The REACH Healthcare Foundation

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2021 and 2020

FORVIS

The REACH Healthcare Foundation
December 31, 2021 and 2020

Contents

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Independent Auditor's Report

Board of Directors
The REACH Healthcare Foundation
Overland Park, Kansas

Opinion

We have audited the consolidated financial statements of The REACH Healthcare Foundation (the Foundation), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that these consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

FORVIS, LLP

Kansas City, Missouri
July 11, 2022

The REACH Healthcare Foundation
Consolidated Statements of Financial Position
December 31, 2021 and 2020

Assets

	2021	2020
Cash	$ 92,186	$ 100,668
Prepaid expenses and other assets	482,148	17,636
Investments	161,313,129	141,653,507
Property and equipment, net of accumulated depreciation; 2021 - $284,102, 2020 - $148,007	974,956	1,111,051
Total assets	$ 162,862,419	$ 142,882,862

Liabilities and Net Assets

	2021	2020
Liabilities		
Accounts payable and accrued expenses	$ 565,767	$ 115,456
Grants payable	2,303,717	2,582,371
Total liabilities	2,869,484	2,697,827
Net Assets Without Donor Restrictions	159,992,935	140,185,035
Total liabilities and net assets	$ 162,862,419	$ 142,882,862

The REACH Healthcare Foundation
Consolidated Statements of Activities
Years Ended December 31, 2021 and 2020

	2021	2020
Revenues and Gains		
Investment return	$ 26,015,549	$ 13,079,072
Other income	1,000,000	160,455
Total revenues and gains	27,015,549	13,239,527
Expenses		
Grants and program	6,308,974	6,294,471
Management and general	898,675	847,672
Total expenses	7,207,649	7,142,143
Change in Net Assets	19,807,900	6,097,384
Net Assets, Beginning of Year	140,185,035	134,087,651
Net Assets, End of Year	$ 159,992,935	$ 140,185,035

The REACH Healthcare Foundation

Consolidated Statement of Functional Expenses

Year Ended December 31, 2021

	Grants and Program	Management and General	Total Expenses
Grants	$ 4,811,658	$ -	$ 4,811,658
Salaries and related expenses	876,790	484,392	1,361,182
Professional fees	306,516	102,373	408,889
Advertising and promotion	9,460	220	9,680
Office supplies and expense	48,370	28,988	77,358
Information technology	22,864	25,020	47,884
Occupancy	105,005	134,341	239,346
Travel	224	774	998
Conferences, conventions and meetings	30,781	4,008	34,789
Depreciation	69,716	66,379	136,095
Insurance	-	25,388	25,388
Equipment leasing and expense	1,484	16,509	17,993
Membership dues	22,355	1,205	23,560
Staff development	1,282	(4,945)	(3,663)
Other	2,469	14,023	16,492
	$ 6,308,974	$ 898,675	$ 7,207,649

The REACH Healthcare Foundation

Consolidated Statement of Functional Expenses

Year Ended December 31, 2020

	Grants and Program	Management and General	Total Expenses
Grants	$ 5,032,675	$ -	$ 5,032,675
Salaries and related expenses	852,654	434,328	1,286,982
Professional fees	116,890	75,864	192,754
Advertising and promotion	3,448	3,743	7,191
Office supplies and expense	36,923	30,294	67,217
Information technology	36,130	26,782	62,912
Occupancy	112,838	144,995	257,833
Travel	1,259	1,021	2,280
Conferences, conventions and meetings	20,048	3,443	23,491
Depreciation	69,510	68,908	138,418
Insurance	-	22,076	22,076
Equipment leasing and expense	5,407	11,679	17,086
Membership dues	18,065	1,764	19,829
Staff development	2,597	6,898	9,495
Grant refunds and adjustments	(16,000)	-	(16,000)
Other	2,027	15,877	17,904
	$ 6,294,471	$ 847,672	$ 7,142,143

The REACH Healthcare Foundation

Consolidated Statements of Cash Flows

Years Ended December 31, 2021 and 2020

	2021	2020
Operating Activities		
Change in net assets	$ 19,807,900	$ 6,097,384
Items not requiring (providing) operating activities cash flows		
Depreciation	136,095	138,418
Net realized and unrealized gains on investments	(25,822,931)	(12,874,033)
Changes in		
Prepaid expenses and other assets	(464,512)	9,500
Accounts payable and accrued expenses	450,311	(48,803)
Grants payable	(278,654)	(245,045)
Net cash used in operating activities	(6,171,791)	(6,922,579)
Investing Activities		
Purchase of property and equipment	-	(325,698)
Proceeds from disposition of investments	31,603,630	17,980,356
Purchase of investments	(25,691,789)	(11,315,897)
Distribution from equity method investment	251,468	569,993
Net cash provided by investing activities	6,163,309	6,908,754
Decrease in Cash	(8,482)	(13,825)
Cash, Beginning of Year	100,668	114,493
Cash, End of Year	$ 92,186	$ 100,668

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The REACH Healthcare Foundation was created as a Kansas not-for-profit foundation in August 2003, pursuant to an agreement (Memorandum of Understanding) between Health Midwest and the Kansas Attorney General, in connection with the sale of assets by Health Midwest to HCA, Inc. (HCA). Health Midwest, a Missouri public benefit corporation, operated various not-for-profit hospitals and other health care facilities in Kansas and Missouri which were among the assets sold to HCA, a for-profit company. The Settlement Agreement provided that two foundations would be established and that the net proceeds of the sale, as defined, would be distributed 80 percent to the Missouri foundation (Health Forward Foundation), and 20 percent to the Kansas Foundation (REACH or the Foundation). Community Health Group (CHG), successor to Health Midwest, made distributions to the two foundations pursuant to the Settlement Agreement.

The accompanying consolidated financial statements for the fiscal years 2021 and 2020 include the accounts of the Foundation and REACH Real Estate Holdings, LLC, a non-profit corporation controlled by the Foundation (hereinafter collectively known as the Foundation). All significant intercompany accounts and transactions have been eliminated upon consolidation.

The Foundation's stated purpose is to fund, conduct or take part in programs to improve, protect and/or restore individual, community and public health within specified communities in Eastern Kansas and the Greater Kansas City metropolitan area, with particular emphasis on individuals who are medically indigent or underserved.

The initial board of directors was appointed by Health Midwest, various elected officials and governing bodies in the Kansas state government and specified county governments. Subsequent board members are nominated by a Community Advisory Committee (CAC), and elected by the Foundation's board of directors. CAC members are appointed by governing bodies in the Kansas state government and specified county governments. Effective June 1, 2022, the Foundation is governed by a board of directors, of which, 51 percent are appointed by five governmental appointing authorities and 49 percent are elected by the board.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash

The Foundation maintains its bank accounts at an institution where accounts up to $250,000 are insured by the FDIC. At December 31, 2021 and 2020, the Foundation had no cash balances in excess of this limit. Uninvested cash included in investment accounts are considered to be investments for reporting purposes.

Investments and Net Investment Return

Investments in debt securities and in equity securities having a readily determinable fair value are carried at fair value. Marketable securities held by a custodian are valued by the custodian based on quoted market prices.

Alternative investments are valued using the most recent valuation available by the respective external fund manager. Valuation of investments in alternative investments, such as common trust funds, marketable partnership interests and private equity funds, is estimated based on valuations provided by external investment managers as of the prior quarter, adjusted for cash receipts and disbursements through December 31. The Foundation compares this carrying value, which is based on net asset value per share or its equivalent as a practical expedient, to the December 31 audited financial statements provided by the respective Fund's external auditors and believes the carrying value of these financial instruments is a reasonable estimate of fair value.

The Foundation owns a non-controlling interest in a for-profit real estate limited liability company that invests in an office building. The interest is nontransferable and may not be redeemed unless there is unanimous consent of all member interests. The Foundation accounts for its investment in the company using the equity method of accounting.

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and unrealized gains and losses on equity method investments, less external investment expenses.

Investment securities, in general, are exposed to various risks such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated statements of financial position.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Assets classified as leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Net assets without donor restrictions are board-restricted endowment funds that are available for use in general operations and not subject to donor restrictions.

Other Income

Other income consists of support funded by government grants. Revenue is recognized as the Foundation meets the conditions prescribed by the grant agreement. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Grants

Grant expenses are recorded when approved. Grants authorized and unpaid at year end are reported as liabilities in the consolidated statements of financial position. Grants payable at December 31, 2021 and 2020 were $2,303,717 and $2,582,371, respectively, and were expected to be paid within two years.

Income Taxes

The Foundation has been determined to be a public charity and is exempt from income taxes under Section 501 of the Internal Revenue Code and similar provisions of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income. The Foundation files tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the Foundation’s programs and other activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the grants and program and management and general categories based on management’s estimate of usage.

Subsequent Events

Subsequent events have been evaluated through July 11, 2022, which is the date the consolidated financial statements were available to be issued.

Note 2: Investments

Investments at December 31 consisted of the following:

	2021	2020
Investments in marketable securities at fair value		
Money market funds	$ 3,273,537	$ 3,075,490
Common stocks	17,250	19,875
Mutual funds	40,784,711	39,567,216
Total investments at fair value	44,075,498	42,662,581
Investments at net asset value		
Common trust funds	44,611,205	40,320,810
Marketable partnership interests	27,905,659	28,395,190
Marketable alternative investments	12,416,503	12,818,027
Private equity funds	27,106,890	16,280,553
Total investments at net asset value	112,040,257	97,814,580
Investments at equity method		
Partnership interests	632,937	1,176,346
Cash	4,564,437	-
	$ 161,313,129	$ 141,653,507

Investments at Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 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 for substantially the full term of the assets or liabilities

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

The following table presents the fair value measurements of investments recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2021 and 2020:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2021				
Money market funds	$ 3,273,537	$ 3,273,537	$ -	$ -
Common stocks	17,250	17,250	-	-
Mutual funds	40,784,711	40,784,711	-	-
Total	$ 44,075,498	$ 44,075,498	$ -	$ -
December 31, 2020				
Money market funds	$ 3,075,490	$ 3,075,490	$ -	$ -
Common stocks	19,875	19,875	-	-
Mutual funds	39,567,216	39,567,216	-	-
Total	$ 42,662,581	$ 42,662,581	$ -	$ -

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Investments at Net Asset Value (NAV)

At December 31, 2021 and 2020, the Foundation held the following investments in certain entities that calculate net asset value per share or its equivalent as a practical expedient.

	2021 NAV	2020 NAV	Restrictions of Redemption	Redemption Notice Period
Common trust funds (A)	$ 44,611,205	$ 40,320,810	Daily, weekly or monthly redemption	Daily or 30 days
Marketable partnership interests (B)	27,905,659	28,395,190	Monthly or quarterly redemption	10 to 180 days notice
Marketable alternative investments (C)	12,416,503	12,818,027	Quarterly	None
Private equity funds (D)	27,106,890	16,280,553	Nonredeemable	None
	$ 112,040,257	$ 97,814,580		

(A) Common Trust Funds

Common trust funds permit the commingling or pooling of investors' money into one account (known as a common fund) for the purpose of creating a single investment. Because they are a bank product, common trust funds are not required to be registered with the Securities and Exchange Commission and they are not considered to be a security under state and federal securities laws. Much like mutual funds, common trust funds strike a net asset value on a periodic basis and have varying investment strategies that primarily include investments in traditional assets such as domestic and international equity, fixed income securities and other securities. The Foundation's investments in common trust funds may be redeemed at net asset value on a daily or monthly basis, depending on the fund.

(B) Marketable Partnership Interests

Marketable partnership interests include investments in limited partnerships that seek capital appreciation and income by managing assets in investment pools, investment partnerships and similar entities (*i.e.*, a fund of funds). Fair value has been estimated using the net asset value per share of the investments. The marketable partnership interests are available for redemption on a monthly or quarterly basis.

(C) Marketable Alternative Investments

Marketable alternative investments include investments in limited partnerships that seek capital appreciation and income by managing assets in investment pools, investment partnerships and similar entities (*i.e.,* fund of funds). Fair value has been estimated using the net asset value per share of the investments. The marketable alternative investments are available for redemption on a quarterly basis.

(D) Private Equity Funds

Private equity funds include several private fund of funds that invest primarily in private capital investment vehicles, each of which may invest in public or private securities. Fair value has been estimated using the net asset value per share of the investment. Each fund operates in accordance with the terms of a limited partnership agreement and continues to operate year to year, unless dissolved in accordance with the agreements. There are significant restrictions on transfer and assignment of these limited partnership interests. The nature of the investments in this category is that distributions are received periodically when the fund incurs short- or long-term gains, return of capital, royalties, rents or other ordinary income. Outstanding unfunded commitments to these partnerships as of December 31, 2021 and 2020 were $7,806,414 and $8,182,051, respectively.

Investments at Equity Method

The Foundation has a 33.53 percent ownership percentage in a partnership interest that is accounted for using the equity method of accounting. The partnership interest represents an investment in a corporate building in which the main financial statement components include the property and equipment, loan payable and rental income. Changes in the interest are included in the change in net assets. Transfers of assets between the Foundation and the partnership are recognized as increases or decreases in the interest in the net assets of the Foundation with corresponding decreases or increases in the assets transferred and have no effect on the change in net assets. The Foundation's interest in the investment as of December 31, 2021 and 2020 was $632,937 and $1,176,346, respectively.

Note 3: Board-restricted Endowment

As discussed in *Note 1*, the Foundation operates pursuant to a settlement agreement governing the spending of the distributions received toward its formation. The Foundation's governing body is subject to the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA) as adopted in the State of Kansas applies to the Foundation, and in accordance with UPMIFA, the Foundation considers the following factors in determining whether to expend or accumulate endowment funds:

1. Duration and preservation of the fund
2. Purpose of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

The Asset Purchase Agreement (APA), as amended, provides that funds may be expended on grants in any fiscal year of the Foundation no more than the greater of (i) the net appreciation, realized and unrealized, in the fair market value of the Foundation's assets over the historic dollar value of such assets, calculated in accordance with the *Uniform Management of Institutional Funds Act* (UMIFA) in effect in Kansas on the effective date of the APA, or (ii) an amount equal to 7 percent of the fair market value of the Foundation's assets, plus such additional expenditures, if any, that are required by the Internal Revenue Code (the "Code") (including, without limitation, under the minimum distribution requirements of Section 4942 of the Code), regardless of whether it is a "private foundation" within the meaning of Section 509 of the Code or a "public charity." For purposes of section (ii) above, the "fair market value of the Foundation's assets" for any given year shall be established as of the end of the third quarter of the immediately preceding fiscal year of the Foundation (the "FMV Quarter"), and shall be determined by calculating the average of the market value of the Foundation's assets as of the FMV Quarter and each of the 11 consecutive quarters immediately preceding it. The Foundation's board has resolved that the historic dollar value of distributions received from CHG to be $117,252,319 as of December 31, 2021 and 2020. From time to time, the fair value of the fund's assets may fall below the historic dollar value threshold.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Under the Foundation's policies, endowment assets are invested in a manner that is intended to produce results to earn an average annual inflation-adjusted (real) total return of at least 5 percent, net of all investment-related expenses, over the long term (rolling 10 and 15-year periods). Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation has a policy (the spending policy) of appropriating for expenditure each year 5 percent of its endowment fund's average fair value over the prior three years, as determined at the end of each quarter. The fund's actual spending rate is expected to vary annually around the 5 percent target rate, depending upon program needs and changes in the fund's average market value. The Foundation attempts to keep the actual spending rate from the fund in any one fiscal year below 6 percent of the three year average of ending market values of the fund. In establishing this policy, the Foundation considered the long-term expected return on its investments. Accordingly, over the long term, the Foundation expects the current spending policy to preserve, and possibly enhance the value of the corpus adjusted for the effects of inflation. This is consistent with the Foundation's objective to balance the needs of current and future generations of beneficiaries of the Foundation.

Note 4: Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of December 31, 2021 and 2020, comprise the following:

	2021	2020
Cash	$ 92,186	$ 100,668
Endowment spending appropriations approved by the Board of Directors	6,286,000	6,243,000
	$ 6,378,186	$ 6,343,668

The Foundation's endowment funds consist of funds that were derived from the APA. Income from these funds is to be used to meet the mission of the Foundation. It is the Foundation's policy to appropriate for annual expenditure approximately 5 percent of its endowment fund's average fair value over the prior three years, as determined at the end of each quarter. The fund's actual spending rate is expected to vary annually around the 5 percent target rate, depending upon program needs and changes in the fund's average market value.

As part of the Foundation's liquidity management plan, management reviews cash and investment balances regularly and compares these to the monthly requirements.

Note 5: Property and Equipment

Property and equipment at December 31, 2021 and 2020 consist of:

	2021	2020
Leasehold improvements	$ 832,858	$ 832,858
Computer and office equipment	203,631	203,631
Office furniture	222,569	222,569
	1,259,058	1,259,058
Less accumulated depreciation	284,102	148,007
	$ 974,956	$ 1,111,051

Note 6: Operating Leases

A noncancellable operating lease for office space expires in 2031. Future minimum lease payments at December 31, 2021, were:

2022	$ 152,518
2023	155,282
2024	158,086
2025	160,920
2026	163,794
Thereafter	864,310
Total minimum lease payments	$ 1,654,910

Rental expense was $239,346 and $257,833 for the years ended December 31, 2021 and 2020, respectively.

Note 7: Pension and Other Postretirement Benefit Plans

The Foundation sponsors a retirement savings plan for employees who meet certain length of service requirements. The Foundation matches 100 percent of the employee contributions up to 6 percent of employee compensation. The Foundation may also make annual discretionary contributions. The Foundation contributed $97,178 and $84,601 to the Plan for the years ended December 31, 2021 and 2020, respectively.

The Foundation also adopted a 457(b) Deferred Compensation Plan effective April 2008 for the benefit of selected management or highly compensated key employees. Under the Plan, participating employees may defer and contribute to the Plan a percentage of their compensation subject to Internal Revenue Code limits. The Foundation may, at its discretion, make matching or additional non-elective contributions to the Plan on behalf of each eligible participant. Participants are fully vested in the Foundation contributions at age 65. Participants also vest in Foundation contributions at a rate of 20 percent after two years of service and then an additional 20 percent each year thereafter, until fully vested after six years. Total expense under the Plan was $19,500 during the years ended December 31, 2021 and 2020.

Note 8: Line of Credit

In October 2020, the Foundation entered into a $5,000,000 revolving line of credit that expires in October 2022. The line is collateralized by approximately $10,000,000 of pledged investments. Interest varies at a rate equal to 2 percent plus the one-month LIBOR rate, which was 2.11 percent and 2.15 percent as of December 31, 2021 and 2020, respectively, and is payable monthly. At December 31, 2021 and 2020, there were no amounts borrowed against this line.

Note 9: Future Change in Accounting Principle

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the consolidated statements of financial position as both a right-of-use asset and a liability. The standard has two types of leases for consolidated statements of activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021, and any interim periods within annual reporting periods that begin after December 15, 2022. The Foundation is evaluating the effect the standard will have on the consolidated financial statements; however, the standard is expected to have a material effect on the consolidated financial statements due to the recognition of additional assets and liabilities for operating leases.