

EAST GRAND RAPIDS SCHOOLS FOUNDATION

FINANCIAL STATEMENTS

For the years ended
June 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

November 8, 2022

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

Opinion

We have audited the accompanying financial statements of East Grand Rapids Schools Foundation, (a non-profit organization) which comprise the statement of financial position as June 30, 2022 and 2021 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 East Grand Rapids Schools Foundation as of June 30, 2022 and 2021, 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 East Grand Rapids Schools Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management 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; 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 East Grand Rapids Schools 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 judgement 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 East Grand Rapids Schools 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 East Grand Rapids Schools 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.



Certified Public Accountants
Grand Rapids, Michigan

FINANCIAL STATEMENTS

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STATEMENTS OF FINANCIAL POSITION

EAST GRAND RAPIDS SCHOOLS FOUNDATION

June 30, 2022 and 2021

ASSETS

	2022	2021
Current Assets		
Cash and cash equivalents	\$ 61,234	\$ 109,192
Prepaid expenses	7,598	15,418
Sponsorship receivable	900	-
Pledges receivable, current portion	244,778	489,524
Total Current Assets	314,510	614,134
Other Assets		
Investments	12,643,089	13,667,471
Pledges receivable, long term portion, net	394,046	219,940
Total Other Assets	13,037,135	13,887,411
Total Assets	<u>\$ 13,351,645</u>	<u>\$ 14,501,545</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable and accrued expenses	\$ 7,923	\$ 5,461
Grants payable, current portion	302,172	211,903
Deferred revenue	10,973	-
Total Current Liabilities	321,068	217,364
Long-Term Liabilities		
Alumni funds held	24,443	19,261
Grants payable, long term portion	388,000	238,000
Total Long-term Liabilities	412,443	257,261
Total Liabilities	733,511	474,625
Net Assets		
Without donor restrictions	460,010	581,016
With donor restrictions		
Program restrictions	2,577,630	4,336,921
Endowment assets - perpetual	9,580,494	9,108,983
Total Net Assets	12,618,134	14,026,920
Total Liabilities and Net Assets	<u>\$ 13,351,645</u>	<u>\$ 14,501,545</u>

STATEMENTS OF ACTIVITIES

EAST GRAND RAPIDS SCHOOLS FOUNDATION

For the year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues			
Contributions of cash and other financial assets	\$ 120,500	\$ 576,204	\$ 696,704
Contributions of nonfinancial assets	28,800	-	28,800
Interest and dividend income	10,728	302,005	312,733
Unrealized/realized loss on investments, net	(58,237)	(1,653,447)	(1,711,684)
Gross revenue from special events:			
Event revenue	219,366	-	219,366
Contributions of nonfinancial assets	16,973	-	16,973
Less direct expenses	(113,976)	-	(113,976)
Net special event revenue	122,363	-	122,363
Net assets released from restrictions	512,542	(512,542)	-
Total Public Support and Revenues	736,696	(1,287,780)	(551,084)
Expenses			
Program services	623,199	-	623,199
Management and general	53,528	-	53,528
Fundraising expenses	180,975	-	180,975
Total Expenses	857,702	-	857,702
Change in Net Assets	(121,006)	(1,287,780)	(1,408,786)
Net Assets - beginning of year	581,016	13,445,904	14,026,920
Net Assets - end of year	\$ 460,010	\$ 12,158,124	\$ 12,618,134

STATEMENTS OF ACTIVITIES (Continued)

EAST GRAND RAPIDS SCHOOLS FOUNDATION

For the year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues			
Contributions of cash and other financial assets	\$ 636,635	\$ 60,362	\$ 696,997
Contributions of nonfinancial assets	28,800	-	28,800
Interest and dividend income	106,912	157,879	264,791
Unrealized/realized gain on investments, net	-	2,651,808	2,651,808
Gross revenue from special events:			
Event revenue	147,995	-	147,995
Contributions of nonfinancial assets	9,142	-	9,142
Less direct expenses	(66,063)	-	(66,063)
Net special event revenue	91,074	-	91,074
Net assets released from restrictions	502,611	(502,611)	-
Total Public Support and Revenues	1,366,032	2,367,438	3,733,470
Expenses			
Program services	1,053,366	-	1,053,366
Management and general	40,544	-	40,544
Fundraising expenses	136,982	-	136,982
Total Expenses	1,230,892	-	1,230,892
Change in Net Assets	135,140	2,367,438	2,502,578
Net Assets - beginning of year	445,876	11,078,466	11,524,342
Net Assets - end of year	\$ 581,016	\$ 13,445,904	\$ 14,026,920

STATEMENTS OF FUNCTIONAL EXPENSES

EAST GRAND RAPIDS SCHOOLS FOUNDATION

For the year ended June 30, 2022

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2022</u>
Grant expense	\$ 459,915	\$ -	\$ -	\$ 459,915
Salaries and benefits	116,071	28,823	117,703	262,597
Bad debt	19,782	-	-	19,782
Professional fees	1,202	13,702	6,196	21,100
Occupancy	12,730	3,162	12,908	28,800
Printing, postage and office	2,949	1,507	36,148	40,604
Travel and meeting expenses	172	1,866	1,378	3,416
Miscellaneous	10,378	4,468	6,642	21,488
Total Expenses	\$ 623,199	\$ 53,528	\$ 180,975	\$ 857,702

STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

EAST GRAND RAPIDS SCHOOLS FOUNDATION

For the year ended June 30, 2021

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2021</u>
Grant expense	\$ 890,063	\$ -	\$ -	\$ 890,063
Salaries and benefits	111,626	20,989	87,504	220,119
Bad debt expense	14,638	-	-	14,638
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
Total Expenses	\$ 1,053,366	\$ 40,544	\$ 136,982	\$ 1,230,892

STATEMENTS OF CASH FLOWS

EAST GRAND RAPIDS SCHOOLS FOUNDATION
For the years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (1,408,786)	\$ 2,502,578
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation expense	-	407
Bad debt expense	19,782	14,638
Unrealized/realized (gain)/loss on investments, net	1,711,684	(2,651,808)
Change in assets and liabilities:		
Prepaid expenses	7,820	7,173
Sponsorships Receivable	(900)	-
Promises to give	50,858	769,216
Accounts payable and accrued expenses	2,462	(9,861)
Grants payable	240,269	214,389
Deferred revenue	10,973	(165,142)
Alumni funds held	5,182	-
Net Cash Provided by Operating Activities	<u>639,344</u>	<u>681,590</u>
Cash Flows from Investing Activities		
Purchases of investments	<u>(687,302)</u>	<u>(818,678)</u>
Net Change in Cash	(47,958)	(137,088)
Cash and Cash Equivalents, beginning of year	<u>109,192</u>	<u>246,280</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 61,234</u></u>	<u><u>\$ 109,192</u></u>

NOTES TO FINANCIAL STATEMENTS

EAST GRAND RAPIDS SCHOOLS FOUNDATION

For the years ended June 30, 2022 and 2021

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

EAST GRAND RAPIDS SCHOOLS FOUNDATION

For the years ended June 30, 2022 and 2021

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 receivables 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, 2022 and 2021 was \$34,420 and \$14,638, respectively.

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 7 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 Schools 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 contributions received before the contribution conditions have been met.

NOTES TO FINANCIAL STATEMENTS

EAST GRAND RAPIDS SCHOOLS FOUNDATION
For the years ended June 30, 2022 and 2021

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 Foundation 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 Foundation did not have any conditional promises to give during the years ended June 30, 2022 and 2021.

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. See Note K for the value of donated items for the years ended June 30, 2022 and 2021, respectively.

NOTES TO FINANCIAL STATEMENTS

EAST GRAND RAPIDS SCHOOLS FOUNDATION

For the years ended June 30, 2022 and 2021

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, 2022 and 2021 were \$7,477 and \$4,443, 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. 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.

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 8, 2022, which is the date the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS

EAST GRAND RAPIDS SCHOOLS FOUNDATION

For the years ended June 30, 2022 and 2021

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

New Accounting Pronouncement

During 2022, the Foundation adopted Accounting Standards Update (ASU) No. 2020-70: *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. As a result of the adoption of this ASU, the Foundation increased transparency in its reporting of contributed nonfinancial assets. See Note K. The standard was adopted retrospectively, and the adoption of the ASU did not have an impact on the Foundation's net assets.

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:

	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 61,234	\$ 109,192
Sponsorship receivable	900	-
Pledges receivable, net	638,824	709,464
Investments	12,643,089	13,667,471
Total financial assets	<u>13,344,047</u>	<u>14,486,127</u>
Less amounts not available to be used within one year:		
Pledges receivable, net restricted	638,824	709,464
Investments - endowment	10,354,920	9,712,177
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,350,303</u>	<u>\$ 4,064,486</u>

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 campaign is in the wrap-up phase and all pledges are expected to be collected within the next three years.

During the year ended June 30, 2022 the Organization received a \$500,000 pledge payable over the next 20 years in annual increments of \$25,000. The funds are restricted to the Gerken Endowment Fund.

NOTES TO FINANCIAL STATEMENTS

EAST GRAND RAPIDS SCHOOLS FOUNDATION

For the years ended June 30, 2022 and 2021

Note C – Pledges Receivable (Continued)

The Foundation had the following unconditional promises to give at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Within one year	\$ 244,778	\$ 489,524
In one to five years	537,766	242,378
Total unconditional promises to give	782,544	731,902
Less allowance for uncollectible pledges	(34,420)	(14,638)
Less discounts to net present value at 3%	(109,300)	(7,800)
Net unconditional promises to give	<u>\$ 638,824</u>	<u>\$ 709,464</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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Asset backed securities	\$ -	\$ 3,265
Treasury/Agency Securities	49,634	-
Municipal bonds	1,039,650	598,909
Corporate bonds	2,323,005	2,186,858
Money market funds	119,411	290,598
Exchange - traded funds	528,139	686,795
Certificates of deposit	250,216	470,862
Preferred stock	831,200	947,268
Common stock	7,501,834	8,482,916
Total	<u>\$ 12,643,089</u>	<u>\$ 13,667,471</u>

Net gains from investment transactions for the years ended June 30, 2022 and 2021 include net realized gains of \$904,659 and \$901,745 and net unrealized gain/(loss) of (\$2,538,317) and \$1,814,236, respectively. Interest and dividend income was \$312,731 and \$264,791 for the years ended June 30, 2022 and 2021, respectively.

Investment fees and expenses associated with the maintenance of the portfolio were \$78,026 and \$64,172 for the years ended June 30, 2022 and 2021, respectively.

NOTES TO FINANCIAL STATEMENTS

EAST GRAND RAPIDS SCHOOLS FOUNDATION

For the years ended June 30, 2022 and 2021

Note E – Fixed Assets

Fixed assets at June 30, 2022 and 2021 consisted of:

	<u>2022</u>	<u>2021</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>(15,514)</u>	
Fixed assets, net	<u>\$ -</u>	<u>\$ -</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, 2022 and 2021.

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

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.

NOTES TO FINANCIAL STATEMENTS

EAST GRAND RAPIDS SCHOOLS FOUNDATION

For the years ended June 30, 2022 and 2021

Note F – Fair Value Measurement (Continued)

Municipal obligations, treasury/agency securities, 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.

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, 2022 and 2021:

	June 30, 2022	Fair Value	Level 1	Level 2
Description				
Municipal bonds		\$ 1,039,650	\$ 1,039,650	\$ -
Treasury/Agency Securities		49,634	-	49,634
Corporate bonds		2,323,005	-	2,323,005
Money market funds		119,411	119,411	-
Exchange - traded funds		528,139	528,139	-
Certificates of deposit		250,216	250,216	-
Preferred stock		831,200	831,200	-
Common stock		7,501,834	7,501,834	-
Total		\$ 12,643,089	\$ 10,270,450	\$ 2,372,639
	June 30, 2021	Fair Value	Level 1	Level 2
Description				
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	-
Total		\$ 13,667,471	\$ 11,477,348	\$ 2,190,123

NOTES TO FINANCIAL STATEMENTS

EAST GRAND RAPIDS SCHOOLS FOUNDATION

For the years ended June 30, 2022 and 2021

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, 2022 and 2021 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, 2022:

	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	\$ -	\$ 12,158,124	\$ 12,158,124
Board designated endowment funds	433,617	-	433,617
Total	\$ 433,617	\$ 12,158,124	\$ 12,591,741

NOTES TO FINANCIAL STATEMENTS

EAST GRAND RAPIDS SCHOOLS FOUNDATION

For the years ended June 30, 2022 and 2021

Note G – Endowment Net Assets (Continued)

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
Total	\$ 481,127	\$ 13,445,904	\$ 13,927,031

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 of each year to determine the spending amount for the upcoming year. During June 30, 2022 and 2021 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, 2022 was as follows:

June 30, 2022	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 481,127	\$ 13,445,904	\$ 13,927,031
Investment return, net	(47,510)	(1,351,442)	(1,398,952)
Contributions	-	576,204	576,204
Appropriation of endowment assets pursuant to spending-rate policy	-	(512,542)	(512,542)
Endowment net assets, end of year	\$ 433,617	\$ 12,158,124	\$ 12,591,741

NOTES TO FINANCIAL STATEMENTS

EAST GRAND RAPIDS SCHOOLS FOUNDATION
For the years ended June 30, 2022 and 2021

Note G – Endowment Net Assets (Continued)

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>

Note H – Net Assets with Donor Restrictions

Net assets with donor restriction is as follows as of June 30, 2022 and 2021:

	2022	2021
Subject to expenditure for specified purpose: Programs	\$ 509,560	\$ 630,020
Endowments: Subject to appropriation and expenditure when a specified event occurs Restricted by donors for Programs	1,293,644	3,103,707
Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation: Programs	774,426	603,194
General use	9,580,494	9,108,983
Total Endowments	<u>11,648,564</u>	<u>12,815,884</u>
Total Net Assets with Donor Restrictions	<u>\$ 12,158,124</u>	<u>\$ 13,445,904</u>

Note I – Net Assets Released from Restrictions

Details of net assets released from net assets with restrictions at June 30, 2022 and 2021, respectively were \$512,542 and \$502,611. All net assets were released through satisfaction of program purpose restrictions.

NOTES TO FINANCIAL STATEMENTS

EAST GRAND RAPIDS SCHOOLS FOUNDATION

For the years ended June 30, 2022 and 2021

Note J – Endowment Assets by Fund

Details of Net Assets Composition by type of fund as of June 30, 2022 and 2021:

June 30, 2022	Without		Total
	Donor Restrictions	With Donor Restrictions	
General Endowment	\$ 433,617	\$ 10,635,071	\$ 11,068,688
Rose Fund	-	6,991	6,991
Middle School Fund	-	18,225	18,225
We the People Fund	-	100,671	100,671
Performing Arts Fund	-	111,857	111,857
Ridenour Fund	-	25,941	25,941
Nicholas Fund	-	47,181	47,181
Kehm Fund	-	23,989	23,989
Gerken Fund	-	679,633	679,633
VandenBerg Fund	-	150,709	150,709
VanGeldereren Fund	-	105,304	105,304
Neubig Fund	-	92,007	92,007
Mulder Fund	-	24,252	24,252
Fouch Fund	-	16,855	16,855
Shubel Fund	-	24,035	24,035
Coroneos Fund	-	14,449	14,449
Ainsworth Fund	-	21,534	21,534
Spindle Fund	-	40,435	40,435
Muth Fund	-	18,985	18,985
Total	\$ 433,617	\$ 12,158,124	\$ 12,591,741

NOTES TO FINANCIAL STATEMENTS

EAST GRAND RAPIDS SCHOOLS FOUNDATION
For the years ended June 30, 2022 and 2021

Note J – Endowment Assets by Fund(Continued)

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
VanGelderens 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

Note K – Contributed Nonfinancial Assets

Contributed nonfinancial assets recognized within the statement of activities as of June 30, 2022 and 2021 included:

Category	2022	2021
Rent	\$ 28,800	\$ 28,800
Special events - food and beverages	14,073	2,500
Special events - auction items	2,900	6,642
	\$ 45,773	\$ 37,942

NOTES TO FINANCIAL STATEMENTS

EAST GRAND RAPIDS SCHOOLS FOUNDATION
For the years ended June 30, 2022 and 2021

Note K – Contributed Nonfinancial Assets (Continued)

Category	Revenue Recognized	Utilization in Programs/ Activities	Donor Restrictions	Valuation Techniques and Inputs
Rent	\$28,800	General and administrative	No associated donor restrictions	Estimated fair value based on average annual rent for non-profit organizations
Special events - food and beverages	\$14,073	Fundraising	No associated donor restrictions	Estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Special events - auction items	\$2,900	Fundraising	No associated donor restrictions	Estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.