

East Grand Rapids Schools Foundation

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

EAST GRAND RAPIDS SCHOOLS FOUNDATION
GRAND RAPIDS, MICHIGAN
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
East Grand Rapids School Foundation

We have audited the accompanying financial statements of East Grand Rapids School Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019 and 2018, and the related statements of activities, statements of 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 School Foundation as of June 30, 2019 and 2018, 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.

William T Morgan, CPA

A handwritten signature in blue ink that reads "William T Morgan CPA". The signature is written in a cursive style.

Morgan & Associates CPAs PC

Grand Rapids, MI

January 24, 2020

East Grand Rapids Schools Foundation
 Statements of Financial Position
 June 30, 2019 and 2018

	June 30, 2019	June 30, 2018
Assets		
Current assets		
Cash and cash equivalents - Operating	\$ 59,095	\$ 440,156
Cash and cash equivalents - Restricted	357,677	82,013
Prepaid expenses	3,850	12,401
Pledges receivable, current portion	1,143,558	705,194
Accounts receivable	2,150	400
Total current assets	\$ 1,566,330	\$ 1,240,164
Furniture and equipment	15,514	15,514
Less accumulated depreciation	(13,888)	(12,669)
Investments	8,658,457	5,904,911
Pledges receivable, long term portion	1,181,140	890,151
Total assets	\$ 11,407,553	\$ 8,038,071
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 28,489	\$ 11,312
Grants payable	401,264	247,888
Total current liabilities	\$ 429,753	\$ 259,200
Long Term Liabilities		
Alumni funds held	\$ 17,542	\$ 11,303
Total long term liabilities	17,542	11,303
Total liabilities	\$ 447,295	\$ 270,503
Net Assets		
Without donor restrictions		
Undesignated	73,246	298,848
Total Net Assets - Without donor restrictions	73,246	298,848
With donor restrictions		
Program Restrictions	2,392,852	1,699,778
Endowment Assets	8,494,160	5,768,942
Total net assets - With donor restrictions	10,887,012	7,468,720
Total net assets	10,960,258	7,767,568
Total liabilities and net assets	\$ 11,407,553	\$ 8,038,071

East Grand Rapids Schools Foundation
Statement of Activities
June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Contributions	\$ 80,122	\$ 2,789,733	\$ 2,869,855
Special events, net of expenses	23,326	9,197	32,523
Investment return	43,532	976,382	1,019,914
Net assets released from restrictions	357,020	(357,020)	-
Total revenue, support, and gains	<u>504,000</u>	<u>3,418,292</u>	<u>3,922,292</u>
Expenses and Losses			
Program services expense	482,656	-	482,656
Management and general	44,675	-	44,675
Fundraising and development	202,271	-	202,271
Total expenses and losses	<u>729,602</u>	<u>-</u>	<u>729,602</u>
Change in Net Assets	(225,602)	3,418,292	3,192,690
Net Assets, Beginning of Year	298,848	7,468,721	7,767,569
Net Assets, End of Year	<u>\$ 73,246</u>	<u>\$ 10,887,013</u>	<u>\$ 10,960,259</u>

East Grand Rapids Schools Foundation
Statement of Activities
June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Contributions	\$ 502,053	\$ 2,050,384	\$ 2,552,437
Special events, net of expenses	12,242	2,939	15,181
Investment return	42,913	646,042	688,955
Net assets released from restrictions	250,993	(250,993)	-
Total revenue, support, and gains	<u>808,201</u>	<u>2,448,372</u>	<u>3,256,573</u>
Expenses and Losses			
Program services expense	527,241	-	527,241
Management and general	71,589	-	71,589
Fundraising and development	171,878	-	171,878
Total expenses and losses	<u>770,708</u>	<u>-</u>	<u>770,708</u>
Change in Net Assets	37,493	2,448,372	2,485,865
Net Assets, Beginning of Year	261,355	5,020,349	5,281,704
Net Assets, End of Year	<u>\$ 298,848</u>	<u>\$ 7,468,721</u>	<u>\$ 7,767,569</u>

East Grand Rapids Schools Foundation
Statement of Functional Expenses
June 30, 2019 & June 30, 2018

	June 30, 2019			
	Program Services	Management and General	Fundraising	Total
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
	<u>\$ 482,656</u>	<u>\$ 44,675</u>	<u>\$ 202,271</u>	<u>\$ 729,602</u>

	June 30, 2018			
	Program Services	Management and General	Fundraising	Total
Grant expense	\$ 409,257	\$ -	\$ -	\$ 409,257
Salaries and benefits	65,092	47,662	76,526	189,280
Accounting and investment fees	31,216	7,292	47,798	86,306
Occupancy	9,904	7,252	11,644	28,800
Printing, postage and office	6,055	3,160	29,366	38,581
Travel and meeting expenses	271	3,287	4,400	7,958
Miscellaneous	5,446	2,936	2,144	10,526
	<u>\$ 527,241</u>	<u>\$ 71,589</u>	<u>\$ 171,878</u>	<u>\$ 770,708</u>

East Grand Rapids Schools Foundation
 Statements of Cash Flows - Indirect Method
 June 30, 2019 and 2018

Indirect Method	June 30, 2019	June 30, 2018
Cash Flows from Operating Activities		
Change in net assets	\$ 3,192,690	\$ 2,485,865
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Realized and unrealized (gain) loss on operating investments	(830,068)	119,797
Depreciation expense	1,219	-
Changes in operating assets and liabilities		
Miscellaneous receivable	(2,400)	800
Prepaid expenses	8,552	(6,296)
Alumni funds held	6,239	4,820
Promises to give	(735,752)	(1,591,117)
Account/grants payable and deferred revenue	170,144	48,962
Net Cash from (used for) Operating Activities	1,810,625	1,062,831
Cash Flows from Investing Activities		
Proceeds / (Purchases) of Investments - Equity Securites	(1,916,023)	(731,691)
Net Cash from (used for) Investing Activities	(1,916,023)	(731,691)
Net Change in Cash, Cash Equivalents, and Restricted Cash	(105,398)	331,140
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	522,170	191,030
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 416,772	\$ 522,170

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOUNDATION – The East Grand Rapids Schools Foundation (the “Foundation”) was established and incorporated in 1983. The Foundation is an independent not-for-profit organization exempt from federal income tax under Section 501 (c) 3 of the Internal Revenue Code. 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 – Revenues and expenses are recorded on the accrual basis of accounting.

NET ASSETS - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

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

CASH AND CASH EQUIVALENTS - For purposes of the statement of cash flows, the foundation considers all unrestricted highly liquid investments to be cash equivalents.

CONTRIBUTIONS – Contributions are recorded as income when an unconditional promise to give has been made.

INVESTMENTS – Investments are carried at fair market value. Fair values for all investments were determined using quoted market prices in active markets. Net unrealized gains and losses of investments are recognized in the accompanying Statement of Activities.

GRANTS – 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.

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 \$7,232 and \$12,713 for the years ended June 30, 2019 and 2018, respectively.

The Foundation utilizes office space and office overhead free of charge from the East Grand Rapids 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.

USE OF ESTIMATES –The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CONCENTRATION OF CREDIT RISK – The Foundation may have in the bank at any given time amounts that are in excess of the FDIC limit of \$250,000.

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 include the following:

Expense	Method of Allocation
Salaries and benefits	Time and effort
Accounting and investment fees	Time and effort
Occupancy	Square Footage
Printing, postage and office	Time and effort
Travel and meeting expenses	Time and effort
Miscellaneous	Time and effort

EAST GRAND RAPIDS SCHOOLS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

INCOME TAX STATUS – East Grand Rapids School Foundation is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. East Grand Rapids Schools Foundation has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. East Grand Rapids Schools Foundation has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

CHANGE IN ACCOUNTING PRINCIPLE - On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these consolidated financial statements accordingly.

Note 2 – LIQUIDITY AND AVAILABILITY

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

Financial assets at year end	June 30, 2019	June 30, 2018
Cash and cash equivalents	\$ 416,772	\$ 522,169
Contributions receivable	2,326,848	1,595,744
Investments	8,658,457	5,904,911
Prepaid expenses	3,850	12,402
	<u>\$ 11,405,927</u>	<u>\$ 8,035,226</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>\$ (10,887,012)</u>	<u>\$ (7,468,720)</u>
	<u>\$ (10,887,012)</u>	<u>\$ (7,468,720)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 518,915</u>	<u>\$ 566,506</u>

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.

Note 3 – PLEDGES RECEIVABLE

The EGR NOW AND 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.

Pledges outstanding at June 30, 2019 and 2018 are:

	June 30, 2019	June 30, 2018
Within one year	\$ 1,143,558	\$ 705,194
In one to five years	1,205,140	908,132
Over five years	-	-
	2,348,698	1,613,326
Less discount to net present value at the rate of 2.0%	(24,000)	(17,677)
	2,324,698	1,595,649
Promises to give current	1,143,558	705,194
Promises to give long term, net	1,181,140	890,151
	\$ 2,324,698	\$ 1,595,345

Note 4 – 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 accompanying Statement of Activities.

The Foundation's investments at June 30, 2019 and 2018 consist of the following:

Assets	June 30, 2019	June 30, 2018
Operating investments		
Equities	\$ 5,680,738	\$ 4,185,738
Fixed Income Securities	3,351,175	\$ 1,719,173
	\$ 9,031,913	\$ 5,904,911

Net gains from investment transactions for the years ended June 30, 2019 and 2018 include net realized (losses)/gains of \$248,504 and \$(119,797) and net unrealized gains of \$581,564 and \$676,382, respectively.

EAST GRAND RAPIDS SCHOOLS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Investment fees and expenses associated with the maintenance of the portfolio were \$47,652 and \$33,865 for the year ended June 30, 2019 and 2018, respectively. These expenses are included in the Statement of Functional Expenses under “Accounting and investment fees”.

Note 5 – FAIR VALUE MEASUREMENTS

Generally accepted accounting principles 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 (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurement). 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 rate, credit risk, etc.

Level 3 – Significant unobservable inputs which may include the Foundation’s own assumptions in determining fair value.

The asset 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.

Assets measured at fair value on a recurring basis on June 30, 2019 are:

	Total	Level 1 Quoted Prices
Municipal & Treasury bonds	\$ 509,027	\$ 509,027
Corporate bonds	1,131,438	1,131,438
Index/Mutual funds	1,710,710	1,710,710
Preferred stock	292,518	292,518
Common stock	5,388,220	5,388,220
Total	\$ 9,031,913	\$ 9,031,913

As of June 30, 2019, the foundations investments only consist of Level 1 investments.

EAST GRAND RAPIDS SCHOOLS FOUNDATION
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2019 AND 2018

Note 6 – NET ASSETS WITH RESTRICTIONS

Temporarily restricted net assets include amounts designated by donors for specific purposes and also include earnings on permanently restricted net assets:

Details of Net Assets with restrictions at June 30, 2019 and 2018 are as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Subject to expenditure for specified purpose:		
Programs	\$ 449,179	\$ 459,044
	<u>449,179</u>	<u>459,044</u>
 Endowments:		
Subject to appropriation and expenditure when a specified event occurs		
Restricted by donors for		
Programs	1,943,672	1,240,735
	<u>1,943,672</u>	<u>1,240,735</u>
Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation:		
Programs	598,343	630,423
General use	7,895,817	5,138,519
	<u>8,494,160</u>	<u>5,768,942</u>
Total endowments	<u>10,437,833</u>	<u>7,009,677</u>
	<u>10,887,012</u>	<u>7,468,721</u>

Details of Net Assets released from net assets with restrictions at June 30, 2019 and 2018 are as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Expiration of time restrictions		
Satisfaction of purpose restrictions		
Programs	\$ 357,020	\$ 250,993
	<u>\$ 357,020</u>	<u>\$ 250,993</u>

EAST GRAND RAPIDS SCHOOLS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 7 – NET ASSETS COMPOSITION BY FUND

Details of Net Assets Composition by type of fund as of June 30, 2019 and 2018:

June 30, 2019			
	Net assets without restrictions	Net assets with restrictions	Total
General Endowment	\$ 381,613	\$ 9,839,489	\$ 10,221,102
Purpose Restricted		281,978	281,978
Scholarships	-	167,202	167,202
Middle School	-	10,118	10,118
We the People Fund	-	27,072	27,072
Performing Arts	-	13,608	13,608
Ridenour Fund	-	18,192	18,192
Nicholas Fund	-	28,500	28,500
Kehm Fund	-	7,516	7,516
Gerken Fund	-	383,635	383,635
Vandenberg Fund	-	58,567	58,567
Neibig Fund	-	31,385	31,385
Shubel Fund	-	19,750	19,750
Total	\$ 381,613	\$ 10,887,012	\$ 11,268,625

June 30, 2018			
	Net assets without restrictions	Net assets with restrictions	Total
General Endowment	\$ 338,089	\$ 6,459,288	\$ 6,797,377
Purpose Restricted	-	277,816	277,816
Scholarships	-	181,228	181,228
Middle School	-	10,118	10,118
We the People Fund	-	28,212	28,212
Performing Arts	-	16,467	16,467
Ridenour Fund	-	18,192	18,192
Nicholas Fund	-	30,000	30,000
Kehm Fund	-	7,236	7,236
Gerken Fund	-	374,438	374,438
Vandenburg Fund	-	62,025	62,025
Shubel Fund	-	3,700	3,700
Total	\$ 338,089	\$ 7,468,720	\$ 7,806,809

Note 8 – ENDOWMENT

Our endowment (the Endowment) consists of approximately 14 individual 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.

Our Board of Directors 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, 2019 and 2018, 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 organization 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 organization
- The investment policies of the organization

EAST GRAND RAPIDS SCHOOLS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

As of June 30, 2019 and 2018, we had the following endowment net asset composition by type of fund:

6/30/2019	Without Donor Restriction	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor, and accumulated investment gains (losses)	\$ 381,613	\$ 10,887,012	\$ 11,268,625
	\$ 381,613	\$ 10,887,012	\$ 11,268,625
6/30/2018	Without Donor Restriction	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor, and accumulated investment gains (losses)	\$ 338,089	\$ 7,468,720	\$ 7,806,809
	\$ 338,089	\$ 7,468,720	\$ 7,806,809

Investment and Spending Policies

We have 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 be 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 on an annual basis. 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).

We use an endowment spending-rate formula to determine the maximum amount to spend from the Endowment, including those endowments deemed to be underwater, each year. The rate, determined and adjusted from time to time by the Board of Directors, is applied to the average fair value of the Endowment investments for the prior 12 quarters at June 30 (March 31st for 2019 and forward) of each year to determine the spending amount for the upcoming year. The date for taking the balance has been changed to March 31st, in order better accommodate the school budget. Starting March 31st, 2019 During June 30, 2019 and 2018, 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.

EAST GRAND RAPIDS SCHOOLS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Changes in Endowment net assets for the years ended June 30, 2019 and 2018 are as follows:

6/30/2019	Without Donor Restriction	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 338,089	\$ 7,468,720	\$ 7,806,809
Investment return, net	43,524	928,739	972,263
Contributions	-	2,798,930	2,798,930
Appropriation of endowment assets pursuant to spending-rate policy	-	(309,376)	(309,376)
Endowment net assets, end of year	\$ 381,613	\$ 10,887,012	\$ 11,268,625

6/30/2018	Without Donor Restriction	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 300,268	\$ 5,020,349	\$ 5,320,617
Investment return, net	37,821	644,287	682,108
Contributions	-	2,053,322	2,053,322
Appropriation of endowment assets pursuant to spending-rate policy	-	(249,238)	(249,238)
Endowment net assets, end of year	\$ 338,089	\$ 7,468,720	\$ 7,806,809

NOTE 9- LAND, BUILDINGS, IMPROVEMENTS, FURNISHINGS, AND EQUIPMENT

Land, Buildings, Improvements, Furnishing, and Equipment consist of the following at June 30, 2019 and 2018:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Property and equipment	\$ 15,514	\$ 15,514
Less: accumulated depreciation	(13,888)	(12,669)
Property and equipment, net	<u>\$ 1,626</u>	<u>\$ 2,845</u>

For the years ended June 30, 2019 and 2018, depreciation expense totaled \$1,219 and \$804, respectively.

Note 10 – SUBSEQUENT EVENTS

Subsequent events were evaluated through January 24, 2020, which is the date the financial statements were available to be issued.