

Grand Traverse Regional Community Foundation

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Grand Traverse Regional Community Foundation

Opinion

We have audited the accompanying financial statements of the Grand Traverse Regional Community Foundation, (the "Foundation") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Grand Traverse Regional Community Foundation as of December 31, 2023 and 2022, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

To the Board of Directors
Grand Traverse Regional Community Foundation

In preparing the 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 the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 generally accepted auditing standards 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 the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 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 audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Dennis, Gartland & Niergarth

Certified Public Accountants
Traverse City, Michigan

May 2, 2024

Grand Traverse Regional Community Foundation

STATEMENTS OF FINANCIAL POSITION

December 31,

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 206,866	\$ 235,030
Investments (Note D)	2,319,518	2,984,661
Prepaid expenses and other	<u>-</u>	<u>16,008</u>
Total current assets	<u>2,526,384</u>	<u>3,235,699</u>
PROPERTY AND EQUIPMENT, net (Note F)	<u>823,160</u>	<u>-</u>
OTHER ASSETS		
Endowment impact investment bonds (Note D)	1,000,000	750,000
Long-term investments (Note D)	<u>91,770,817</u>	<u>82,246,538</u>
Total other assets	<u>92,770,817</u>	<u>82,996,538</u>
Total assets	<u>\$ 96,120,361</u>	<u>\$ 86,232,237</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Grants payable (Note G)	\$ 63,845	\$ 45,494
Accounts payable	6,295	7,718
Accrued liabilities	<u>23,062</u>	<u>22,465</u>
Total current liabilities	<u>93,202</u>	<u>75,677</u>
NET ASSETS		
Without donor restrictions	<u>1,469,069</u>	<u>1,306,585</u>
With donor restrictions (Note H)		
Purpose and time restrictions	17,337,405	8,327,324
Perpetual in nature	<u>77,220,685</u>	<u>76,522,651</u>
Total with donor restrictions	<u>94,558,090</u>	<u>84,849,975</u>
Total net assets	<u>96,027,159</u>	<u>86,156,560</u>
Total liabilities and net assets	<u>\$ 96,120,361</u>	<u>\$ 86,232,237</u>

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

Grand Traverse Regional Community Foundation

STATEMENTS OF ACTIVITIES

Years Ended December 31,

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Donations	\$ 144,295	\$ 1,116,393	\$ 1,260,688	\$ 279,192	\$ 1,324,303	\$ 1,603,495
Investment return (loss), net of investment fees of \$86,371 and \$95,470, respectively	46,931	13,679,689	13,726,620	(13,815)	(14,646,247)	(14,660,062)
Net assets released due to satisfaction of restrictions	5,087,967	(5,087,967)	-	5,617,610	(5,617,610)	-
Net assets transferred by Board action pursuant to fund advisor request	-	-	-	(367,364)	367,364	-
Total revenue and support	<u>5,279,193</u>	<u>9,708,115</u>	<u>14,987,308</u>	<u>5,515,623</u>	<u>(18,572,190)</u>	<u>(13,056,567)</u>
EXPENSES						
Program services	4,049,721	-	4,049,721	3,923,857	-	3,923,857
Management and general	385,923	-	385,923	358,875	-	358,875
Fundraising	681,065	-	681,065	578,605	-	578,605
Total expenses	<u>5,116,709</u>	<u>-</u>	<u>5,116,709</u>	<u>4,861,337</u>	<u>-</u>	<u>4,861,337</u>
CHANGES IN NET ASSETS	162,484	9,708,115	9,870,599	654,286	(18,572,190)	(17,917,904)
NET ASSETS , beginning of year	<u>1,306,585</u>	<u>84,849,975</u>	<u>86,156,560</u>	<u>652,299</u>	<u>103,422,165</u>	<u>104,074,464</u>
NET ASSETS , end of year	<u>\$ 1,469,069</u>	<u>\$ 94,558,090</u>	<u>\$ 96,027,159</u>	<u>\$ 1,306,585</u>	<u>\$ 84,849,975</u>	<u>\$ 86,156,560</u>

-5- The accompanying notes are an integral part of these financial statements.

Grand Traverse Regional Community Foundation

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2023

	Program Services	Management & General	Fundraising	Total Expenses
Salaries and wages	\$ 279,930	\$ 211,726	\$ 357,646	\$ 849,302
Employee benefits	20,568	27,683	36,725	84,976
Retirement	21,941	16,631	28,092	66,664
Payroll taxes	21,495	16,293	27,521	65,309
Total payroll expenses	343,934	272,333	449,984	1,066,251
Grants	3,554,989	-	-	3,554,989
Consulting	46,400	19,575	-	65,975
Legal fees	-	783	-	783
Accounting	-	20,376	-	20,376
Advertising and promotion	-	-	115,444	115,444
Office expenses	7,262	5,505	9,298	22,065
Information technology	19,380	14,690	24,814	58,884
Charitable gift annuity	-	4,400	-	4,400
Occupancy	16,860	12,779	21,588	51,227
Travel	4,703	3,564	6,021	14,288
Conferences and meetings	12,671	9,604	16,224	38,499
Insurance	1,783	1,352	2,283	5,418
Component fund costs	14,082	-	-	14,082
Memberships	8,573	6,497	10,975	26,045
Depreciation	7,563	5,732	9,682	22,977
Property tax	4,585	3,475	5,870	13,930
Interest expense	6,936	5,258	8,882	21,076
Total expenses	\$ 4,049,721	\$ 385,923	\$ 681,065	\$ 5,116,709

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

Grand Traverse Regional Community Foundation

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2022

	Program Services	Management & General	Fundraising	Total Expenses
Salaries and wages	\$ 229,233	\$ 205,917	\$ 273,924	\$ 709,074
Employee benefits	14,893	23,551	21,405	59,849
Retirement	17,793	16,105	21,423	55,321
Payroll taxes	16,705	15,120	20,114	51,939
Total payroll expenses	278,624	260,693	336,866	876,183
Grants	3,440,998	-	-	3,440,998
Consulting	125,705	2,256	39,200	167,161
Legal fees	-	2,295	-	2,295
Accounting	-	19,448	-	19,448
Advertising and promotion	-	-	105,809	105,809
Office expenses	8,101	7,333	9,754	25,188
Information technology	22,270	20,158	26,816	69,244
Charitable gift annuity	-	4,400	-	4,400
Occupancy	24,402	22,088	29,383	75,873
Travel	3,337	3,021	4,018	10,376
Conferences and meetings	10,365	9,382	12,481	32,228
Insurance	1,821	1,648	2,192	5,661
Component fund costs	1,435	-	3,901	5,336
Memberships	6,799	6,153	8,185	21,137
Total expenses	\$ 3,923,857	\$ 358,875	\$ 578,605	\$ 4,861,337

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

Grand Traverse Regional Community Foundation

STATEMENTS OF CASH FLOWS

Years Ended December 31,

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 9,870,599	\$(17,917,904)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	22,977	-
Endowment gifts	(689,113)	(819,563)
Net realized (gain) on sales of investments	(1,159,212)	(1,099,994)
Net unrealized (gain) loss on investments	(10,140,328)	18,012,782
Noncash contributions of investments	(54,279)	(81,363)
Changes in operating assets and liabilities		
Prepaid expenses and other	16,008	(12,508)
Grants payable	18,351	(27,829)
Accounts payable	(1,423)	(12,399)
Accrued liabilities	597	1,736
Net cash flows from operating activities	(2,115,823)	(1,957,042)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(216,137)	-
Purchases of investments	(5,589,430)	(8,593,770)
Proceeds from sales of investments	7,834,113	9,662,551
Net cash flows from investing activities	2,028,546	1,068,781
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash donations restricted for endowment	689,113	819,563
Repayment of debt	(630,000)	-
Net cash flows provided by financing activities	59,113	819,563
NET CHANGE IN CASH AND CASH EQUIVALENTS	(28,164)	(68,698)
Cash and cash equivalents, beginning of year	235,030	303,728
Cash and cash equivalents, end of year	\$ 206,866	\$ 235,030
Non-cash activity:		
Purchase of fixed assets with debt	\$ 630,000	\$ -
Supplemental cash disclosure:		
Interest paid	\$ 21,076	\$ -

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

Grand Traverse Regional Community Foundation

NOTES TO FINANCIAL STATEMENTS

NOTE A - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Grand Traverse Regional Community Foundation (the "Foundation") was formed in January 1992 to accept, administer and distribute property for educational, scientific, literary, cultural and charitable purposes in accordance with the terms of gifts, bequests or devises. The Foundation primarily serves the residents of Antrim, Benzie, Grand Traverse, Kalkaska and Leelanau counties in northern Michigan.

Description of Funds

The Foundation administers approximately 300 funds under fund agreements established between original donors and the Foundation. Fund distributions are approved by the Board of Directors of the Foundation according to the purpose of the fund. Interfund grants and administrative charges are eliminated in the basic financial statements of the Foundation.

Basis of Accounting and Financial Statement Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

The Foundation reports information regarding its financial position and activities according to two classes of net assets depending on the existence or absence of donor-imposed restrictions and are as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits in a bank and money market funds with an original maturity of three months or less. Money market funds included in investment portfolios are classified as investments.

NOTES TO FINANCIAL STATEMENTS - Continued

Investments

Investment securities purchased are initially recorded at cost and investment securities received by gift are recorded at fair value at the date of donation. Thereafter, the carrying value of such investments are adjusted to fair value, which is determined using published exchange market quotations where applicable or estimated fair values provided by external investment managers or other sources. Realized and unrealized gains and losses are reflected as investment return, net in the accompanying statements of activities.

The Foundation authorizes the investment up to \$2,000,000 of the investment pool in impact investments that have a stated social return objective in conjunction with a financial return objective. Impact investments have a minimum five year time horizon. Endowment impact bonds are evaluated annually for impairment.

Property and Equipment

Property and equipment are stated at cost. The costs of additions and betterments are capitalized and expenditures for repairs and maintenance are expensed when paid. When items of property or equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in additions to or deductions from net assets.

Depreciation is recorded using the straight-line method over the estimated useful lives ranging from 10 to 39 years. The Foundation capitalizes all expenditures for property and equipment in excess of \$5,000.

Grants Payable

The Foundation approves assets for distribution and reduces grants payable upon payment to local nonprofit organizations or individual scholarship recipients.

Fair Value Measurements

The Foundation follows FASB ASC 820, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements. FASB ASC 820, applies whenever other financial reporting standards require or permit assets or liabilities to be measured at fair value on a recurring basis and, therefore, does not expand the use of fair value in any new circumstances. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or more advantageous market for the asset or liability in an orderly transaction (i.e., not a forced transaction, such as a liquidation or distressed sale) between market participants at the measurement date. FASB ASC 820, clarifies that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. For assets and liabilities recorded at fair value, it is the Foundation's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements for those financial instruments for which there is an active market.

NOTES TO FINANCIAL STATEMENTS - Continued

Donations

Donations, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Foundation records donations of non-financial assets at their appraised or fair value at the date of gift.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and benefits are allocated based on estimates of time and effort and certain other costs are allocated based on specific benefits received.

Leases

The Foundation has elected to exclude short-term leases of 12 months or less from the balance sheet. Operating lease expense is recognized on a straight-line basis over the lease term. Rent expense was \$24,443 and \$54,900 for the years ended December 31, 2023 and 2022, respectively.

Tax Status

The Internal Revenue Service has determined that the Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Also, the Foundation has been certified as a community foundation by the State of Michigan and has received determination as an "other than private foundation" under section 170(b)(1)(A)(vi) of the Internal Revenue Code. The Foundation is subject to income tax only on the business income not related to its exempt purpose. Such taxes are generally insignificant. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

The Foundation files information returns in the U.S. Federal jurisdiction. With few exceptions, the Foundation is no longer subject to U.S. Federal examinations by tax authorities for years before December 31, 2020.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

NOTES TO FINANCIAL STATEMENTS - Continued

Subsequent Events

The Foundation has evaluated subsequent events and transactions for potential recognition and disclosure through May 2, 2024, the date the financial statements were available to be issued.

NOTE B - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following at December 31:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 206,866	\$ 235,030
Investments	2,319,518	2,984,661
Less donor restricted non-endowed funds	<u>(1,787,273)</u>	<u>(1,853,437)</u>
Total current assets available for general operations	<u>\$ 739,111</u>	<u>\$ 1,366,254</u>

Endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes. Donor-restricted endowment funds are not available for general expenditure.

NOTE C - DEPOSITS

The Foundation maintains its cash in bank deposit accounts at various financial institutions. The balances periodically exceed the Federal insurance limit for deposits. At December 31, 2023 and 2022, \$170,180 and \$107,875 were uninsured, respectively. Management evaluates the financial institutions in which the Foundation deposits its funds and assesses the level of risk associated with those institutions.

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE D - INVESTMENTS

The Foundation's investments are held by financial institutions and consisted of the following at December 31:

	<u>2023</u>		<u>2022</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Long-term investment funds:				
Cash and cash equivalents	\$ 542,924	\$ 542,924	\$ 707,971	\$ 707,971
Certificates of deposit greater than 90 days	150,000	150,000	-	-
Fixed income	16,041,140	18,190,772	15,246,789	17,916,265
Domestic equity	40,220,688	18,683,142	34,209,685	19,488,308
International equity	20,262,547	17,631,702	18,046,217	17,523,051
Alternative investments	14,622,530	14,415,387	14,122,769	14,542,537
Impact investment bonds	1,000,000	1,000,000	750,000	750,000
Non-endowed funds:				
Cash and cash equivalents	6,824	6,824	226,726	226,726
Fixed income	<u>2,243,682</u>	<u>2,246,688</u>	<u>2,671,042</u>	<u>2,744,097</u>
Total investments	<u>\$ 95,090,335</u>	<u>\$ 72,867,439</u>	<u>\$ 85,981,199</u>	<u>\$ 73,898,955</u>

The Foundation holds endowment impact investment bonds as follows at December 31:

	<u>2023</u>	<u>2022</u>
\$250,000 bond, 2% interest received semi-annually, matures September 30, 2027	\$ 250,000	\$ 250,000
\$500,000 bond, 2% interest received semi-annually, matures September 30, 2030	500,000	500,000
\$250,000 bond, 2% interest received semi-annually, matures March 31, 2028	<u>250,000</u>	<u>-</u>
Long-term endowment impact investment bonds	<u>\$ 1,000,000</u>	<u>\$ 750,000</u>

NOTES TO FINANCIAL STATEMENTS - Continued

Financial statement presentation	<u>2023</u>	<u>2022</u>
Investments - current	\$ 2,319,518	\$ 2,984,661
Endowment impact investment bonds	1,000,000	750,000
Long-term investments	<u>91,770,817</u>	<u>82,246,538</u>
	<u>\$ 95,090,335</u>	<u>\$ 85,981,199</u>

Investment returns consisted of the following for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 2,513,451	\$ 2,348,196
Net realized gains	1,159,212	1,099,994
Unrealized gains (losses)	10,140,328	(18,012,782)
Investment fees	<u>(86,371)</u>	<u>(95,470)</u>
Net investment returns	<u>\$ 13,726,620</u>	<u>\$ (14,660,062)</u>

Concentration of Credit Risk - Investments

Brokerage accounts have insurance of \$500,000 per broker, provided by the Securities Investor Protection Corporation. The balance of investments exceeded insured limits by \$93.1 million and \$83.9 million at December 31, 2023 and 2022, respectively.

NOTE E - FAIR VALUE

The Foundation utilizes fair value measurements to record fair value adjustments to investments to determine fair value disclosures. These assets are recorded at fair value on a recurring basis.

Fair Value Hierarchy

Under FASB ASC 820, the Foundation groups its investments at fair value into three levels, based on the markets in which the investments are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets and money market funds valued at net asset value of shares held by the Foundation at year-end.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market.

NOTES TO FINANCIAL STATEMENTS - Continued

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates that market participants would use in pricing the asset or liability.

Fair value measurement for the Foundation's investments is based upon quoted prices. Level 1 investments include equity securities (primarily mutual funds) and debt securities (principally corporate bonds). Level 3 investments include endowment impact investment bonds and alternative investments.

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets and liabilities at fair value:

Assets at Fair Value as of December 31, 2023				
	Level 1	Level 2	Level 3	Total
Assets				
Fixed income	\$ 18,284,822	\$ -	\$ -	\$ 18,284,822
Domestic equity	40,220,688	-	-	40,220,688
International equity	20,262,547	-	-	20,262,547
Alternative investments	7,575,580	-	7,046,950	14,622,530
Impact investment bonds	-	-	1,000,000	1,000,000
	<u>\$ 86,343,637</u>	<u>\$ -</u>	<u>\$ 8,046,950</u>	<u>\$ 94,390,587</u>

Assets at Fair Value as of December 31, 2022				
	Level 1	Level 2	Level 3	Total
Assets				
Fixed income	\$ 17,917,831	\$ -	\$ -	\$ 17,917,831
Domestic equity	34,209,685	-	-	34,209,685
International equity	18,046,217	-	-	18,046,217
Alternative investments	7,719,459	-	6,403,310	14,122,769
Impact investment bonds	-	-	750,000	750,000
	<u>\$ 77,893,192</u>	<u>\$ -</u>	<u>\$ 7,153,310</u>	<u>\$ 85,046,502</u>

Alternative investments consist of commodities, long/short equities, emerging market equities, nontraditional bonds, and real estate investment trusts.

NOTES TO FINANCIAL STATEMENTS - Continued

The following table sets forth a summary of changes in fair value of the Foundation's Level 3 investment securities for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Balance, beginning year	\$ 7,153,310	\$ 5,280,409
Purchases	250,000	1,658,480
Sales	(15,000)	(52,385)
Interest and dividends	150,968	44,355
Realized and unrealized gains	<u>507,672</u>	<u>222,451</u>
Total	<u>\$ 8,046,950</u>	<u>\$ 7,153,310</u>

NOTE F - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2023</u>
Condominium office suite	\$ 630,000
Building improvements	136,676
Furniture and fixtures	<u>79,461</u>
Total property and equipment	846,137
Less accumulated depreciation	<u>(22,977)</u>
Total property and equipment, net of accumulated depreciation	<u>\$ 823,160</u>

Depreciation expense for the year ended December 31, 2023 totaled \$22,977.

NOTE G - GRANTS PAYABLE

The Foundation has an annual spending policy to distribute 4% of the fund's average fair values over the prior 12 quarters beginning on the previous year-end. Grants payable consist of grants approved for distribution under this spending policy but not paid to local non-profit organizations or individual scholarship recipients. At December 31, amounts scheduled to be paid are as follows:

	<u>2023</u>	<u>2022</u>
2023	\$ -	\$ 45,494
2024	<u>63,845</u>	<u>-</u>
	<u>\$ 63,845</u>	<u>\$ 45,494</u>

NOTE H - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following amounts at December 31:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specific purpose		
Endowments	\$ 92,770,817	\$ 82,996,538
Grant making	<u>1,787,273</u>	<u>1,853,437</u>
Total net assets with donor restrictions	<u>\$ 94,558,090</u>	<u>\$ 84,849,975</u>

NOTE I - ENDOWMENT

The Foundation's endowment consists of individual funds that are donor restricted or Board designated, and have been established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation is subject to the Michigan Uniform Prudent Management of Institutional Funds Act (UPMIFA) (Act 87 of 2009), and, thus, classifies amounts in its donor restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Foundation appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Foundation 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. As a result of this interpretation, when reviewing its donor restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund, and (b) any accumulations to the fund that are 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 prudent measures required under law. Additionally, in accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purpose of the organization and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation (depreciation) of investments;
6. Other resources of the organization;
7. The investment policies of the foundation.

NOTES TO FINANCIAL STATEMENTS - Continued

Following is a summary of the changes in the endowment net assets:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets as of January 1, 2022	\$ -	\$ 100,667,068	\$100,667,068
Investment return:			
Investment income	-	2,093,111	2,093,111
Net realized and unrealized loss	<u>-</u>	<u>(16,696,593)</u>	<u>(16,696,593)</u>
Net investment gain	-	(14,603,482)	(14,603,482)
Contributions and other revenue	-	820,638	820,638
Transfers from temporary funds requested by fund advisors	-	255,274	255,274
Appropriation of endowment assets for expenditure	4,142,960	(4,142,960)	-
Expenditure of endowment assets or approval of distribution	<u>(4,142,960)</u>	<u>-</u>	<u>(4,142,960)</u>
Changes to endowment net assets	<u>-</u>	<u>(17,670,530)</u>	<u>(17,670,530)</u>
Endowment net assets as of December 31, 2022	<u>-</u>	<u>82,996,538</u>	<u>82,996,538</u>
Investment return:			
Investment income	-	2,379,938	2,379,938
Net realized and unrealized gain	<u>-</u>	<u>11,200,819</u>	<u>11,200,819</u>
Net investment gain	-	13,580,757	13,580,757
Contributions and other revenue	-	689,113	689,113
Transfers from temporary funds requested by fund advisors	-	24,558	24,558
Appropriation of endowment assets for expenditure	4,520,149	(4,520,149)	-
Expenditure of endowment assets or approval of distribution	<u>(4,520,149)</u>	<u>-</u>	<u>(4,520,149)</u>
Changes to endowment net assets	<u>-</u>	<u>9,774,279</u>	<u>9,774,279</u>
Endowment net assets as of December 31, 2023	<u>\$ -</u>	<u>\$ 92,770,817</u>	<u>\$ 92,770,817</u>

NOTES TO FINANCIAL STATEMENTS - Continued

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 or UPMIFA requires to retain as a fund of perpetual duration.

Donor restricted underwater endowments consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Number of underwater endowments	<u>10</u>	<u>39</u>
Current fair value	\$ 1,606,020	\$ 7,401,130
Original value	<u>1,663,658</u>	<u>7,837,511</u>
Deficiencies	<u>\$ (57,638)</u>	<u>\$ (436,381)</u>

These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the Foundation. The governing board appropriated for expenditure \$55,810 and \$281,520 from the underwater endowment funds during the years ended December 31, 2023 and 2022, respectively.

Return Objectives and Risk Parameters

The Foundation has adopted investment policies for endowment assets that attempt to maximize total return over the long-term, recognizing there will be some volatility over the short-term, to provide a stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets, which includes those assets of donor-restricted funds that must be held in perpetuity. Under this policy, the endowment assets are invested in a manner that is intended to produce results that meet or exceed the price and yield results of established indexes for differing investment classes while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of 7.5% annually. Actual returns in any given year may vary from this range.

Strategies Employed for Achieving Objectives

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 capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets diversified asset allocation that places a greater emphasis on equity-based investments to achieve long-term return objectives within prudent risk constraints.

NOTE J - ADMINISTRATIVE FEES

The Foundation charges a fee for management of each component fund. For Endowments the fees are assessed at the end of each quarter based upon the ending quarterly average balance for net assets on a trailing twelve quarter rolling period. Administrative fees charged to these component endowment funds range from 1% - 1.5% - 2% (assessed and taken quarterly), with a weighted average administrative fee charged against all endowments considered to be (practically) 1.5% annually. Non endowment component funds are charged between 2.0% and 5.0% based on fund value and in some cases based on incoming donation value.

Administrative fees charged by the Foundation to component funds amounted to \$1,368,825 and \$1,303,732 during the years ended December 31, 2023 and 2022, respectively.

NOTE K - RETIREMENT PLAN

The Foundation participates in a Group Retirement Annuities 403(b) Plan and contributes 8% of each employee's wages. The Foundation contributed \$66,664 and \$55,321 during the years ended December 31, 2023 and 2022, respectively.