

# EAST GRAND RAPIDS SCHOOLS FOUNDATION

## FINANCIAL STATEMENTS

For the years ended  
June 30, 2021 and 2020

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**INDEPENDENT AUDITOR'S REPORT**

November 10, 2021

To the Board of Directors  
East Grand Rapids Schools Foundation  
Grand Rapids, Michigan

We have audited the accompanying financial statements of East Grand Rapids Schools Foundation, which comprise the statements of financial position as of June 30, 2021 and 2020; the related statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Grand Rapids Schools Foundation as of June 30, 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.

*Hungerford Nichols*

Certified Public Accountants  
Grand Rapids, Michigan

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## FINANCIAL STATEMENTS

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## STATEMENTS OF FINANCIAL POSITION

### EAST GRAND RAPIDS SCHOOLS FOUNDATION

June 30, 2021 and 2020

#### ASSETS

	2021	2020
<b>Current Assets</b>		
Cash and cash equivalents	\$ 109,192	\$ 246,280
Prepaid expenses	15,418	22,591
Pledges receivable, current portion	489,524	864,708
<b>Total Current Assets</b>	614,134	1,133,579
<b>Other Assets</b>		
Property and equipment, net	-	407
Investments	13,667,471	10,196,985
Pledges receivable, long term portion	219,940	628,610
<b>Total Other Assets</b>	13,887,411	10,826,002
<b>Total Assets</b>	<b>\$ 14,501,545</b>	<b>\$ 11,959,581</b>

#### LIABILITIES AND NET ASSETS

<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 5,461	\$ 15,322
Grants payable	211,903	235,514
Deferred revenue	-	165,142
<b>Total Current Liabilities</b>	217,364	415,978
<b>Long-Term Liabilities</b>		
Alumni funds held	19,261	19,261
Grants payable, long term portion	238,000	-
<b>Total Long-term Liabilities</b>	257,261	19,261
<b>Total Liabilities</b>	474,625	435,239
<b>Net Assets</b>		
Without donor restrictions	581,016	445,876
With donor restrictions		
Program restrictions	4,336,921	2,776,613
Endowment assets - perpetual	9,108,983	8,301,853
<b>Total Net Assets</b>	14,026,920	11,524,342
<b>Total Liabilities and Net Assets</b>	<b>\$ 14,501,545</b>	<b>\$ 11,959,581</b>

## STATEMENTS OF ACTIVITIES

### EAST GRAND RAPIDS SCHOOLS FOUNDATION

For the year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	2021
<b>Public Support and Revenues</b>			
Contributions	\$ 665,435	\$ 60,362	\$ 725,797
Interest and dividend income	106,912	157,879	264,791
Unrealized/realized gains on investments, net	-	2,651,808	2,651,808
Special events, net of direct expenses of \$66,063	91,074	-	91,074
Net assets released from restrictions	502,611	(502,611)	-
<b>Total Public Support and Revenues</b>	<b>1,366,032</b>	<b>2,367,438</b>	<b>3,733,470</b>
<b>Expenses</b>			
Program services	1,053,366	-	1,053,366
Management and general	40,544	-	40,544
Fundraising expenses	136,982	-	136,982
<b>Total Expenses</b>	<b>1,230,892</b>	<b>-</b>	<b>1,230,892</b>
<b>Change in Net Assets</b>	<b>135,140</b>	<b>2,367,438</b>	<b>2,502,578</b>
<b>Net Assets - beginning of year</b>	<b>445,876</b>	<b>11,078,466</b>	<b>11,524,342</b>
<b>Net Assets - end of year</b>	<b>\$ 581,016</b>	<b>\$ 13,445,904</b>	<b>\$ 14,026,920</b>



## STATEMENTS OF ACTIVITIES (Continued)

### EAST GRAND RAPIDS SCHOOLS FOUNDATION

For the year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	2020
<b>Public Support and Revenues</b>			
Contributions	\$ 186,130	\$ 407,775	\$ 593,905
Interest and dividend income	18,490	207,891	226,381
Unrealized/realized gains on investments, net	-	260,274	260,274
Net assets released from restrictions	371,210	(371,210)	-
<b>Total Public Support and Revenues</b>	<b>575,830</b>	<b>504,730</b>	<b>1,080,560</b>
Program services	325,010	-	325,010
Management and general	39,924	-	39,924
Fundraising expenses	151,543	-	151,543
<b>Total Expenses</b>	<b>516,477</b>	<b>-</b>	<b>516,477</b>
<b>Change in Net Assets</b>	<b>59,353</b>	<b>504,730</b>	<b>564,083</b>
<b>Net Assets - beginning of year</b>	<b>386,523</b>	<b>10,573,736</b>	<b>10,960,259</b>
<b>Net Assets - end of year</b>	<b>\$ 445,876</b>	<b>\$ 11,078,466</b>	<b>\$ 11,524,342</b>

## STATEMENTS OF FUNCTIONAL EXPENSES

### EAST GRAND RAPIDS SCHOOLS FOUNDATION

For the year ended June 30, 2021

	<b>Program Services</b>	<b>Supporting Services</b>		<b>Total</b>
	<b>Program</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>2021</b>
Grant expense	\$ 904,701	\$ -	\$ -	\$ 904,701
Salaries and benefits	111,626	20,989	87,504	220,119
Professional fees	11,486	10,420	2,445	24,351
Occupancy	14,604	2,748	11,448	28,800
Printing, postage and office	5,664	677	26,294	32,635
Travel and meeting expenses	373	1,829	157	2,359
Miscellaneous	4,912	3,881	9,134	17,927
<b>Total Expenses</b>	<b>\$ 1,053,366</b>	<b>\$ 40,544</b>	<b>\$ 136,982</b>	<b>\$ 1,230,892</b>

## STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

EAST GRAND RAPIDS SCHOOLS FOUNDATION

For the year ended June 30, 2020

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2020</u>
Grant expense	\$ 181,604	\$ -	\$ -	\$ 181,604
Salaries and benefits	102,578	21,178	80,394	204,150
Professional fees	3,514	7,609	3,828	14,951
Occupancy	14,472	2,987	11,341	28,800
Printing, postage and office	1,731	951	18,240	20,922
Travel and meeting expenses	59	2,870	1,286	4,215
Miscellaneous	21,052	4,329	36,454	61,835
<b>Total Expenses</b>	<b>\$ 325,010</b>	<b>\$ 39,924</b>	<b>\$ 151,543</b>	<b>\$ 516,477</b>

## STATEMENTS OF CASH FLOWS

EAST GRAND RAPIDS SCHOOLS FOUNDATION  
For the years ended June 30, 2021 and 2020

	<b>2021</b>	<b>2020</b>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 2,502,578	\$ 564,083
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation expense	407	1,219
Realized and unrealized gain on investments, net	(2,651,808)	(260,274)
Change in assets and liabilities:		
Accounts receivable	-	2,150
Prepaid expenses	7,173	(18,741)
Alumni funds held	-	1,720
Grants payable	214,389	(165,750)
Promises to give	783,854	831,380
Accounts payable and accrued expenses	(9,861)	(13,167)
Deferred revenue	(165,142)	165,142
<b>Net Cash Provided by Operating Activities</b>	<b>681,590</b>	<b>1,107,762</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(818,678)	(904,798)
<b>Net Change in Cash</b>	<b>(137,088)</b>	<b>202,964</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>246,280</b>	<b>43,316</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 109,192</b>	<b>\$ 246,280</b>

## NOTES TO FINANCIAL STATEMENTS

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### EAST GRAND RAPIDS SCHOOLS FOUNDATION

For the years ended June 30, 2021 and 2020

#### *Note A – Nature of Activities and Summary of Significant Accounting Policies*

##### **Nature of Activities**

The accompanying financial statements present the financial position, results of operations and cash flows of East Grand Rapids Schools Foundation (the “Foundation”). The Foundation was organized in Michigan as a not-for-profit corporation in 1983. The East Grand Rapids Schools Foundation enriches the educational experience of our students by funding excellence in teaching and learning that requires financial support beyond that of the East Grand Rapids Public Schools.

##### **Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting, recording revenue when earned rather than when received, and recording expenses when incurred rather than when paid.

##### **Use of Estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

##### **Cash and Cash Equivalents**

Cash and cash equivalents consist of demand deposits in banks, institutional money market funds and cash on hand. For purposes of the statement of cash flows, the Foundation considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents, except that such assets held in endowment are generally classified as noncurrent. The Foundation maintains cash balances in checking and savings accounts. The checking and savings accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution. From time to time during the year, the Foundation may have cash in a bank checking or savings account in excess of the federally insured limit.

##### **Investments**

Investments held by the Foundation consist of short-term investments and money market funds. Such investments are carried at fair value, based on quoted market prices. Investments received as donations are initially recorded at fair value on the date of receipt. Thereafter, the carrying value of such investments are adjusted to fair value, which is determined by published market quotations. Realized gains and losses on the sale of investments are determined based on the first-in, first-out method. Unrealized gains and losses are included on the statement of activities.

## NOTES TO FINANCIAL STATEMENTS

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### EAST GRAND RAPIDS SCHOOLS FOUNDATION

For the years ended June 30, 2021 and 2020

#### *Note A – Nature of Activities and Summary of Significant Accounting Policies (Continued)*

##### **Fair Value Measurement**

Fair value (as it relates to investments) refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable data (Level 3 measurements). For a further discussion on Fair Value Measurement, refer to Note F of the financial statements.

##### **Pledges Receivable**

Pledges receivable represent unconditional promises to give. The pledges are payable over a donor-specified period and have been discounted to a present value using a risk free interest rate applicable for the periods in which the pledge was received. The Foundation evaluates pledges receivable for uncollectible pledges based upon historical loss experience and current economic conditions. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The balance in the allowance for uncollectible pledges account at June 30, 2021 was \$14,638. No allowance for uncollectible pledges was considered necessary at June 30, 2020.

##### **Property and Equipment**

Property and equipment are stated at cost, or in the case of donated property, at estimated fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which range from 3 to 39 years. The Foundation follows a capitalization policy of \$3,000 in determining assets to be depreciated.

##### **Grants Payable**

Grants payable consists of grants awarded to the East Grand Rapids Public School on behalf of the teachers and students for the support of various educational and co-curricular enhancements and scholarships awarded to students for higher education. Current grants payable are expected to be paid out within twelve months however there is a long term portion that is expected to be paid out within the next few years.

##### **Deferred Revenue**

Deferred revenue consists mainly of grants received before the grant conditions have been met and event revenue from events that were postponed to the 2021 fiscal year-end.

## NOTES TO FINANCIAL STATEMENTS

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EAST GRAND RAPIDS SCHOOLS FOUNDATION  
For the years ended June 30, 2021 and 2020

### *Note A – Nature of Activities and Summary of Significant Accounting Policies (Continued)*

#### **Net Assets**

The Foundation reports information regarding its financial position and activities according to the following net asset classifications:

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

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

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

#### **Revenue Recognition**

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance obligation or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. The Organization did not have any conditional promises to give during the years ended June 30, 2021 and 2020.

All donor restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions with donor-imposed stipulations that are met in the same year as received or earned are reported as unrestricted revenue.

#### **Donated Services, Materials and Equipment**

Agencies, business firms and others contribute materials and services toward the fulfillment of projects initiated by the East Grand Rapids Schools Foundation. To the extent that contributions of materials and services are objectively measurable and represent program or support expenditures that would otherwise be incurred by the Foundation, they are reflected in both public support and program expense in the accompanying financial statements. The value of donated items was estimated at approximately \$3,150 for the year ended June 30, 2020. There were no donated items for the year ended June 30, 2021.

## NOTES TO FINANCIAL STATEMENTS

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### EAST GRAND RAPIDS SCHOOLS FOUNDATION

For the years ended June 30, 2021 and 2020

#### *Note A – Nature of Activities and Summary of Significant Accounting Policies (Continued)*

##### **Donated Services, Materials and Equipment (Continued)**

The Foundation utilizes office space and office overhead free of charge from the East Grand Rapids Public Schools. The value of this office space has been estimated at \$28,800 per year and is included in the financial statements as a contribution with a corresponding expense.

No volunteer services have been valued in the financial statements in as much as there is no objective basis available to measure the value of such services; however, a number of volunteers have donated substantial amounts of their time to the Foundation's programs.

##### **Advertising**

The Foundation expenses advertising costs as incurred. Advertising costs for the years ended June 30, 2021 and 2020 were \$4,443 and \$1,785, respectively.

##### **Income Taxes**

The Foundation is a not-for-profit Foundation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as a Foundation that is not a private foundation under Section 509(a)(2).

The Foundation evaluates tax positions taken on its federal Exempt Foundation Business Income Tax Returns in accordance with accounting principles generally accepted in the United States of America, which require that tax positions taken be more-likely-than-not to be sustained. Management believes that the Foundation has no significant unrecognized tax benefits under that criteria. Penalties and interest, if any, assessed by income taxing authorities are included in operating expenses. The Foundation's federal Exempt Foundation Business Income Tax Returns are generally subject to examination by taxing authorities for three years after they were filed.

##### **Functional Classification of Expenses**

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among services and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated on time and effort studies include: salaries and benefits, professional fees, printing, postage and office, travel and meeting, occupancy and miscellaneous. Grant expenses are allocated based on programming expenses.



## NOTES TO FINANCIAL STATEMENTS

### EAST GRAND RAPIDS SCHOOLS FOUNDATION

For the years ended June 30, 2021 and 2020

#### **Note A – Nature of Activities and Summary of Significant Accounting Policies (Continued)**

##### **New Accounting Pronouncement**

The Foundation has adopted Accounting Standards Update (ASU) 2018-13 *Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurements*, as management believes the standards improve the usefulness and understandability of the Foundation's financial reporting.

##### **Subsequent Events**

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through November 10, 2021, which is the date the financial statements were available to be issued.

##### **Reclassifications**

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

#### **Note B – Liquidity and Availability**

Our endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure. As part of our liquidity management plan, we invest cash in excess of daily requirements in short-term investments, CDs, and money market funds. The following financial assets could readily be made available within one year of the statement of financial position's date to meet general expenditures as of June 30:

	<b>2021</b>	<b>2020</b>
Financial assets:		
Cash and cash equivalents	\$ 109,192	\$ 246,280
Pledges receivable, net	709,464	1,493,318
Investments	13,667,471	10,196,985
Total financial assets	<u>14,486,127</u>	<u>11,936,583</u>
Less amounts not available to be used within one year:		
Pledges receivable, net restricted for the campaign	709,464	1,493,318
Investments - endowment	9,712,177	8,871,037
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 4,064,486</u>	<u>\$ 1,572,228</u>

## NOTES TO FINANCIAL STATEMENTS

### EAST GRAND RAPIDS SCHOOLS FOUNDATION

For the years ended June 30, 2021 and 2020

#### **Note C – Pledges Receivable**

The EGR Now&Forever Campaign is an endowment campaign to support excellence in education by funding enhancements to teaching and learning that are not covered by the regular school budget.

The Foundation had the following unconditional promises to give at June 30, 2021 and 2020:

	<b>2021</b>	<b>2020</b>
Within one year	\$ 489,524	\$ 864,708
In one to five years	242,378	648,610
Total unconditional promises to give	731,902	1,513,318
Less allowance	(14,638)	-
Less discounts to net present value at 2%	(7,800)	(20,000)
Net unconditional promises to give	<u>\$ 709,464</u>	<u>\$ 1,493,318</u>

#### **Note D – Investments**

The Foundation carries investments in marketable securities measured at fair value on a recurring basis at quoted prices in active markets for identical assets (Level 1) in the Statements of Financial Position. Unrealized gains and losses net of investment expenses are included in the changes of net assets in the Statement of Activities. The following represents the Foundation's investments at June 30, 2021 and 2020:

	<b>2021</b>	<b>2020</b>
Asset backed securities	\$ 3,265	\$ -
Municipal bonds	598,909	247,574
Corporate bonds	2,186,858	1,646,859
Money market funds	290,598	874,926
Exchange - traded funds	686,795	431,200
Certificates of deposit	470,862	783,156
Preferred stock	947,268	304,355
Common stock	8,482,916	5,908,915
<b>Total</b>	<u>\$ 13,667,471</u>	<u>\$ 10,196,985</u>

Net gains from investment transactions for the years ended June 30, 2021 and 2020 include net realized gains of \$901,745 and \$388,100 and net unrealized gain/(loss) of \$1,814,236 and (\$72,180), respectively. Interest and dividend income was \$264,791 and \$226,375 for the years ended June 30, 2021 and 2020, respectively.

Investment fees and expenses associated with the maintenance of the portfolio were \$64,172 and \$55,646 for the years ended June 30, 2021 and 2020, respectively.

## NOTES TO FINANCIAL STATEMENTS

### EAST GRAND RAPIDS SCHOOLS FOUNDATION

For the years ended June 30, 2021 and 2020

#### Note E – Fixed Assets

Fixed assets at June 30, 2021 and 2020 consisted of:

	<u>2021</u>	<u>2020</u>	<u>Estimated Useful Life</u>
Furniture, fixtures, and equipment	\$ 7,619	\$ 7,619	5 - 7 Years
Computer software	4,895	4,895	3 Years
Web program and design	3,000	3,000	3 Years
	15,514	15,514	
Accumulated depreciation/amortization	<u>(15,514)</u>	<u>(15,107)</u>	
Fixed assets, net	<u>\$ -</u>	<u>\$ 407</u>	

#### Note F – Fair Value Measurement

Accounting principles generally accepted in the United States of America establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The fair value hierarchy is categorized into three levels based on the inputs as follows:

**Level 1** – Unadjusted quoted prices in active markets for identical assets or liabilities.

**Level 2** – Quoted prices in markets that are not considered active or financial instruments for which significant inputs, include quoted prices for similar assets or liabilities, interest rates, credit risk, etc.

**Level 3** – Significant unobservable inputs, which may include the Foundation's own assumption in determining fair value.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used at June 30, 2021 and 2020.

*Certificates of deposit:* Valued using pricing models that are based on credit quality, time to maturity, stated interest rates, and market rate assumptions.

*Municipal obligations, asset backed securities, and corporate bonds:* Valued based upon prices received from pricing services, using models which maximize observable inputs such as trades in exact or similar securities in active markets where available. Absent such trade data, models may incorporate other inputs such as yield curves constructed from yields of similar securities, broker quotes and other observable market data.

## NOTES TO FINANCIAL STATEMENTS

### EAST GRAND RAPIDS SCHOOLS FOUNDATION

For the years ended June 30, 2021 and 2020

#### Note F – Fair Value Measurement (Continued)

*Exchange-traded funds:* Determined by the published closing price on the last business day of the fiscal year.

*Common stock/Preferred stock:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Money market funds:* Valued based on quoted net asset values of the shares held by the Foundation on the last business day of the year.

Assets measured at fair value on a recurring basis comprise the following for the years ended June 30, 2021 and 2020:

Description	Fair Value		
	June 30, 2021	Level 1	Level 2
Municipal bonds	\$ 598,909	\$ 598,909	\$ -
Asset backed securities	3,265	-	3,265
Corporate bonds	2,186,858	-	2,186,858
Money market funds	290,598	290,598	-
Exchange - traded funds	686,795	686,795	-
Certificates of deposit	470,862	470,862	-
Preferred stock	947,268	947,268	-
Common stock	8,482,916	8,482,916	-
<b>Total</b>	<b>\$ 13,667,471</b>	<b>\$ 11,477,348</b>	<b>\$ 2,190,123</b>

  

Description	Fair Value		
	June 30, 2020	Level 1	Level 2
Municipal bonds	\$ 247,574	\$ 247,574	\$ -
Corporate bonds	1,646,859	-	1,646,859
Money market funds	874,926	874,926	-
Exchange - traded funds	431,200	431,200	-
Certificates of deposit	783,156	783,156	-
Preferred stock	304,355	304,355	-
Common stock	5,908,915	5,908,915	-
<b>Total</b>	<b>\$ 10,196,985</b>	<b>\$ 8,550,126</b>	<b>\$ 1,646,859</b>

## NOTES TO FINANCIAL STATEMENTS

### EAST GRAND RAPIDS SCHOOLS FOUNDATION

For the years ended June 30, 2021 and 2020

#### Note G – Endowment Net Assets

The Foundation's endowment fund includes funds established by donors to provide annual funding for specific activities and general operations. The Endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Directors.

The Foundation has interpreted the Michigan Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2021 and 2020 there were no such donor stipulations. As a result of this interpretation, we retain in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. We consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Endowment net assets consist of the following at June 30, 2021:

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds			
Original donor-restricted gift and amounts required to be maintained in perpetuity by donor, and accumulated investment gains	\$ -	\$ 13,445,904	\$ 13,445,904
Board designated endowment funds	481,127	-	481,127
<b>Total</b>	<b>\$ 481,127</b>	<b>\$ 13,445,904</b>	<b>\$ 13,927,031</b>

## NOTES TO FINANCIAL STATEMENTS

### EAST GRAND RAPIDS SCHOOLS FOUNDATION

For the years ended June 30, 2021 and 2020

#### Note G – Endowment Net Assets (Continued)

Endowment net assets consist of the following at June 30, 2020:

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds			
Original donor-restricted gift and amounts required to be maintained in perpetuity by donor, and accumulated investment gains	\$ -	\$ 11,078,466	\$ 11,078,466
Board designated endowment funds	376,324	-	376,324
<b>Total</b>	<u>\$ 376,324</u>	<u>\$ 11,078,466</u>	<u>\$ 11,454,790</u>

#### Investment and Spending Policies

The Foundation adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments. The target minimum rate of return is the Consumer Price Index plus 5 percent annually. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). An endowment spending-rate formula is used to determine the maximum amount to spend, including those endowments deemed to be underwater, each year. The rate, determined and adjusted at times by the Board of Directors, is applied to the average fair value of the Endowment investments for the prior 12 quarters at March 31st for 2019 of each year to determine the spending amount for the upcoming year. During June 30, 2021 and 2020 the spending rate maximum was 5 percent. In establishing this policy, we considered the long-term expected return on the Endowment and set the rate with the objective of maintaining the purchasing power of the Endowment over time. Changes in endowment net assets for the year ended June 30, 2021 was as follows:

June 30, 2021	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 376,324	\$ 11,078,466	\$ 11,454,790
Investment return, net	104,803	2,809,687	2,914,490
Contributions	-	60,362	60,362
Appropriation of endowment assets pursuant to spending-rate policy	-	(502,611)	(502,611)
Endowment net assets, end of year	<u>\$ 481,127</u>	<u>\$ 13,445,904</u>	<u>\$ 13,927,031</u>

## NOTES TO FINANCIAL STATEMENTS

EAST GRAND RAPIDS SCHOOLS FOUNDATION  
For the years ended June 30, 2021 and 2020

### Note G – Endowment Net Assets (Continued)

Changes in endowment net assets for the year ended June 30, 2020 was as follows:

<u>June 30, 2020</u>	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 381,613	\$ 10,573,736	\$ 10,955,349
Investment return, net	18,490	468,165	486,655
Contributions	-	407,775	407,775
Appropriation of endowment assets pursuant to spending-rate policy	(23,779)	(371,210)	(394,989)
Endowment net assets, end of year	<u>\$ 376,324</u>	<u>\$ 11,078,466</u>	<u>\$ 11,454,790</u>

### Note H – Net Assets with Donor Restrictions

Net assets with donor restriction is as follows as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose: Programs	\$ 630,020	\$ 467,817
<b>Endowments:</b> Subject to appropriation and expenditure when a specified event occurs Restricted by donors for Programs	3,103,707	1,739,612
Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation: Programs	603,194	569,184
General use	9,108,983	8,301,853
<b>Total Endowments</b>	<u>12,815,884</u>	<u>10,610,649</u>
<b>Total Net Assets with Donor Restrictions</b>	<u>\$ 13,445,904</u>	<u>\$ 11,078,466</u>

## NOTES TO FINANCIAL STATEMENTS

### EAST GRAND RAPIDS SCHOOLS FOUNDATION

For the years ended June 30, 2021 and 2020

#### Note I – Endowment Assets by Fund

Details of Net Assets Composition by type of fund as of June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
General Endowment	\$ 481,127	\$ 11,852,968	\$ 12,334,095
Rose Fund	-	8,490	8,490
Middle School Fund	-	21,392	21,392
We the People Fund	-	115,938	115,938
Performing Arts Fund	-	130,712	130,712
Ridenour Fund	-	30,909	30,909
Nicholas Fund	-	55,428	55,428
Kehm Fund	-	29,197	29,197
Gerken Fund	-	733,329	733,329
VandenBerg Fund	-	168,449	168,449
VanGeldereren Fund	-	125,054	125,054
Neubig Fund	-	99,300	99,300
Mulder Fund	-	27,456	27,456
Fouch Fund	-	8,880	8,880
Shubel Fund	-	28,281	28,281
Coroneos Fund	-	8,921	8,921
Ainsworth Fund	-	1,200	1,200
Total	\$ 481,127	\$ 13,445,904	\$ 13,927,031

Details of Net Assets Composition by type of fund as of June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
General Endowment	\$ 376,324	\$ 9,819,257	\$ 10,195,581
Rose Fund	-	6,697	6,697
Middle School Fund	-	18,273	18,273
We the People Fund	-	93,080	93,080
Performing Arts Fund	-	106,568	106,568
Ridenour Fund	-	24,390	24,390
Nicholas Fund	-	44,769	44,769
Kehm Fund	-	22,837	22,837
Gerken Fund	-	580,363	580,363
VandenBerg Fund	-	139,938	139,938
VanGeldereren Fund	-	95,708	95,708
Neubig Fund	-	74,158	74,158
Mulder Fund	-	21,475	21,475
Fouch Fund	-	6,946	6,946
Shubel Fund	-	24,007	24,007
Total	\$ 376,324	\$ 11,078,466	\$ 11,454,790



## NOTES TO FINANCIAL STATEMENTS

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EAST GRAND RAPIDS SCHOOLS FOUNDATION  
For the years ended June 30, 2021 and 2020

### ***Note J – Net Assets with Donor Restrictions***

Details of net Assets released from net assets with restrictions at June 30, 2021 and 2020, respectively were as follows:

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restrictions: Programs	\$ 502,611	\$ 371,210

### ***Note K – Risks and Uncertainties***

The Foundation's operations are heavily dependent on private and public donations from various sources. The COVID-19 outbreak may have continued material adverse impact on economic and market conditions, triggering a period of national economic slowdown. This situation may depress donations during the fiscal year 2022 and ultimately negatively impact the Foundation's financial condition and liquidity and may hinder the Foundation's ability to advance their mission.