

Grand Traverse Regional Community Foundation

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

December 31, 2025 and 2024

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT.....	2
STATEMENTS OF FINANCIAL POSITION.....	4
STATEMENTS OF ACTIVITIES.....	5
STATEMENT OF FUNCTIONAL EXPENSES	
YEAR ENDED DECEMBER 31, 2025.....	6
YEAR ENDED DECEMBER 31, 2024.....	7
STATEMENTS OF CASH FLOWS.....	8
NOTES TO FINANCIAL STATEMENTS.....	9



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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, 2025 and 2024, 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, 2025 and 2024, 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.

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

April 22, 2026

Grand Traverse Regional Community Foundation

STATEMENTS OF FINANCIAL POSITION

December 31,

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,108,299	\$ 289,162
Investments (Note D)	2,009,228	2,488,964
Prepaid expenses and other	11,259	11,102
Total current assets	3,128,786	2,789,228
PROPERTY AND EQUIPMENT, net (Note F)	756,737	789,949
OTHER ASSETS		
Endowment impact investment notes (Note D)	2,000,000	2,000,000
Endowment investments (Note D)	115,007,584	99,838,323
Total other assets	117,007,584	101,838,323
Total assets	\$ 120,893,107	\$105,417,500
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Grants payable (Note G)	\$ 56,483	\$ 35,375
Accounts payable	9,288	33,311
Accrued liabilities	23,411	24,390
Total current liabilities	89,182	93,076
NET ASSETS		
Without donor restrictions	1,732,339	1,683,866
With donor restrictions (Note H)		
Donor restrictions	36,424,480	24,444,538
Perpetual in nature	82,647,106	79,196,020
Total with donor restrictions	119,071,586	103,640,558
Total net assets	120,803,925	105,324,424
Total liabilities and net assets	\$ 120,893,107	\$105,417,500

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

Grand Traverse Regional Community Foundation

STATEMENTS OF ACTIVITIES

Years Ended December 31,

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Donations	\$ 142,841	\$ 4,347,285	\$ 4,490,126	\$ 162,922	\$ 2,515,258	\$ 2,678,180
Investment return (loss), net of investment fees	42,604	16,649,314	16,691,918	34,076	11,939,617	11,973,693
Net assets released due to satisfaction of restrictions	<u>5,565,571</u>	<u>(5,565,571)</u>	<u>-</u>	<u>5,372,407</u>	<u>(5,372,407)</u>	<u>-</u>
Total revenue and support	<u>5,751,016</u>	<u>15,431,028</u>	<u>21,182,044</u>	<u>5,569,405</u>	<u>9,082,468</u>	<u>14,651,873</u>
EXPENSES						
Program services	4,620,212	-	4,620,212	4,287,187	-	4,287,187
Management and general	466,517	-	466,517	376,629	-	376,629
Fundraising	<u>615,814</u>	<u>-</u>	<u>615,814</u>	<u>690,792</u>	<u>-</u>	<u>690,792</u>
Total expenses	<u>5,702,543</u>	<u>-</u>	<u>5,702,543</u>	<u>5,354,608</u>	<u>-</u>	<u>5,354,608</u>
CHANGES IN NET ASSETS	48,473	15,431,028	15,479,501	214,797	9,082,468	9,297,265
NET ASSETS , beginning of year	<u>1,683,866</u>	<u>103,640,558</u>	<u>105,324,424</u>	<u>1,469,069</u>	<u>94,558,090</u>	<u>96,027,159</u>
NET ASSETS , end of year	<u>\$ 1,732,339</u>	<u>\$ 119,071,586</u>	<u>\$ 120,803,925</u>	<u>\$ 1,683,866</u>	<u>\$103,640,558</u>	<u>\$ 105,324,424</u>

Grand Traverse Regional Community Foundation

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2025

	Program Services	Management & General	Fundraising	Total Expenses
Salaries and wages	\$ 372,197	\$ 278,669	\$ 344,170	\$ 995,036
Employee benefits	41,991	19,973	41,256	103,220
Retirement	29,653	22,202	27,421	79,276
Payroll taxes	27,919	20,903	25,816	74,638
Total payroll expenses	471,760	341,747	438,663	1,252,170
Grants	4,008,624	-	-	4,008,624
Consulting	44,668	30,094	-	74,762
Legal fees	-	80	-	80
Accounting	-	24,909	-	24,909
Advertising and promotion	-	-	91,083	91,083
Office expenses	10,361	7,759	9,583	27,703
Information technology	24,581	18,405	22,731	65,717
Occupancy	8,765	6,562	8,105	23,432
Travel	7,623	5,707	7,049	20,379
Conferences and meetings	18,820	14,090	17,402	50,312
Insurance	3,068	2,298	2,838	8,204
Component fund costs	2,084	-	-	2,084
Memberships	7,434	5,565	6,873	19,872
Depreciation	12,424	9,301	11,487	33,212
Total expenses	\$ 4,620,212	\$ 466,517	\$ 615,814	\$ 5,702,543

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

Grand Traverse Regional Community Foundation

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2024

	Program Services	Management & General	Fundraising	Total Expenses
Salaries and wages	\$ 291,590	\$ 218,054	\$ 382,208	\$ 891,852
Employee benefits	31,252	30,247	40,479	101,978
Retirement	22,873	17,105	29,981	69,959
Payroll taxes	22,020	16,467	28,864	67,351
Total payroll expenses	367,735	281,873	481,532	1,131,140
Grants	3,766,943	-	-	3,766,943
Consulting	57,079	4,610	3,700	65,389
Legal fees	-	1,653	-	1,653
Accounting	-	21,331	-	21,331
Advertising and promotion	-	-	95,549	95,549
Office expenses	9,468	7,080	12,410	28,958
Information technology	25,660	19,189	33,634	78,483
Charitable gift annuity	-	4,400	-	4,400
Occupancy	8,179	6,116	10,721	25,016
Travel	5,898	4,410	7,730	18,038
Conferences and meetings	15,697	11,739	20,576	48,012
Insurance	2,928	2,189	3,837	8,954
Component fund costs	11,500	-	-	11,500
Memberships	5,241	3,919	6,870	16,030
Depreciation	10,859	8,120	14,233	33,212
Total expenses	\$ 4,287,187	\$ 376,629	\$ 690,792	\$ 5,354,608

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

Grand Traverse Regional Community Foundation

STATEMENTS OF CASH FLOWS

Years Ended December 31,

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 15,479,501	\$ 9,297,265
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	33,212	33,212
Endowment gifts	(3,339,071)	(1,915,458)
Net realized (gain) on sales of investments	(2,042,480)	(4,175,319)
Net unrealized (gain) on investments	(11,432,596)	(4,873,655)
Noncash contributions of investments	(444,836)	(182,207)
Changes in operating assets and liabilities		
Prepaid expenses and other	(157)	(11,102)
Grants payable	21,108	(28,470)
Accounts payable	(24,023)	27,016
Accrued liabilities	(979)	1,328
Net cash flows from operating activities	(1,750,321)	(1,827,390)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(6,714,220)	(11,245,019)
Proceeds from sales of investments	5,944,607	11,239,247
Net cash flows from investing activities	(769,613)	(5,772)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash donations restricted for endowment	3,339,071	1,915,458
NET CHANGE IN CASH AND CASH EQUIVALENTS	819,137	82,296
Cash and cash equivalents, beginning of year	289,162	206,866
Cash and cash equivalents, end of year	\$ 1,108,299	\$ 289,162

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 350 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 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. Cash and cash equivalents included in investment portfolios and certificates of deposit with an original maturity of greater than ninety days 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 \$3,000,000 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 notes 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.

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, 2022.

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.

Subsequent Events

The Foundation has evaluated subsequent events and transactions for potential recognition and disclosure through April 22, 2026, the date the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS - Continued

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>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 1,108,299	\$ 289,162
Investments	2,009,228	2,488,964
Less donor restricted non-endowed funds	<u>(2,064,002)</u>	<u>(1,802,235)</u>
Total current assets available for general operations	<u>\$ 1,053,525</u>	<u>\$ 975,891</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, 2025 and 2024, \$920,992 and \$129,873 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.

Management monitors the credit quality of these institutions and believes the Foundation is not exposed to significant credit risk as a result of these deposits.

The unusually high balance at December 31, 2025 resulted primarily from significant contributions collected in late December 2025, that, in accordance with the Foundation's investment and spending policies, were transferred into the Foundation's investments in January 2026.

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:

	2025		2024	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	\$ 2,150,530	\$ 2,150,530	\$ 2,171,841	\$ 2,171,841
Certificates of deposit	459,975	459,975	331,348	331,348
Fixed income	21,803,753	23,581,704	20,198,400	22,532,837
Domestic equity	48,969,221	16,813,246	42,493,185	16,556,293
International equity	26,669,700	19,746,074	21,513,724	18,613,963
Alternative investments	16,963,633	15,725,356	15,618,789	15,025,097
Impact investment notes	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>
Total investments	<u>\$ 119,016,812</u>	<u>\$ 80,476,885</u>	<u>\$104,327,287</u>	<u>\$ 77,231,379</u>
Financial statement presentation		<u>2025</u>	<u>2024</u>	
Investments - current		\$ 2,009,228	\$ 2,488,964	
Endowment impact investment notes		2,000,000	2,000,000	
Endowment investments		<u>115,007,584</u>	<u>99,838,323</u>	
		<u>\$119,016,812</u>	<u>\$104,327,287</u>	

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

	<u>2025</u>	<u>2024</u>
\$250,000 note, 2% interest received semi-annually, matures September 30, 2027	\$ 250,000	\$ 250,000
\$500,000 note, 2% interest received semi-annually, matures September 30, 2030	500,000	500,000
\$250,000 note, 2% interest received semi-annually, matures March 31, 2028	250,000	250,000
\$1,000,000 note, 3% interest received semi-annually, matures March 31, 2029	<u>1,000,000</u>	<u>1,000,000</u>
Long-term endowment impact investment notes	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>

NOTES TO FINANCIAL STATEMENTS - Continued

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

	<u>2025</u>	<u>2024</u>
Interest and dividends	\$ 3,309,669	\$ 3,011,808
Net realized gains	2,042,480	4,175,319
Unrealized gains (losses)	11,432,596	4,873,655
Investment fees	<u>(92,827)</u>	<u>(87,089)</u>
Net investment returns	<u>\$ 16,691,918</u>	<u>\$ 11,973,693</u>

Concentration of Credit Risk - Investments

Brokerage accounts have insurance of \$500,000 per broker, provided by the Securities Investor Protection Corporation. Bank sweep deposits held in brokerage accounts are insured by Federal Deposit Insurance Cooperation through one or more insured banks. The balance of investments exceeded insured limits by \$117.3 million and \$102.4 million at December 31, 2025 and 2024, respectively.

Management monitors the credit quality of these institutions and believes the Foundation is not exposed to significant credit risk as a result of these investments.

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.

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.

NOTES TO FINANCIAL STATEMENTS - Continued

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 notes). Level 3 investments include endowment impact investment notes 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, 2025				
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	\$ 2,150,530	\$ -	\$ -	\$ 2,150,530
Fixed income	21,803,753	-	-	21,803,753
Domestic equity	48,969,221	-	-	48,969,221
International equity	26,669,700	-	-	26,669,700
Alternative investments	5,911,646	-	11,051,987	16,963,633
Impact investment notes	-	-	2,000,000	2,000,000
	<u>\$ 105,504,850</u>	<u>\$ -</u>	<u>\$ 13,051,987</u>	<u>\$ 118,556,837</u>

Assets at Fair Value as of December 31, 2024				
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	\$ 2,171,841	\$ -	\$ -	\$ 2,171,841
Fixed income	20,198,400	-	-	20,198,400
Domestic equity	42,493,185	-	-	42,493,185
International equity	21,513,724	-	-	21,513,724
Alternative investments	5,735,282	-	9,883,507	15,618,789
Impact investment notes	-	-	2,000,000	2,000,000
	<u>\$ 92,112,432</u>	<u>\$ -</u>	<u>\$ 11,883,507</u>	<u>\$ 103,995,939</u>

Alternative investments consist of commodities, long/short equities, emerging market equities, nontraditional notes, 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>2025</u>	<u>2024</u>
Balance, beginning year	\$ 11,883,507	\$ 8,046,950
Purchases	635,000	3,640,000
Sales	(225,838)	(617,364)
Interest and dividends	397,415	214,822
Realized and unrealized gains	<u>361,903</u>	<u>599,099</u>
Total	<u>\$ 13,051,987</u>	<u>\$ 11,883,507</u>

NOTE F - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2025</u>	<u>2024</u>
Condominium office suite	\$ 630,000	\$ 630,000
Building improvements	136,676	136,676
Furniture and fixtures	<u>79,461</u>	<u>79,461</u>
Total property and equipment	846,137	846,137
Less accumulated depreciation	<u>(89,400)</u>	<u>(56,188)</u>
Total property and equipment, net of accumulated depreciation	<u>\$ 756,737</u>	<u>\$ 789,949</u>

Depreciation expense totaled \$33,212 for the years ended December 31, 2025 and 2024.

NOTES TO FINANCIAL STATEMENTS - Continued

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, the amounts scheduled to be paid are as follows.

	<u>2025</u>	<u>2024</u>
2025	\$ -	\$ 35,375
2026	<u>56,483</u>	<u>-</u>
	<u>\$ 56,483</u>	<u>\$ 35,375</u>

NOTE H - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2025</u>	<u>2024</u>
Subject to expenditure for specific purpose:		
Endowments	\$ 117,007,584	\$ 101,838,323
Grant making	<u>2,064,002</u>	<u>1,802,235</u>
Total net assets with donor restrictions	<u>\$ 119,071,586</u>	<u>\$ 103,640,558</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 restricted until the Foundation appropriates such amounts for expenditure. 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.

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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, 2024	\$ -	\$ 92,770,817	\$ 92,770,817
Investment return:			
Investment income	-	2,862,709	2,862,709
Net realized and unrealized gain	<u>-</u>	<u>8,988,455</u>	<u>8,988,455</u>
Net investment gain	-	11,851,164	11,851,164
Contributions and other revenue	-	1,915,458	1,915,458
Transfers from (to) temporary funds requested by fund advisors	-	78,402	78,402
Appropriation of endowment assets for expenditure	4,777,518	(4,777,518)	-
Expenditure of endowment assets or approval of distribution	<u>(4,777,518)</u>	<u>-</u>	<u>(4,777,518)</u>
Changes to endowment net assets	<u>-</u>	<u>9,067,506</u>	<u>9,067,506</u>
Endowment net assets as of December 31, 2024	<u>-</u>	<u>101,838,323</u>	<u>101,838,323</u>
Investment return:			
Investment income	-	3,141,471	3,141,471
Net realized and unrealized gain	<u>-</u>	<u>13,437,713</u>	<u>13,437,713</u>
Net investment gain	-	16,579,184	16,579,184
Contributions and other revenue	-	3,421,961	3,421,961
Transfers from (to) temporary funds requested by fund advisors	-	(238,507)	(238,507)
Appropriation of endowment assets for expenditure	4,593,377	(4,593,377)	-
Expenditure of endowment assets or approval of distribution	<u>(4,593,377)</u>	<u>-</u>	<u>(4,593,377)</u>
Changes to endowment net assets	<u>-</u>	<u>15,169,261</u>	<u>15,169,261</u>
Endowment net assets as of December 31, 2025	<u>\$ -</u>	<u>\$ 117,007,584</u>	<u>\$ 117,007,584</u>

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 annually 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 \$1,523,611 and \$1,458,010 during the years ended December 31, 2025 and 2024, 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 \$79,276 and \$69,959 during the years ended December 31, 2025 and 2024, respectively.