

EAST GRAND RAPIDS SCHOOLS FOUNDATION

FINANCIAL STATEMENTS

For the years ended
June 30, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

April 20, 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 statement of financial position as of June 30, 2020; the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of East Grand Rapids Schools Foundation as of June 30, 2019 were audited by other auditors whose report dated January 24, 2020, expressed an unmodified opinion on those statements.

A handwritten signature in cursive script that reads "Hungerford Nichols".

Certified Public Accountants
Grand Rapids, Michigan

FINANCIAL STATEMENTS

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STATEMENTS OF FINANCIAL POSITION

EAST GRAND RAPIDS SCHOOLS FOUNDATION

June 30, 2020 and 2019

ASSETS

	2020	2019
Current Assets		
Cash and cash equivalents	\$ 246,280	\$ 43,316
Prepaid expenses	22,591	3,850
Pledges receivable, current portion	864,708	1,143,558
Accounts receivable	-	2,150
Total Current Assets	1,133,579	1,192,874
Other Assets		
Property and equipment, net	407	1,626
Investments	10,196,985	9,031,913
Pledges receivable, long term portion	628,610	1,181,140
Total Other Assets	10,826,002	10,214,679
Total Assets	\$ 11,959,581	\$ 11,407,553

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable and accrued expenses	\$ 15,322	\$ 28,489
Grants payable	235,514	401,264
Deferred revenue	165,142	-
Total Current Liabilities	415,978	429,753
Long-Term Liabilities		
Alumni funds held	19,261	17,541
Total Liabilities	435,239	447,294
Net Assets		
Without donor restrictions	445,876	386,523
With donor restrictions		
Program Restrictions	2,776,613	2,794,751
Endowment assets - perpetual	8,301,853	7,778,985
Total Net Assets	11,524,342	10,960,259
Total Liabilities and Net Assets	\$ 11,959,581	\$ 11,407,553

STATEMENTS OF ACTIVITIES

EAST GRAND RAPIDS SCHOOLS FOUNDATION

For the year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	2020
Public Support and Revenues			
Contributions	\$ 186,130	\$ 407,775	\$ 593,905
Interest and dividend income	18,490	207,891	226,381
Unrealized/realized gains on investments	-	315,920	315,920
Net assets released from restrictions	426,856	(426,856)	-
Total Public Support and Revenues	631,476	504,730	1,136,206
Expenses			
Program services	380,656	-	380,656
Management and general	39,924	-	39,924
Fundraising expenses	151,543	-	151,543
Total Expenses	572,123	-	572,123
Change in Net Assets	59,353	504,730	564,083
Net Assets - beginning of year	386,523	10,573,736	10,960,259
Net Assets - end of year	\$ 445,876	\$ 11,078,466	\$ 11,524,342

STATEMENTS OF ACTIVITIES

EAST GRAND RAPIDS SCHOOLS FOUNDATION

For the year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	2019
Public Support and Revenues			
Contributions	\$ 80,122	\$ 2,789,733	\$ 2,869,855
Special events, net of expense of \$87,106	23,326	9,197	32,523
Interest and dividend income	43,532	146,315	189,847
Unrealized/realized gains on investments	-	830,067	830,067
Net assets released from restrictions	670,297	(670,297)	-
Total Public Support and Revenues	817,277	3,105,015	3,922,292
Program services	482,656		482,656
Management and general	44,675	-	44,675
Fundraising expenses	202,271	-	202,271
Total Expenses	729,602	-	729,602
Change in Net Assets	87,675	3,105,015	3,192,690
Net Assets - beginning of year	298,848	7,468,721	7,767,569
Net Assets - end of year	\$ 386,523	\$ 10,573,736	\$ 10,960,259

STATEMENTS OF FUNCTIONAL EXPENSES

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
Accounting and investment fees	59,160	7,609	3,828	70,597
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
Total Expenses	\$ 380,656	\$ 39,924	\$ 151,543	\$ 572,123

STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

EAST GRAND RAPIDS SCHOOLS FOUNDATION

For the year ended June 30, 2019

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2019</u>
Grant expense	\$ 322,231	\$ -	\$ -	\$ 322,231
Salaries and benefits	90,565	26,004	119,466	236,035
Accounting and investment fees	50,076	7,745	27,225	85,046
Occupancy	11,050	3,174	14,576	28,800
Printing, postage and office	1,263	1,185	37,769	40,217
Travel and meeting expenses	1,036	3,597	1,340	5,973
Miscellaneous	6,435	2,970	1,895	11,300
Total Expenses	\$ 482,656	\$ 44,675	\$ 202,271	\$ 729,602

STATEMENTS OF CASH FLOWS

EAST GRAND RAPIDS SCHOOLS FOUNDATION
For the years ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ 564,083	\$ 3,192,690
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation expense	1,219	1,219
Realized and unrealized gain on investments	(315,920)	(830,067)
Change in assets and liabilities:		
Accounts receivable	2,150	(1,750)
Prepaid expenses	(18,741)	8,552
Alumni funds held	1,720	6,239
Promises to give	831,380	(729,353)
Account/grants payable	(178,917)	170,144
Deferred revenue	165,142	-
Net Cash Provided by Operating Activities	1,052,116	1,817,674
Cash Flows from Investing Activities		
Purchases of investments - Equity securities	(849,152)	(1,849,061)
Net Cash Used for Investing Activities	(849,152)	(1,849,061)
Net Change in Cash	202,964	(31,387)
Cash and Cash Equivalents, beginning of year	43,316	74,703
Cash and Cash Equivalents, end of year	<u>\$ 246,280</u>	<u>\$ 43,316</u>

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.

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. In management's opinion, no allowance was considered necessary at June 30, 2020 and 2019.

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 scholarships and grants awarded to the East Grand Rapids teachers and students for the support of various educational and co-curricular enhancements. These grants are expected to be paid within the next year.

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.

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

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor restrictions.

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 has been estimated at approximately \$3,150 and \$7,232 for the years ended June 30, 2020 and 2019, respectively.

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, 2020 and 2019 were \$1,785 and \$6,332 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, accounting and investment fees, printing, postage and office, travel and meeting, and miscellaneous. Grant expenses are allocated based to programming expenses and occupancy expenses are allocated based on square footage.

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.

NOTES TO FINANCIAL STATEMENTS

EAST GRAND RAPIDS SCHOOLS FOUNDATION

For the years ended June 30, 2020 and 2019

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

New Accounting Pronouncement

The Foundation has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*, 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 April 20, 2021, which is the date the financial statements were available to be issued.

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:

	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 246,280	\$ 43,316
Pledges and accounts receivable, net	1,493,318	2,324,698
Investments	10,196,985	9,031,913
Total financial assets	<u>11,936,583</u>	<u>11,399,927</u>
Less amounts not available to be used within one year:		
Pledges receivable, net restricted for the campaign	1,493,318	2,324,698
Investments - endowment	8,871,037	8,353,709
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,572,228</u>	<u>\$ 721,520</u>

NOTES TO FINANCIAL STATEMENTS

EAST GRAND RAPIDS SCHOOLS FOUNDATION

For the years ended June 30, 2020 and 2019

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, 2020 and 2019:

	2020	2019
Within one year	\$ 864,708	\$ 1,143,558
In one to five years	648,610	1,205,140
Total unconditional promises to give	1,513,318	2,348,698
Less discounts to net present value at 2%	(20,000)	(24,000)
Net unconditional promises to give	<u>\$ 1,493,318</u>	<u>\$ 2,324,698</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 Statement of Financial Position. Unrealized gains and losses are included in the changes of net assets in the Statement of Activities.

The following represents the Foundation's investments at June 30, 2020 and 2019:

	2020	2019
Municipal bonds	\$ 247,574	\$ 509,027
Corporate bonds	1,646,859	1,131,438
Money market funds	874,926	373,456
Exchange - traded funds	431,200	389,549
Certificates of deposit	783,156	947,705
Preferred stock	304,355	292,518
Common stock	5,908,915	5,388,220
Total	<u>\$ 10,196,985</u>	<u>\$ 9,031,913</u>

Net gains from investment transactions for the years ended June 30, 2020 and 2019 include net realized gains of \$388,100 and \$248,503 and net unrealized (loss)/gain of (\$72,180) and \$581,564, respectively. Interest and dividend income was \$226,375 and \$189,83947 for the years ended June 30, 2020 and 2019, respectively.

Investment fees and expenses associated with the maintenance of the portfolio were \$55,646 and \$47,652 for the years ended June 30, 2020 and 2019, respectively. These expenses are included in the Statement of Functional Expenses under "Accounting and investment fees".

NOTES TO FINANCIAL STATEMENTS

EAST GRAND RAPIDS SCHOOLS FOUNDATION

For the years ended June 30, 2020 and 2019

Note E – Fixed Assets

Fixed assets at June 30, 2020 and 2019 consisted of:

	<u>2020</u>	<u>2019</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>(15,107)</u>	<u>(13,888)</u>	
Fixed assets, net	<u>\$ 407</u>	<u>\$ 1,626</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, 2020 and 2019.

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 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.

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

NOTES TO FINANCIAL STATEMENTS

EAST GRAND RAPIDS SCHOOLS FOUNDATION

For the years ended June 30, 2020 and 2019

Note F – Fair Value Measurement (Continued)

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.

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. The Foundation's management evaluated the significance of transfers between levels based on the nature of the financial instrument and size of the transfer relative to total net assets. For the years ended June 30, 2020 and 2019, there were no significant transfers into or out of levels 1, 2, or 3. Assets measured at fair value on a recurring basis comprise the following for the years ended June 30, 2020 and 2019:

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	-
Total	\$ 10,196,985	\$ 8,550,126	\$ 1,646,859

Description	Fair Value		
	June 30, 2020	Level 1	Level 2
Municipal bonds	\$ 509,027	\$ 509,027	\$ -
Corporate bonds	1,131,438	-	1,131,438
Money market funds	373,456	373,456	-
Exchange - traded funds	389,549	389,549	-
Certificates of deposit	947,705	947,705	-
Preferred stock	292,518	292,518	-
Common stock	5,388,220	5,388,220	-
Total	\$ 9,031,913	\$ 7,900,475	\$ 1,131,438

NOTES TO FINANCIAL STATEMENTS

EAST GRAND RAPIDS SCHOOLS FOUNDATION

For the years ended June 30, 2020 and 2019

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, 2020 and 2019 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, 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
Total	\$ 376,324	\$ 11,078,466	\$ 11,454,790

NOTES TO FINANCIAL STATEMENTS

EAST GRAND RAPIDS SCHOOLS FOUNDATION

For the years ended June 30, 2020 and 2019

Note G – Endowment Net Assets (Continued)

Endowment net assets consist of the following at June 30, 2019:

	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	\$ -	\$ 10,573,736	\$ 10,573,736
Board designated endowment funds	381,613	-	381,613
Total	\$ 381,613	\$ 10,573,736	\$ 10,955,349

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, 2020 and 2019 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, 2020, respectively was as follows:

June 30, 2020	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 381,613	\$ 10,573,736	\$ 10,955,349
Investment return, net	18,490	523,811	542,301
Contributions	-	407,775	407,775
Appropriation of endowment assets pursuant to spending-rate policy	(23,779)	(426,856)	(450,635)
Endowment net assets, end of year	<u>\$ 376,324</u>	<u>\$ 11,078,466</u>	<u>\$ 11,454,790</u>

NOTES TO FINANCIAL STATEMENTS

EAST GRAND RAPIDS SCHOOLS FOUNDATION
For the years ended June 30, 2020 and 2019

Note G – Endowment Net Assets (Continued)

Changes in endowment net assets for the year ended June 30, 2019, respectively was as follows:

June 30, 2019	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 338,081	\$ 7,468,721	\$ 7,806,802
Investment return, net	43,532	976,382	1,019,914
Contributions	-	2,789,733	2,789,733
Appropriation of endowment assets pursuant to spending-rate policy	-	(661,100)	(661,100)
Endowment net assets, end of year	<u>\$ 381,613</u>	<u>\$ 10,573,736</u>	<u>\$ 10,955,349</u>

Note H – Net Assets with Donor Restrictions

Net assets with donor restriction is as follows as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose: Programs	\$ 467,817	\$ 418,361
Endowments:		
Subject to appropriation and expenditure when a specified event occurs		
Restricted by donors for Programs	1,739,612	1,801,666
Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation:		
Programs	569,184	574,724
General use	8,301,853	7,778,985
Total Endowments	<u>10,610,649</u>	<u>10,155,375</u>
Total Net Assets with Donor Restrictions	<u>\$ 11,078,466</u>	<u>\$ 10,573,736</u>

NOTES TO FINANCIAL STATEMENTS

EAST GRAND RAPIDS SCHOOLS FOUNDATION

For the years ended June 30, 2020 and 2019

Note I – Endowment Assets by Fund

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	6,697.00
Middle School Fund	-	18,273	18,273.00
We the People Fund	-	93,080	93,080.00
Performing Arts Fund	-	106,568	106,568.00
Ridenour Fund	-	24,390	24,390.00
Nicholas Fund	-	44,769	44,769.00
Kehm Fund	-	22,837	22,837.00
Gerken Fund	-	580,363	580,363.00
VandenBerg Fund	-	139,938	139,938.00
VanGeldereren Fund	-	95,708	95,708.00
Neubig Fund	-	74,158	74,158.00
Mulder Fund	-	21,475	21,475.00
Fouch Fund	-	6,946	6,946.00
Shubel Fund	-	24,007	24,007
Total	\$ 376,324	\$ 11,078,466	\$ 11,454,790

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

	Without Donor Restrictions	With Donor Restrictions	Total
General Endowment	\$ 381,613	\$ 9,374,958	\$ 9,756,571
Rose Fund	-	6,878	6,878
VanGeldereren Fund	-	96,052	96,052
Middle School Fund	-	18,062	18,062
We the People Fund	-	91,458	91,458
Performing Arts Fund	-	106,264	106,264
Ridenour Fund	-	24,415	24,415
Nicholas Fund	-	44,506	44,506
Kehm Fund	-	22,743	22,743
Gerken Fund	-	582,566	582,566
VandenBerg Fund	-	142,148	142,148
Neubig Fund	-	39,558	39,558
Mulder Fund	-	1,055	1,055
Shubel Fund	-	23,073	23,073
Total	\$ 381,613	\$ 10,573,736	\$ 10,955,349

NOTES TO FINANCIAL STATEMENTS

EAST GRAND RAPIDS SCHOOLS FOUNDATION
For the years ended June 30, 2020 and 2019

Note J – Net Assets with Donor Restrictions

Details of net Assets released from net assets with restrictions at June 30, 2020 and 2019, respectively were as follows:

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions: Programs	\$ 426,856	\$ 670,297

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 2021 and ultimately negatively impact the Foundation's financial condition and liquidity and may hinder the Foundation's ability to advance their mission.