of property and equipment</u>	<u>-</u>	<u>22,210</u>	<u>-</u>	<u>22,210</u>
<u>Total expenses</u>	<u>\$ 129,270</u>	<u>\$ 179,265</u>	<u>\$ 6,546</u>	<u>\$ 315,081</u>

- See Accompanying Notes -

The Portland Foundation and Affiliate

Combined Statement of Functional Expenses

For the Year Ended December 31, 2018

Salaries and Related Expenses:

	Program	Management and General	Fundraising	Total
Director's salary	\$ 53,500	\$ 53,500	\$ -	\$ 107,000
Other salaries and wages	24,050	24,180	-	48,230
Payroll taxes	5,587	5,560	-	11,147
Employee benefits	8,569	9,818	-	18,387
Directors' and officers' insurance	-	1,070	-	1,070
Travel	-	706	-	706
Total salaries and related expenses	<u>91,706</u>	<u>94,834</u>	<u>-</u>	<u>186,540</u>

Other Expenses:

Advertising	-	-	-	-
Dues and subscriptions	-	1,508	-	1,508
Insurance	-	1,226	-	1,226
Internet	588	588	-	1,176
Legal and accounting	-	7,685	-	7,685
Lilly Community Scholarship	8,345	-	-	8,345
Miscellaneous	9,693	-	-	9,693
Office supplies	-	26,950	-	26,950
Postage	-	2,157	-	2,157
Printing and promotion	2,642	-	5,225	7,867
Rent	-	18,400	-	18,400
Repairs and maintenance	-	6,302	-	6,302
Telephone	-	2,711	-	2,711
Utilities	-	2,448	-	2,448
Total other expenses	<u>21,268</u>	<u>69,975</u>	<u>5,225</u>	<u>96,468</u>

<u>Depreciation of property and equipment</u>	<u>-</u>	<u>22,908</u>	<u>-</u>	<u>22,908</u>
---	----------	---------------	----------	---------------

<u>Total expenses</u>	<u>\$ 112,974</u>	<u>\$ 187,717</u>	<u>\$ 5,225</u>	<u>\$ 305,916</u>
-----------------------	-------------------	-------------------	-----------------	-------------------

The Portland Foundation and Affiliate

Combined Statements of Cash Flows

For the Years Ended December 31, 2019 and December 31, 2018

	<u>12/31/2019</u>	<u>12/31/2018</u>
<u>Cash Flows from Operating Activities:</u>		
Change in net assets	<u>\$ 5,624,873</u>	<u>\$(2,978,709)</u>
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	22,210	22,908
Realized and unrealized (gains) and losses from investments, net	(5,771,538)	3,062,722
Loss on disposal of fixed assets	-	4,759
(Increase) decrease in assets:		
Income tax receivable	26	-
Increase (decrease) in liabilities:		
Liability for assets held for others	237,685	(195,739)
Accrued liabilities	1,801	(145)
Contributions - With donor restrictions	(951,162)	(992,526)
Interest and dividends - With donor restrictions	<u>(1,014,374)</u>	<u>(685,054)</u>
Total adjustments	<u>(7,475,352)</u>	<u>1,216,925</u>
Net cash used by operating activities	<u>(1,850,479)</u>	<u>(1,761,784)</u>
<u>Cash Flows from Investing Activities:</u>		
Proceeds - Sale of investments	19,871,894	32,029,855
Payments - Purchase of investments	<u>(19,899,797)</u>	<u>(32,088,484)</u>
Net cash used by investing activities	<u>(27,903)</u>	<u>(58,629)</u>
<u>Cash Flows from Financing Activities:</u>		
Proceeds - Contributions - With donor restrictions	951,162	992,526
Proceeds - Interest and dividends - With donor restrictions	<u>1,014,374</u>	<u>685,054</u>
Net cash provided by financing activities	<u>1,965,536</u>	<u>1,677,580</u>

The Portland Foundation and AffiliateCombined Statements of Cash FlowsFor the Years Ended December 31, 2019 and December 31, 2018(Continued)

	<u>12/31/2019</u>	<u>12/31/2018</u>
Net change in cash, cash equivalents, and restricted cash	87,154	(142,833)
Cash, cash equivalents, and restricted cash - Beginning	<u>165,451</u>	<u>308,284</u>
Cash, cash equivalents, and restricted cash - Ending	<u>\$ 252,605</u>	<u>\$ 165,451</u>

The Portland Foundation and AffiliateNotes to the Financial StatementsDecember 31, 2019 and December 31, 2018NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES - The Portland Foundation (organized as a trust) and The Portland Foundation, Inc. (affiliate) (the Foundation) receive gifts from individuals, foundations, and organizations and place them into individual funds that match the giving priorities of the donors. The majority of the gifts are endowment gifts which are preserved into perpetuity, the income of which is returned to the Jay County community through grants and scholarships.

BASIS OF ACCOUNTING - The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

BASIS OF PRESENTATION - The Organization presents its financial statements in accordance with U.S. generally accepted accounting principles (US GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

CONTRIBUTIONS - Contributions, including grants, that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received with donor restrictions that are met in the same period are reported as unrestricted support and increase net assets without donor restrictions.

The Portland Foundation and AffiliateNotes to the Financial StatementsDecember 31, 2019 and December 31, 2018NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CONTRIBUTED SERVICES - A variety of people have contributed significant amounts of non-compensatory time to the activities of the Foundation. The financial statements do not reflect the value of these contributed services because, although substantial, no reliable basis exists for determining an appropriate amount.

ESTIMATES - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COMBINED FINANCIAL STATEMENTS - The Portland Foundation, Inc. (affiliate) is under the common control of The Portland Foundation, and is reported as one economic entity with the Foundation. As such, inter-organizational revenue and expenses are eliminated in preparing the combined financial statements.

RECEIVABLES AND UNCOLLECTIBLES - Accounts and pledge receivables are recorded at cost at the time of their occurrence and adjusted to fair value through the allowance for doubtful accounts at year end by the Foundation determining the amount that may be uncollectible. The Foundation does not charge interest or finance charges for past due accounts. When an account is totally uncollectible, the Foundation writes off the receivable and reduces the allowance for doubtful accounts. The Foundation usually determines when an account or pledge is totally uncollectible by estimating whether any payments will ever be received on that account or pledge. As of December 31, 2019 and 2018, there were no pledge receivables, and accordingly, no allowance for doubtful accounts.

PROPERTY AND DEPRECIATION - Property and equipment owned by the Foundation are carried at cost or, in the case of donated property, at fair-market value determined at the date of gift, less accumulated depreciation. Depreciation is recorded on the straight-line method over estimated useful lives of the assets.

Expenditures for maintenance and repairs and certain small elements of renewals are charged to expense as incurred, while additions and betterments are capitalized. The cost and accumulated depreciation of property sold or otherwise disposed of are removed from the accounts, and any gain or loss thereon is credited or charged to income. Depreciation expense totaled \$22,210 and \$22,908 for the years ended December 31, 2019 and 2018, respectively.

CASH AND CASH EQUIVALENTS - For the purpose of the statement of cash flows, the Foundation considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents. The money market funds within the brokerage accounts are not considered to be cash equivalents.

The Portland Foundation and Affiliate

Notes to the Financial Statements

December 31, 2019 and December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CASH EQUIVALENTS RESTRICTED WITH DONOR RESTRICTIONS - Cash equivalents restricted by donors and is not available for operating purposes.

INCOME TAX STATUS - The Foundation and affiliate are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. In the year ended December 31, 2019, the Foundation incurred an unrelated business loss of \$0. In the year ended December 31, 2018, the Foundation earned unrelated business loss of \$37. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Management evaluates all significant tax positions as required by accounting principles generally accepted in the United States of America. As of December 31, 2019, the Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that materially impact the financial statements or related disclosures.

The Foundation's information returns are subject to examination, generally for three years after the filing date.

INVESTMENTS - The Foundation carries the majority of its investments at market value. Accordingly, unrealized gains and losses are recorded for the increase or decrease in the market value of assets from the beginning of the period to the end of the period. The Foundation does carry some investments at cost. These investments are investments for which there are no readily determinable fair-market values.

FUNCTIONAL ALLOCATION OF EXPENSES - The costs of providing the various programs and other activities have been summarized on a functional basis on the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. Program usage studies are conducted annually.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Internet	Program usage
Printing and promotion	Program usage

The Portland Foundation and AffiliateNotes to the Financial StatementsDecember 31, 2019 and December 31, 2018NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GRANTS AND SCHOLARSHIPS - Grants and scholarships are made from available income and principal in accordance with the designations by the donors and approved by the Board of Directors and are recorded at the date the grant or scholarship is approved.

ASSETS HELD FOR OTHERS - The Foundation has reported liabilities for assets held for others in conformity with FASB *Accounting Standards Codification 958, Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. The Foundation is required to report as liabilities any amounts received from a donor that specifies itself or its affiliates as the beneficiary of the transferred assets, and any activity attributed to these amounts is recorded as an increase or decrease in the liabilities. Accordingly, the Foundation has reported \$1,750,006 and \$1,512,321 at December 31, 2019 and 2018, respectively, as liabilities for assets held for others on the statements of financial position.

Additionally, the Foundation has reported on the statement of activities a reduction in contributions of \$597 and \$432, and a reduction in disbursements of \$43,526 and \$62,614 for the years ended December 31, 2019 and 2018, respectively, for the activity attributed to the assets held for others. Furthermore, the Foundation reported on the statement of activities a decrease in investment income of \$280,614 and an increase in investment income \$133,557 for the years ended December 31, 2019 and 2018, respectively.

NEW ACCOUNTING PRONOUNCEMENT - On January 1, 2019, the Organization adopted the Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* and the related amendments with the same effective date (together, ASC 606), as prescribed by the Financial Accounting Standards Board (FASB) using the modified retrospective method of adoption. The core principle of ASC 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expected to be entitled in exchange for those goods or services. The adoption of ASC 606 did not have a significant impact of the Organization's revenue recognition, financial position, results of operations, or cash flows. Therefore, no cumulative-effect adjustment to net assets as of January 1, 2019 was required upon adoption.

Also, as of January 1, 2019, the Foundation adopted ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU was prescribed by the FASB and clarifies and improves accounting guidance for contributions received and contributions made by providing guidance on whether transactions should be accounting for as contributions (nonreciprocal transactions) within the scope of the Accounting Standards Codification Topic 958, *Not-for-Profit Entities*, or an exchange (reciprocal) transaction subject to other guidance and whether a contribution is conditional.

The Portland Foundation and Affiliate

Notes to the Financial Statements

December 31, 2019 and December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ASU No. 2018-18 has been applied using a modified prospective basis in the financial statements by which the ASU was applied for agreements that were either not completed or in place as of December 31, 2018. Therefore, no prior period results were restated and there was no cumulative-effect adjustment to net assets as of January 1, 2019.

Also, on January 1, 2019, the Foundation adopted ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that statement of cash flows include the change during the year of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. ASU No. 2016-18 was prescribed by the FASB and has been applied retrospectively to all years presented. No prior period results were restated and there was no cumulative-effect adjustment to net assets as of January 1, 2019.

NOTE 2 - CASH AND CASH EQUIVALENTS

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the amounts shown in the statements of cash flows:

	<u>2019</u>	<u>2018</u>
Cash, cash equivalents, and restricted cash:		
Without donor restrictions	\$ 211,052	\$ 122,898
With donor restrictions	<u>41,553</u>	<u>42,553</u>
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	<u>\$ 252,605</u>	<u>\$ 165,451</u>

NOTE 3 - RETIREMENT PLAN

The Foundation set up a retirement plan during 2008 for employees. The contribution is determined annually by the Board. The expense of the retirement plan for the years ended December 31, 2019 and December 31, 2018, totaled \$12,350 and \$12,376, respectively.

The Portland Foundation and Affiliate

Notes to the Financial Statements

December 31, 2019 and December 31, 2018

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2019:

	Cost	Accumulated Depreciation
Land - Freedom Park	\$ 220,423	\$ -
Leasehold improvements	<u>351,385</u>	<u>237,084</u>
Total land and leasehold improvements	<u>571,808</u>	<u>237,084</u>
Equipment:		
Computer hardware	13,340	13,340
Computer software	2,370	2,370
Office furniture and fixtures	<u>3,504</u>	<u>3,503</u>
Total equipment	<u>19,214</u>	<u>19,213</u>
Total property and equipment	<u><u>\$ 591,022</u></u>	<u><u>\$ 256,297</u></u>

Property and equipment consisted of the following at December 31, 2018:

	Cost	Accumulated Depreciation
Land - Freedom Park	\$ 220,423	\$ -
Leasehold improvements	<u>351,385</u>	<u>214,874</u>
Total land and leasehold improvements	<u>571,808</u>	<u>214,874</u>
Equipment:		
Computer hardware	13,340	13,340
Computer software	2,370	2,370
Office furniture and fixtures	<u>3,504</u>	<u>3,503</u>
Total equipment	<u>19,214</u>	<u>19,213</u>
Total property and equipment	<u><u>\$ 591,022</u></u>	<u><u>\$ 234,087</u></u>

NOTE 5 - NONCURRENT ASSETS - PAINTINGS

The Foundation is the owner of paintings that have been donated to the Foundation. The donations are stated at the estimated fair-market value.

The Portland Foundation and Affiliate

Notes to the Financial Statements

December 31, 2019 and December 31, 2018

NOTE 6 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash, equity, and other investments. The Foundation generally places its investments with financial institutions and attempts to limit its credit exposure to any one financial institution. Cash deposits at each financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000 at December 31, 2019 and 2018, respectively. At December 31, 2019 and 2018, the Foundation had \$2,605 and \$0, respectively, in uninsured cash deposits. At December 31, 2019, the Foundation had \$39,343,915 invested in three different brokerage accounts. At December 31, 2018, the Foundation had \$33,544,803 invested in three different brokerage accounts. The Foundation maintains a continually managed investment strategy to diversify the risk of these investments; however, they are subject to normal market risk. The Foundation does not require any collateral to support its financial instruments.

NOTE 7 - INVESTMENTS; AT MARKET

At December 31, 2019, the Foundation maintained the following investment portfolio:

	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>	<u>Carrying Value (Market)</u>
Money market funds	\$ 1,411,948	\$ -	\$ 1,411,948
Mutual funds	31,405,519	4,111,615	35,517,134
Other investments	2,334,560	84,073	2,418,633
Total	<u>\$ 35,152,027</u>	<u>\$ 4,195,688</u>	<u>\$ 39,347,715</u>

The above funds are included on the statement of financial position at market value, under the captions "Investments; at market - With donor restrictions and Investments; at market - Assets held for others."

Investment income earned on these investments during the year ended December 31, 2019, consisted of the following:

Interest and dividends	\$ 1,014,374
Realized and unrealized gains (losses) on investments, net	<u>5,771,538</u>
Total	<u>\$ 6,785,912</u>

The above income is included on the statement of activities.

The Portland Foundation and Affiliate

Notes to the Financial Statements

December 31, 2019 and December 31, 2018

NOTE 7 - INVESTMENTS; AT MARKET (continued)

At December 31, 2018, the Foundation maintained the following investment portfolio:

	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>	<u>Carrying Value (Market)</u>
Money market funds	\$ 3,061,412	\$ -	\$ 3,061,412
Mutual funds	28,793,177	(951,385)	27,841,792
Other investments	2,867,414	(225,815)	2,641,599
Total	<u>\$ 34,722,003</u>	<u>\$ (1,177,200)</u>	<u>\$ 33,544,803</u>

The above funds are included on the statement of financial position at market value, under the captions "Investments; at market - With donor restrictions and Investments; at market - Assets held for others."

Investment income earned on these investments during the year ended December 31, 2018, consisted of the following:

Interest and dividends	\$ 685,054
Realized and unrealized gains (losses) on investments, net	<u>(3,062,722)</u>
Total	<u>\$ (2,377,668)</u>

The above income is included on the statement of activities.

NOTE 8 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	<u>2019</u>
Cash, cash equivalents, and restricted cash	
Without donor restrictions	\$ 211,052
Total	<u>\$ 211,052</u>

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while striving to maximize the investment of its available funds.

NOTE 9 - CAFETERIA PLAN

As of January 1, 2017, the Foundation adopted a Section 125 cafeteria plan. This plan allows employees to elect to receive certain employee benefits with pre-tax dollars.

The Portland Foundation and AffiliateNotes to the Financial StatementsDecember 31, 2019 and December 31, 2018NOTE 10 - MAJOR FUNDING SOURCES

Significant amounts of income were recorded from the following sources during the year ended December 31, 2019:

<u>Contributor</u>	<u>Amount</u>	<u>% of Total Contributions</u>
Estate of Ronald Shoemaker	\$ 380,000	40%

Significant amounts of income were recorded from the following sources during the year ended December 31, 2018:

<u>Contributor</u>	<u>Amount</u>	<u>% of Total Contributions</u>
Lilly Endowment, Inc.	\$ 500,000	50%
Estate of Linus Mescher	\$ 165,854	17%

NOTE 11 - PRINTING AND PROMOTIONAL AND ADVERTISING EXPENSES

For the years ended December 31, 2019 and December 31, 2018, printing and promotional expenses in the amount of \$9,433 and \$7,867, respectively, and advertising expenses in the amount of \$1,396 and \$0, respectively, were incurred by the Foundation to promote its programs among the Jay County community.

NOTE 12 - COMMITMENTS

In August 2018, the Foundation agreed to a five-year lease of office facilities at \$2,700 per month through June 2023. Rent expense for the years ended December 31, 2019 and December 31, 2018, were \$32,400 and \$18,400, respectively.

Future minimum lease payments are as follows:

2020	\$ 32,400
2021	32,400
2022	32,400
2023	<u>16,200</u>
Total	<u>\$113,400</u>

The Portland Foundation and Affiliate

Notes to the Financial Statements

December 31, 2019 and December 31, 2018

NOTE 13 - NET ASSETS

Net assets with donor restrictions were as follows for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Time Restricted		
Restricted for future periods	\$ 7,022,354	\$ 2,897,114
Perpetual	30,616,908	29,181,392
Total	<u>\$ 37,639,262</u>	<u>\$ 32,078,506</u>

Net assets without donor restrictions for the years ended December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Undesignated	<u>\$ 543,976</u>	<u>\$ 479,859</u>

Net assets released from net assets with donor restrictions are as follows:

	<u>2019</u>	<u>2018</u>
Satisfaction of Purpose Restrictions		
Restricted for future periods	\$ 2,494,193	\$ 1,622,970
Total	<u>\$ 2,494,193</u>	<u>\$ 1,622,970</u>

NOTE 14 - RELATED PARTIES

Several board members of the Foundation also serve as board members of other organizations that receive grants from the Foundation.

For the years ending December 31, 2019, a board member of the Foundation is also an employee of an organization that receives grants from the Foundation. The grants disbursed to this organization totaled \$10,140 and \$8,868 for the years ending December 31, 2019 and December 31, 2018.

In addition, for the years ending December 31, 2019 and December 31, 2018, the Executive Director of the Foundation served as a board member of an organization where a related party serves as the Executive Director. The Foundation disbursed grants totaling \$71,500 and \$55,500, respectively to this Organization for the years ending December 31, 2019 and December 31, 2018. The Foundation also lease office facilities with this Organization.

The Portland Foundation and Affiliate

Notes to the Financial Statements

December 31, 2019 and December 31, 2018

NOTE 14 - RELATED PARTIES (continued)

Rent expense for the year ending December 31, 2019 and December 31, 2018 totaled \$32,400 and \$13,500, respectively.

Furthermore, the Foundation maintained investments at a brokerage firm for which a related party worked as the financial advisor of the investments. The value of these investments totaled \$283,854 and \$241,470, respectively, at December 31, 2019 and December 31, 2018. Income earned on these investments during 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 6,687	\$ 2,177
Realized gains (losses) on sales of investments	(5,182)	45,418
Unrealized gains (losses) on investments	<u>50,165</u>	<u>(74,078)</u>
Total	<u>\$ 51,670</u>	<u>\$ (26,483)</u>

The above income is included on the statement of activities.

NOTE 15 - FAIR VALUES OF FINANCIAL INSTRUMENTS

FASB *Accounting Standards Codification 820, Fair Value Measurements* defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This standard also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Quotes prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices as quoted prices for similar assets or liabilities; quotes prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The estimated fair values of the Foundation's financial instruments at December 31, 2019, none of which are held for trading purposes, are as follows:

The Portland Foundation and AffiliateNotes to the Financial StatementsDecember 31, 2019 and December 31, 2018NOTE 15 - FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial Assets:</u>				
Money market funds	\$ 1,411,948	\$ -	\$ -	\$ 1,411,948
Mutual funds	35,517,134	-	-	35,517,134
Alternative investments	2,418,633	-	-	2,418,633
Total assets at fair value	<u>\$ 39,347,715</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,347,715</u>

The estimated fair values of the Foundation's financial instruments at December 31, 2018, none of which are held for trading purposes, are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial Assets:</u>				
Money market funds	\$ 3,061,412	\$ -	\$ -	\$ 3,061,412
Mutual funds	27,841,792	-	-	27,841,792
Alternative investments	2,641,599	-	-	2,641,599
Total assets at fair value	<u>\$ 33,544,803</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,544,803</u>

NOTE 16 - UNDERWATER ENDOWMENT FUNDS

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. At December 31, 2019, the Foundation had 2 funds with original gift values of \$10,861, fair values of \$5,712, and deficiencies of \$5,149 reported in net assets with donor restrictions. At December 31, 2018, the Foundation had 17 funds with original gift values of \$2,280,680, fair values of \$2,142,955, and deficiencies of \$5,631 reported in net assets with donor restrictions. The deficiencies resulted from unfavorable market fluctuations that occurred during the year and continued appropriation for certain purposes was deemed prudent by the Board of Directors.

The Portland Foundation and Affiliate

Notes to the Financial Statements

December 31, 2019 and December 31, 2018

NOTE 17 - ENDOWMENT FUND

Change in endowment net assets for the year ended December 31, 2019:

	Assets Held for Others	With Donor Restrictions		Total
		Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 1,512,321	\$ 2,897,114	\$ 29,177,921	\$ 33,587,356
Investment return:				
Interest, dividends, capital gains (losses) (realized and unrealized)	280,614	6,785,912	-	7,066,526
Contributions	597	114,135	1,435,187	1,549,919
Appropriation of endowment assets for expenditure	(43,526)	(2,774,807)	-	(2,818,333)
Endowment net assets, end of year	<u>\$ 1,750,006</u>	<u>\$ 7,022,354</u>	<u>\$ 30,613,108</u>	<u>\$ 39,385,468</u>

Change in endowment net assets for the year ended December 31, 2018:

	Assets Held for Others	With Donor Restrictions		Total
		Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 1,708,060	\$ 6,241,502	\$ 28,641,887	\$ 36,591,449
Investment return:				
Interest, dividends, capital gains (losses) (realized and unrealized)	(133,557)	(2,377,668)	-	(2,511,225)
Contributions	432	522,693	536,034	1,059,159
Appropriation of endowment assets for expenditure	(62,614)	(1,489,413)	-	(1,552,027)
Endowment net assets, end of year	<u>\$ 1,512,321</u>	<u>\$ 2,897,114</u>	<u>\$ 29,177,921</u>	<u>\$ 33,587,356</u>

The Portland Foundation and AffiliateNotes to the Financial StatementsDecember 31, 2019 and December 31, 2018NOTE 17 - ENDOWMENT FUND (continued)

In 1996, the Foundation adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions, because those assets are time restricted until the Board of Directors appropriates such amounts for expenditure. Most of those assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Directors has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. The Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the funds are that required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

NOTE 18 - INVESTMENT AND SPENDING POLICIES

The Foundation has adopted investment and spending policies for endowment assets with an objective to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the board, the endowment assets are invested in a manner intended to produce positive results while assuming a moderate level of investment risk. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investments are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

The Foundation has a policy of appropriating for distribution each year a discretionary amount, of 4%, based on its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 19 - RISKS AND UNCERTAINTIES

The Foundation invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, credit, and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near-term and such changes could materially affect amounts reported.

The Portland Foundation and AffiliateNotes to the Financial StatementsDecember 31, 2019 and December 31, 2018NOTE 20 - CHARITABLE GIFT ANNUITIES AND CHARITABLE REMAINDER UNITRUSTS

The Foundation is the beneficiary of several charitable gift annuities and charitable remainder unitrusts. Currently, the owners of these annuities and unitrusts are receiving benefits. The amount the Foundation will receive is uncertain. Accordingly, these funds are not reported as assets to the Foundation.

The fair market value of these funds are as follows:

	<u>2019</u>	<u>2018</u>
Charitable gift annuities	\$ 494,108	\$ 475,244
Charitable remainder unitrusts	<u>1,200,712</u>	<u>832,190</u>
Total	<u>\$ 1,694,820</u>	<u>\$ 1,307,434</u>

NOTE 21 - SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions that occurred between January 1, 2020 and September 30, 2020, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements. In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. The ultimate impact of the outbreak to the Foundation's financial results and operations cannot be determined at this time; however, management is taking actions to mitigate the impact of the outbreak to the Foundation.

September 30, 2020

To the Board of Trustees
The Portland Foundation

We have audited the combined financial statements of The Portland Foundation (organized as a trust) and The Portland Foundation, Inc. (affiliate) for the year ended December 31, 2019, and have issued our report thereon dated September 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 1, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by The Portland Foundation and affiliate are described in Note 1 to the combined financial statements. As described in Note 1, in 2019 the Organization changed accounting policies by adopting Accounting Standards Update (ASU) No. 2014-09 Revenue from Contracts with Customers (Topic 606) and the related amendments with the same effective date, ASU No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, and ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. No prior period results were restated and there was no cumulative-effect adjustment to net assets as of January 1, 2019. We noted no transactions entered into by the Organization during the years for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the combined financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the combined financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the combined financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the combined financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 30, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's combined financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Board of Trustees
The Portland Foundation
September 30, 2020
Page (3)

Other Matters

This information is intended solely for the use of the Board of Trustees and management of The Portland Foundation and affiliate and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Bollenbacher & Associates, LLC

Bollenbacher & Associates, LLC
Certified Public Accountants



To the Board of Trustees
The Portland Foundation

In planning and performing our audit of the combined financial statements of The Portland Foundation (organized as a trust) and The Portland Foundation, Inc. (affiliate) as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered The Portland Foundation's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's combined financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, the Board of Trustees, and others within the Foundation, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Bollenbacher & Associates, LLC

Portland, Indiana
September 30, 2020

THE PORTLAND FOUNDATION AND AFFILIATE

107 S MERIDIAN STREET

Portland, IN 47371

September 30, 2020

Bollenbacher & Associates, LLC

915 N Meridian Street

PO Box 702

Portland, IN 47371

This representation letter is provided in connection with your audits of the combined financial statements of The Portland Foundation and affiliate, which comprise the combined statements of financial position as of December 31, 2019 and 2018, and the related combined statements of activities and cash flows for the years then ended, and the disclosures (collectively, the “combined financial statements”), for the purpose of expressing an opinion as to whether the combined financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of September 30, 2020, the following representations made to you during your audits.

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 1, 2019, including our responsibility for the preparation and fair presentation of the combined financial statements in accordance with U.S. GAAP.
- The combined financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- All events subsequent to the date of the combined financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the combined financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.
- The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- Significant estimates and material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- Guarantees, whether written or oral, under which the Foundation is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

Information Provided

- We have provided you with:
 - Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the combined financial statements, such as records, documentation, and other matters.
 - Additional information that you have requested from us for the purpose of the audits.
 - Unrestricted access to persons within the Foundation from whom you determined it necessary to obtain audit evidence.
 - Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- All material transactions have been recorded in the accounting records and are reflected in the combined financial statements.
- We have disclosed to you the results of our assessment of the risk that the combined financial statements may be materially misstated as a result of fraud.

- We have no knowledge of any fraud or suspected fraud that affects the foundation and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the combined financial statements.
- We have no knowledge of any allegations of fraud or suspected fraud affecting the Foundation's combined financial statements communicated by employees, former employees, grantors, regulators, or others.
- We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing combined financial statements.
- We have disclosed to you all known actual or possible litigation, claims, and assessment whose effects should be considered when preparing the combined financial statements.
- We have disclosed to you the names of all the Foundation's related parties and all the related party relationships and transactions, including any side agreements.
- The Foundation has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.
- The Portland Foundation is an exempt Foundation under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Foundation's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.

Signature: _____

Title: _____