Grand Rapids Community Foundation

Financial Report

June 30, 2022

GRAND RAPIDS COMMUNITY FOUNDATION

OFFICERS AND BOARD OF TRUSTEES

June 30, 2022

Contents

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Independent Auditor's Report

To the Board of Trustees
Grand Rapids Community Foundation

Opinion

We have audited the financial statements of Grand Rapids Community Foundation (the "Foundation"), which comprise the statement of financial position as of June 30, 2022 and 2021 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and 2021 and the changes in its net assets, functional expenses, and 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 (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described in Notes 4 and 11 to the financial statements, the financial statements include alternative investments valued at $67,232,340 (19 percent of net assets) and $79,357,359 (20 percent of net assets) at June 30, 2022 and 2021, respectively, whose fair values have been estimated at net asset value by management based on information provided by the fund managers or the general partners. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor’s Responsibilities for the Audits 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 audits conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Trustees
Grand Rapids Community Foundation

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Plante & Moran, PLLC

September 27, 2022

Statement of Financial Position

June 30, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	$ 12,460,503	$ 21,262,731
Investments (Notes 4 and 11)	355,669,417	386,013,943
Receivables:		
Split-interest agreements receivable	3,957,305	4,713,711
Gifts and pledges receivable	5,291,398	5,955,253
Notes receivable (Note 5)	2,915,354	2,760,259
Other assets:		
Beneficial interest in perpetual trusts	1,963,632	2,405,795
Prepaid expenses	24,077	133,841
Reinsurance contracts	827,620	1,088,188
Cash surrender value life insurance	897,105	846,809
Property and equipment - Net (Note 6)	3,092,228	3,196,720
Total assets	**$ 387,098,639**	**$ 428,377,250**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 110,763	$ 87,513
Grants and scholarships payable (Note 7)	5,354,173	6,112,486
Charitable gift annuities payable	1,585,366	1,663,548
Funds held on behalf of nonprofit endowments (Note 8)	20,290,694	21,508,617
Total liabilities	27,340,996	29,372,164
Net Assets		
Without donor restrictions:		
Undesignated	43,880,798	43,692,890
Board designated (Note 10)	291,309,353	326,546,254
With donor restrictions (Note 9)	24,567,492	28,765,942
Total net assets	359,757,643	399,005,086
Total liabilities and net assets	**$ 387,098,639**	**$ 428,377,250**

Statement of Activities and Changes in Net Assets

Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Investment income - Net of investment expenses	$ 5,443,427	$ 219,004	$ 5,662,431	$ 4,865,388	$ 193,530	$ 5,058,918
Realized gains on sale of investments	17,739,121	387,135	18,126,256	25,934,781	899,773	26,834,554
Change in fair value of investments	(64,274,324)	(2,870,180)	(67,144,504)	56,246,263	2,557,106	58,803,369
Bequests and gifts	24,885,636	546,140	25,431,776	8,258,607	7,975,240	16,233,847
Change in fair value of charitable gift annuities and reinsurance contracts	(271,688)	-	(271,688)	(62,162)	-	(62,162)
Change in fair value of split-interest agreements	-	(756,406)	(756,406)	-	490,509	490,509
Adjustment for net revenue, gains, and other support associated with nonprofit activity (Note 8)	746,252	-	746,252	(5,279,809)	-	(5,279,809)
Total revenue, gains, and other support	(15,731,576)	(2,474,307)	(18,205,883)	89,963,068	12,116,158	102,079,226
Expenses						
Program services:						
Grants and scholarships authorized	15,981,899	-	15,981,899	18,983,109	-	18,983,109
Charitable and philanthropic	2,047,376	-	2,047,376	1,551,225	-	1,551,225
Community initiatives and program expenses	266,127	-	266,127	402,561	-	402,561
Support services:						
Management and general	1,621,017	-	1,621,017	1,314,999	-	1,314,999
Development and marketing	1,356,423	-	1,356,423	1,256,895	-	1,256,895
Fund management	240,389	-	240,389	180,451	-	180,451
Less grants related to nonprofit activity (Note 8)	(471,671)	-	(471,671)	(569,627)	-	(569,627)
Total expenses	21,041,560	-	21,041,560	23,119,613	-	23,119,613
(Decrease) Increase in Net Assets - Before assets released from restrictions	(36,773,136)	(2,474,307)	(39,247,443)	66,843,455	12,116,158	78,959,613
Assets Released from Restrictions	1,724,143	(1,724,143)	-	2,042,062	(2,042,062)	-
(Decrease) Increase in Net Assets	(35,048,993)	(4,198,450)	(39,247,443)	68,885,517	10,074,096	78,959,613
Net Assets - Beginning of year	370,239,144	28,765,942	399,005,086	301,353,627	18,691,846	320,045,473
Net Assets - End of year	**$ 335,190,151**	**$ 24,567,492**	**$ 359,757,643**	**$ 370,239,144**	**$ 28,765,942**	**$ 399,005,086**

See notes to financial statements.

Statement of Functional Expenses

Year Ended June 30, 2022

	Program Services				Support Services				
	Grants and Scholarships	Charitable and Philanthropic	Community Initiatives and Program Expenses	Total Program Services	Management and General	Development and Marketing	Fund Management	Total Support Services	Total
Salaries and wages	$ -	$ 1,236,210	$ -	$ 1,236,210	$ 858,458	$ 760,330	$ 153,290	$ 1,772,078	$ 3,008,288
Payroll taxes	-	91,260	-	91,260	62,933	56,130	11,316	130,379	221,639
Recruitment and benefits	-	251,068	-	251,068	173,137	154,419	31,133	358,689	609,757
Total salaries and related expenses	-	1,578,538	-	1,578,538	1,094,528	970,879	195,739	2,261,146	3,839,684
Grants and scholarships	15,981,899	-	-	15,981,899	-	-	-	-	15,981,899
Component fund program expenses	-	-	122,461	122,461	-	-	-	-	122,461
Education project initiatives	-	-	143,666	143,666	-	-	-	-	143,666
Conferences	-	9,517	-	9,517	6,563	5,854	1,180	13,597	23,114
Office expenses	-	82,971	-	82,971	57,217	51,031	10,289	118,537	201,508
Occupancy	-	68,536	-	68,536	34,517	35,304	5,586	75,407	143,943
Insurance and dues/subscriptions	-	25,246	-	25,246	39,442	15,528	3,131	58,101	83,347
Equipment maintenance and depreciation	-	56,513	-	56,513	38,971	34,758	7,008	80,737	137,250
Board of trustees expenses	-	-	-	-	2,892	-	-	2,892	2,892
Other professional fees	-	45,759	-	45,759	107,358	32,713	5,674	145,745	191,504
Audit, tax, and accounting	-	-	-	-	47,500	-	-	47,500	47,500
Legal	-	660	-	660	455	406	82	943	1,603
Scholarship program administration	-	15,628	-	15,628	-	-	-	-	15,628
Grant making expenses	-	59,820	-	59,820	-	-	-	-	59,820
Community outreach	-	9,832	-	9,832	-	-	-	-	9,832
Fund development activities	-	-	-	-	-	100,535	-	100,535	100,535
Publications - Annual report, newsletters, and brochures	-	12,633	-	12,633	60,094	59,152	1,566	120,812	133,445
General public relations	-	81,723	-	81,723	131,480	50,263	10,134	191,877	273,600
Less grants related to nonprofit activity	(471,671)	-	-	(471,671)	-	-	-	-	(471,671)
Total functional expenses	**$ 15,510,228**	**$ 2,047,376**	**$ 266,127**	**$ 17,823,731**	**$ 1,621,017**	**$ 1,356,423**	**$ 240,389**	**$ 3,217,829**	**$ 21,041,560**

See notes to financial statements.

Statement of Functional Expenses

Year Ended June 30, 2021

	Program Services				Support Services				
	Grants and Scholarships	Charitable and Philanthropic	Community Initiatives and Program Expenses	Total Program Services	Management and General	Development and Marketing	Fund Management	Total Support Services	Total
Salaries and wages	$ -	$ 880,470	$ -	$ 880,470	$ 674,647	$ 683,251	$ 107,779	$ 1,465,677	$ 2,346,147
Payroll taxes	-	68,755	-	68,755	52,682	53,354	8,416	114,452	183,207
Recruitment and benefits	-	233,725	-	233,725	223,594	181,372	28,610	433,576	667,301
Total salaries and related expenses	-	1,182,950	-	1,182,950	950,923	917,977	144,805	2,013,705	3,196,655
Grants and scholarships	18,983,109	-	-	18,983,109	-	-	-	-	18,983,109
Component fund program expenses	-	-	66,251	66,251	-	-	-	-	66,251
Education project initiatives	-	-	336,310	336,310	-	-	-	-	336,310
Conferences	-	5,881	-	5,881	4,506	4,564	720	9,790	15,671
Office expenses	-	57,990	-	57,990	44,434	45,001	7,099	96,534	154,524
Occupancy	-	51,719	-	51,719	27,974	31,618	4,027	63,619	115,338
Insurance and dues/subscriptions	-	22,685	-	22,685	35,074	17,604	2,777	55,455	78,140
Equipment maintenance and depreciation	-	51,194	-	51,194	39,227	39,727	6,267	85,221	136,415
Board of trustees expenses	-	-	-	-	13,296	-	-	13,296	13,296
Other professional fees	-	32,744	-	32,744	25,090	29,870	4,008	58,968	91,712
Audit, tax, and accounting	-	-	-	-	46,850	-	-	46,850	46,850
Legal	-	5,956	-	5,956	4,564	4,622	729	9,915	15,871
Scholarship program administration	-	10,312	-	10,312	-	-	-	-	10,312
Grant-making expenses	-	37,339	-	37,339	-	-	-	-	37,339
Community outreach	-	10,610	-	10,610	-	-	-	-	10,610
Fund development activities	-	-	-	-	-	42,053	-	42,053	42,053
Publications - Annual report, newsletters, and brochures	-	1,306	-	1,306	61,349	61,360	160	122,869	124,175
General public relations	-	80,539	-	80,539	61,712	62,499	9,859	134,070	214,609
Less grants related to nonprofit activity	(569,627)	-	-	(569,627)	-	-	-	-	(569,627)
Total functional expenses	**$ 18,413,482**	**$ 1,551,225**	**$ 402,561**	**$ 20,367,268**	**$ 1,314,999**	**$ 1,256,895**	**$ 180,451**	**$ 2,752,345**	**$ 23,119,613**

See notes to financial statements.

Statement of Cash Flows

Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
(Decrease) increase in net assets	$ (39,247,443)	$ 78,959,613
Adjustments to reconcile (decrease) increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation	119,338	117,814
Change in fair value of split-interest agreement receivable	756,406	(490,509)
Change in fair value of charitable gift annuities payable and reinsurance contracts	271,688	64,421
Change in fair value of investments	66,702,341	(58,394,915)
Realized gain on sale of investments	(18,126,256)	(26,834,554)
Change in fair value of beneficial interest in perpetual trusts	442,163	(408,454)
Change in cash surrender value of life insurance	(50,296)	(54,933)
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Gifts and pledges receivable	663,855	(5,402,863)
Prepaid expenses	109,764	(138,791)
Funds held as nonprofit endowments	(1,217,923)	4,710,182
Other payables	23,250	(15,972)
Grants and scholarships payable	(758,313)	2,760,454
Net cash and cash equivalents provided by (used in) operating activities	9,688,574	(5,128,507)
Cash Flows from Investing Activities		
Net (purchases) sales of investments	(18,231,559)	11,560,558
Additions to furniture and equipment	(14,846)	-
Proceeds from reinsurance contracts	172,816	158,462
Repayment on notes receivable	309,905	105,875
Advances of notes receivable	(465,000)	(100,000)
Net cash and cash equivalents (used in) provided by investing activities	(18,228,684)	11,724,895
Cash Flows from Financing Activities		
Payments on gift annuities	(262,118)	(250,862)
Proceeds from gift annuities	-	13,195
Contributions subject to split-interest agreements	-	(1,014,796)
Net cash and cash equivalents used in financing activities	(262,118)	(1,252,463)
Net (Decrease) Increase in Cash and Cash Equivalents	(8,802,228)	5,343,925
Cash and Cash Equivalents - Beginning of year	21,262,731	15,918,806
Cash and Cash Equivalents - End of year	**$ 12,460,503**	**$ 21,262,731**

See notes to financial statements.

Note 1 - Nature of Business

Grand Rapids Community Foundation (the "Foundation") was established in October 1922 upon recommendation of a committee appointed by the Association of Commerce (now the Grand Rapids Area Chamber of Commerce) by a resolution adopted jointly by the Michigan Trust Company (now Fifth Third Bank) and Grand Rapids Trust Company (now Bank of America). The purpose of Grand Rapids Community Foundation is to accept gifts and bequests and administer the resulting earnings for charitable and educational uses that, in the opinion of the board of trustees, promote the welfare of persons residing in, or institutions situated in, the city of Grand Rapids, Michigan and surrounding communities.

Effective April 12, 1989, Grand Rapids Community Foundation was incorporated.

Since November 1930, when funds first became available, grants totaling $258,828,205 and scholarships (in addition to scholarship loans) totaling $22,477,702 have been awarded by the Foundation.

Note 2 - Significant Accounting Policies

Basis of Accounting

The accounting policies of the Foundation conform to accounting principles generally accepted in the United States of America as applicable to nonprofit organizations.

Use of Estimates

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

Cash Equivalents

The Foundation considers all highly liquid investments with a maturity date of three months or less when purchased to be cash equivalents.

Concentration of Credit Risk

The Foundation maintains cash balances at one bank. Throughout the year, the balances exceeded amounts insured by the Federal Deposit Insurance Corporation. The Foundation evaluates the financial institutions with which it deposits funds; however, it may not be practical to insure all cash deposits.

Investments

Investments in marketable equity securities and debt securities are valued at their fair values in the statement of financial position. Alternative investments and certain international equities and fixed-income investments are carried at fair value, which is estimated based on net asset value per share (or its equivalent) of the investment company. Unrealized gains and losses are included in the statement of activities and changes in net assets. Realized gain or loss on the sale of investments is the difference between the proceeds received and the original cost of the specific investment sold.

Risks and Uncertainties

The Foundation invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Note 2 - Significant Accounting Policies (Continued)

Split-interest Agreements Receivable

The Foundation is the sole or partial beneficiary of 11 charitable remainder trusts where the Foundation does not act as trustee. The Foundation has recorded an asset at the estimated present value of the revenue to be received from the trusts. Revenue to be received from the trusts is based on the Foundation's ownership percentage in the underlying trust investments, which are valued at fair value. Subsequent adjustments in the estimated present value of the revenue to be received from the trusts are recorded in the current year as revenue.

Gifts and Pledges Receivable

Unconditional gifts and pledges are reported as revenue when granted or received. Unconditional gifts and pledges that are expected to be collected within one year are recorded at net realizable value, while those that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Unconditional gifts and pledges receivable as of June 30, 2022 are expected to be collected as follows: $543,744 in less than one year, $2,345,153 during the years ending June 30, 2024 through 2027, and $2,402,501 during the years ending June 30, 2028 through 2031. The Foundation has not recorded a provision for doubtful accounts since it is the opinion of management that those receivables are collectible in full. In addition, conditional promises to give are not included as revenue until barriers are overcome.

Notes Receivable

The Foundation records notes receivable that are related to the Foundation's mission at face value and meets regularly with organizations to ensure payment terms are being met. Management reviews all the Foundation's notes as of June 30 and determines if an allowance for doubtful accounts, based on specific assessment of each account, is necessary. All amounts deemed uncollectible are charged against grant expense for that year. There was no allowance for doubtful accounts at June 30, 2022 and 2021.

Beneficial Interest in Perpetual Trust

A beneficial interest in a perpetual trust is an arrangement in which a donor establishes and funds a perpetual trust for the benefit of one or more nonprofit beneficiaries. The assets are administered and managed by an independent third party. Under the terms of these arrangements, the Foundation has the irrevocable right to receive the investment income earned on the trust assets in perpetuity. The value of the Foundation's interest in the trust is based on the fair value of the underlying assets of the trust.

Property and Equipment

Property and equipment are stated at their estimated fair values at the date donated or at cost if purchased. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Useful lives range from 3 to 40 years.

Charitable Gift Annuities Payable

Charitable gift annuities represent gifts that are given to the Foundation with the condition that a specified payment be made to the donor over his or her life. A liability is established based on the present value of the payments to be made. This liability is recalculated annually based on changes in the interest rate, life expectancy assumptions, and payments made. Changes in the liability are recorded in the current year as revenue. The Foundation acquires annuities (reinsurance contracts) to fund certain of these arrangements.

Note 2 - Significant Accounting Policies (Continued)

Grants and Scholarships

Grants and scholarships are charged to operations and recognized as liabilities when authorized by the board of trustees, regardless of the year in which they are paid. It is generally a present practice for the board to authorize grants to the extent of income earned on investments, subject to the limitation of a spending rule calculation.

Classification of Net Assets

Net assets of the Foundation are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Foundation.

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 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.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Community Foundation Classification of Net Assets without Donor Restrictions

The bylaws of the Foundation include a variance provision and powers of modification, giving the board of trustees the power to vary the use of funds. Based on these provisions, some contributions received by the Foundation are reported as net assets without donor restrictions.

Federal Tax Status

The Internal Revenue Service has ruled that the Foundation is a public charity, as described in Sections 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code. Consequently, the Foundation is exempt from federal income tax and certain excise taxes imposed on private foundations.

Retirement Plan

The Foundation has a simplified employee benefit plan that covers substantially all employees. The Foundation contributes a discretionary amount each year, as determined by the board of trustees. Contributions are allocated to employee accounts based on compensation.

The Foundation's contributions for the years ended June 30, 2022 and 2021 were $211,595 and $203,191, respectively.

Functional Allocation of Expenses

The Foundation classifies its expenses based on the following categories:

Grants and Scholarships

See policy above.

Charitable and Philanthropic Expenses

These operating expenses are associated with processing the Foundation's grant applications, philanthropic services (services to various nonprofit or community organizations, foundations, or the field of philanthropy), and special project expenses.

Note 2 - Significant Accounting Policies (Continued)

Community Initiatives and Program Expenses

Those expenses that cover activities that could be carried out by a grantee but that the Foundation chooses to conduct as a program with its own or others' resources. Currently, these initiatives are focused on K-12 education in the city of Grand Rapids and the Catalyzing Community Giving initiative, which supports communities of color in using philanthropy to become agents of their own change. These are expenses for services or program materials that are paid to persons/organizations that are not not-for-profits. These include items such as consulting fees for a project or general operating expenses of a fund.

Management and General Expenses

These expenses benefit the Foundation as a whole and cannot be directly assigned to any other category.

Development and Marketing Expenses

These expenses are associated with acquiring and marketing foundation assets through endowment, donor-related, or other foundation activity.

Fund Management Expenses

These expenses are associated with managing the assets of the Foundation. This category includes all financial management (staff time), legal expenses, or other related expenses that are directly attributable to managing the funds of the Foundation.

The costs of providing services are reported on a functional basis. Costs are allocated between the various program and support services on an actual basis, where available, or based upon reasonable methods. Categories not allocated on an actual basis include payroll taxes, recruitment and benefits, conferences, other professional fees, general legal, office expenses, certain occupancy costs, equipment maintenance and depreciation, general public relations, and insurance and dues/subscriptions. These categories are allocated proportionally with salaries, which are based on actual time and effort. Although the methods of allocation used are considered appropriate, other methods could be used that would provide different amounts.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including September 27, 2022, which is the date the financial statements were available to be issued.

Note 3 - Liquidity and Availability of Resources

The Foundation's financial assets available for general use expenditures within one year of June 30 are as follows:

	2022	2021
Total assets as of June 30	$ 387,098,639	$ 428,377,250
Less amounts not available for general expenditures within one year:		
Property and equipment - Net	3,092,228	3,196,720
Funds held on behalf of nonprofit endowments	20,290,694	21,508,617
Reinsurance contracts	827,620	1,088,188
Cash surrender value life insurance	897,105	846,809
Other assets	24,077	133,841
Investments with donor restrictions	24,567,492	28,765,942
Investments in board-designated endowments	291,309,353	326,546,254
Endowment assets appropriated for expenditure	(27,779,563)	(23,855,810)
Financial assets available to meet cash needs for general expenditures within one year	$ 73,869,633	$ 70,146,689

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in investments or cash equivalents. The Foundation understands that there could be unexpected liquidity needs. While there are board-designated net assets, these funds are earmarked for certain initiatives (see Note 10 for disclosure regarding board-designated net assets). In addition, the Foundation has variance power over a majority of contributions received (see Note 2), which could be drawn upon in the event of unexpected liquidity needs. While board-designated endowments may be drawn upon at the discretion of the board, it is not the intention of the board to exercise this power. In addition, both the board-designated and donor-restricted endowments contain investments with lock-up provisions that would reduce the total investments that could be made available (see Note 11 for disclosures about investments).

Note 4 - Investments

Investments consist of the following, stated at fair value:

	2022	2021
Bonds and fixed-income mutual funds	$ 69,286,242	$ 46,925,432
U.S. equities stock and mutual funds	141,045,630	194,266,652
International stock and mutual funds	78,105,205	65,464,500
Alternative investments	67,232,340	79,357,359
Total investments	$ 355,669,417	$ 386,013,943

Note 5 - Notes Receivable

Notes receivable at June 30 consist of the following program-related notes:

	2022	2021
Note maturing in November 2024 with no annual installments, paying interest quarterly at a fixed rate of 2.00 percent	$ 100,000	$ 100,000
Note maturing in April 2023 with no annual installments, paying interest quarterly at a fixed rate of 2.00 percent	100,000	100,000
Note maturing in January 2024 with quarterly installments of $21,319, paying interest at a fixed rate of 4.00 percent	145,234	222,752
Note maturing in September 2024 with quarterly installments of $2,412.07, paying interest at a fixed rate of 3.50 percent	22,902	31,628
Note maturing in January 2025 with no annual installments, paying interest semiannually at a fixed rate of 2.75 percent	500,000	500,000
Note maturing in June 2024 with quarterly installments of $7,125, paying interest at a fixed rate of 3.00 percent	682,218	705,879
Note maturing in December 2023 with no annual installments, paying interest quarterly at a fixed rate of 3.00 percent	500,000	500,000
Note maturing in July 2025 with no annual installments, paying interest quarterly at a fixed rate of 3.00 percent	865,000	500,000
Note maturing in March 2022 with no annual installments and no interest	-	100,000
Total	$ 2,915,354	$ 2,760,259

Note 6 - Property and Equipment

The cost of property and equipment consists of the following:

	2022	2021
Land	$ 200,000	$ 200,000
Buildings	4,309,986	4,309,986
Furniture and fixtures	818,712	803,866
Computer equipment and software	496,362	496,362
Total cost	5,825,060	5,810,214
Accumulated depreciation	2,732,832	2,613,494
Net property and equipment	$ 3,092,228	$ 3,196,720

Depreciation expense for the years ended June 30, 2022 and 2021 was $119,338 and $117,814, respectively.

Note 7 - Grants and Scholarships Payable

As of June 30, 2022, the board of trustees authorized the unconditional payment of certain grants in future periods as follows:

2023	$	3,815,173
2024		1,239,000
2025		225,000
2026		75,000
Total	$	5,354,173

Note 8 - Funds Held on Behalf of Nonprofit Endowments

The Foundation has adopted the accounting standard, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. This statement establishes standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both to another entity that is specified by the donor. This statement specifically requires that, if a not-for-profit organization (NPO) establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as nonprofit endowments.

The Foundation maintains variance power and legal ownership of nonprofit endowment funds and, as such, continues to report the funds as assets of the Foundation. However, in accordance with the statement, a liability has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be made to the NPOs.

At June 30, 2022 and 2021, the Foundation was the owner of nonprofit endowment funds, of which $20,290,694 and $21,508,617, respectively, is reported as a liability in the accompanying financial statements. The following table summarizes activity during the year in those funds for which there is a corresponding liability:

	2022	2021
Nonprofit endowment fund balances at July 1	$ 21,508,617	$ 16,798,435
Amounts raised	1,637,283	447,847
Investment income	401,713	314,220
Unrealized and realized investment gains (losses)	(2,689,109)	4,596,772
Grants	(471,671)	(569,627)
Fees	(96,139)	(79,030)
Nonprofit endowment fund balances at June 30	$ 20,290,694	$ 21,508,617

Note 9 - Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30 are available for the following purposes:

	2022	2021
Not subject to appropriation or expenditure:		
Community welfare and programs (Note 10)	$ 4,354,699	$ 4,354,699
Scholarships (Note 10)	113,515	113,515
Beneficial interests in perpetual trusts	1,963,632	2,405,795
Total not subject to appropriation or expenditure	6,431,846	6,874,009
Purpose restrictions:		
Other program funds	1,017,854	851,934
Scholarships	133,666	178,615
Special projects	118,584	349,710
Total purpose restrictions	1,270,104	1,380,259
Time restrictions:		
Endowment earnings (Note 10)	7,616,839	9,842,710
Split-interest agreements receivable	3,957,305	4,713,711
Pledges receivable	5,291,398	5,955,253
Total time restrictions	16,865,542	20,511,674
Total	$ 24,567,492	$ 28,765,942

Note 10 - Donor-restricted and Board-designated Endowments

The Foundation's endowment funds consist of a donor-restricted endowment and board-designated net assets. The board-designated net assets consist of designated endowments that would be classified as donor-restricted endowments except that the Foundation has variance power of these assets. Therefore, the board of trustees treats these funds as designated endowments. The net assets associated with the donor-restricted and board-designated endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions, as well as variance power.

Interpretation of Relevant Law

The Foundation is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of trustees appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of trustees of the Foundation had interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Foundation and the donor-restricted endowment fund
- General economic conditions

Note 10 - Donor-restricted and Board-designated Endowments (Continued)

- 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 Asset Composition by Type of Fund as of June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 291,309,353	$ -	$ 291,309,353
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	4,468,214	4,468,214
Accumulated investment gains	-	7,616,839	7,616,839
Total	$ 291,309,353	$ 12,085,053	$ 303,394,406

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ 326,546,254	$ 14,310,924	$ 340,857,178
Investment return:			
Investment income	5,852,041	239,211	6,091,252
Net depreciation (realized and unrealized)	(38,660,594)	(1,625,877)	(40,286,471)
Total investment return	(32,808,553)	(1,386,666)	(34,195,219)
Appropriation of endowment assets for expenditure	(2,428,348)	(839,205)	(3,267,553)
Endowment net assets - End of year	$ 291,309,353	$ 12,085,053	$ 303,394,406

	Endowment Net Asset Composition by Type of Fund as of June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 326,546,254	$ -	$ 326,546,254
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	4,468,214	4,468,214
Accumulated investment gains	-	9,842,710	9,842,710
Total	$ 326,546,254	$ 14,310,924	$ 340,857,178

Note 10 - Donor-restricted and Board-designated Endowments (Continued)

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ 263,932,000	$ 11,789,275	$ 275,721,275
Investment return:			
Investment income	4,963,366	214,794	5,178,160
Net appreciation (realized and unrealized)	69,920,426	3,173,153	73,093,579
Total investment return	74,883,792	3,387,947	78,271,739
Appropriation of endowment assets for expenditure	(12,269,538)	(866,298)	(13,135,836)
Endowment net assets - End of year	$ 326,546,254	$ 14,310,924	$ 340,857,178

Underwater Endowment Funds

As of June 30, 2022 and 2021, there were no donor-restricted funds with deficiencies.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period, as well as board-designated funds.

Under this policy, as approved by the board of trustees, the Foundation has three objectives: (1) to preserve and grow the assets of the Foundation by focusing on total investment returns from a diversified portfolio of investments; (2) to balance long-term growth with appropriate risk and liquidity; and (3) to comply with applicable laws, rules, and regulations.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation of domestic equity, foreign equity, fixed-income funds, and alternative investments, with performance benchmarks based on each asset class.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year 5 percent of its endowment fund's average fair value over the prior 16 quarters through the fiscal year end preceding the fiscal year in which the distribution is planned. The expendable amount will never be less than a floor amount of 4.0 percent of the current fair value or more than a ceiling amount of 5.75 percent of current fair value. In establishing this policy, the Foundation considered the long-term expected rate of return on its endowment. The Foundation has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. The governing board did not appropriate for expenditure from underwater donor-restricted endowment funds during 2022 and 2021.

Note 11 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Foundation's assets measured at fair value on a recurring basis at June 30, 2022 and 2021 and the valuation techniques used by the Foundation to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The Foundation applies guidance that allows for investments valued at net asset value (NAV) per share (or its equivalent) as a practical expedient. Investments measured at fair value using net asset value per share (or its equivalent) as a practical expedient are no longer classified in the fair value hierarchy above.

For the years ended June 30, 2022 and 2021, there were no transfers between levels of the fair value hierarchy.

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2022				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Measured at Net Asset Value	Balance at June 30, 2022
Investments:					
Fixed income	$ 17,230,291	$ 52,055,951	$ -	$ -	$ 69,286,242
U.S. equities	51,800,521	89,245,109	-	-	141,045,630
International equities	131,110	60,517,675	-	17,456,420	78,105,205
Alternatives	-	-	-	67,232,340	67,232,340
Subtotal investments	69,161,922	201,818,735	-	84,688,760	355,669,417
Level 3 assets:					
Beneficial interests in perpetual trusts	-	-	1,963,632	-	1,963,632
Split-interest agreements receivable	-	-	3,957,305	-	3,957,305
Subtotal Level 3 assets	-	-	5,920,937	-	5,920,937
Total assets	$ 69,161,922	$ 201,818,735	$ 5,920,937	$ 84,688,760	$ 361,590,354

Note 11 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2021				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Measured at Net Asset Value	Balance at June 30, 2021
Investments:					
Fixed income	$ 46,925,432	$ -	$ -	$ -	$ 46,925,432
U.S. equities	194,266,652	-	-	-	194,266,652
International equities	41,806,364	-	-	23,658,136	65,464,500
Alternatives	-	-	-	79,357,359	79,357,359
Subtotal investments	282,998,448	-	-	103,015,495	386,013,943
Level 3 assets:					
Beneficial interests in perpetual trusts	-	-	2,405,795	-	2,405,795
Split-interest agreements receivable	-	-	4,713,711	-	4,713,711
Subtotal Level 3 assets	-	-	7,119,506	-	7,119,506
Total assets	$ 282,998,448	$ -	$ 7,119,506	$ 103,015,495	$ 393,133,449

Beneficial interests in perpetual trusts and split-interest agreement receivables are categorized as Level 3 assets. The fair value is based on the percentage of the trust designated to the Foundation applied to the total fair value of the trust, which is based on quoted market prices unless the facts and circumstances indicate that the fair value would be different from the present value of estimated future distributions. Changes in the fair value of the underlying trust asset, as determined by the trustees that hold and manage these assets, are recognized in the statement of activities and changes in net assets in the period in which they occur. Significant increases (or decreases) in any of those inputs in isolation would result in a significantly lower (or higher) fair value measurement.

There were no transfers into or out of the Level 3 assets during the years ended June 30, 2022 and 2021. Additionally, there were no purchases or issuances of beneficial interests in perpetual trusts. The Foundation entered into no new split-interest agreements during the year ended June 30, 2022 and two during the year ended June 30, 2021.

The following tables summarize the valuation methods and inputs used to determine fair value at June 30, 2022 and 2021 for assets measured at fair value on a recurring basis using unobservable inputs (Level 3 inputs):

	Fair Value at June 30, 2022	Valuation Technique	Unobservable Inputs	Range of Inputs
Assets:				
Beneficial interest in perpetual trusts	$ 1,963,632	Trust investment statement	Market value of trust assets	$102,053-$1,222,580
Split-interest agreements receivable	3,957,305	Discounted cash flow	Discount rate	3%
			Life expectancy of beneficiaries	4-37 years
			Market value of trust assets	$77,254-$1,894,354
			Expected investment return	0%-6%

Note 11 - Fair Value Measurements (Continued)

	Fair Value at June 30, 2021	Valuation Technique	Unobservable Inputs	Range of Inputs
Assets:				
Beneficial interest in perpetual trusts	$ 2,405,795	Trust investment statement	Market value of trust assets	$126,334-$1,453,838
Split-interest agreements receivable	4,713,711	Discounted cash flow	Discount rate	3%
			Life expectancy of beneficiaries	3-38 years
			Market value of trust assets	$103,143-$2,130,869
			Expected investment return	0%-6%

Investments in Entities that Calculate Net Asset Value per Share

The Foundation holds shares or interests in investment companies where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At year end, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	June 30, 2022	June 30, 2021	June 30, 2022		
	Fair Value	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Long/Short equity (a)	$ 4,510,251	$ 10,281,983	$ -	Quarterly	Quarterly
Commodities (b)	-	8,738,880	-	Monthly/Daily	5 days
Multistrategy (c)	31,623,334	38,436,502	2,389,058	Annually on December 31	100 days
Timber (d)	1,878,113	1,966,564	-	N/A	N/A
Private equity (e)	18,904,002	6,252,841	19,191,145	N/A	N/A
Real estate (f)	699,788	117,050	3,220,150	N/A	N/A
International equity (g)	17,456,420	23,658,136	-	Monthly	2-10 days
Capital appreciation (h)	5,841,550	10,956,355	-	Monthly	5 days
Private debt (i)	3,775,302	2,607,184	150,000	N/A	N/A
Total	$ 84,688,760	$ 103,015,495	$ 24,950,353		

(a) Long/Short equity: The investment approach where investment managers combine buying positions in stocks that are expected to increase in value with selling positions in stocks that are expected to decrease in value. Although most managers maintain net long positions, market exposure can vary widely among managers and through time, depending on the level of long and short exposures. Managers attempt to reduce volatility by either diversifying or hedging positions across various regions, industries, and sectors.

(b) Commodities: An approach that invests in commodities, which include sources of energy such as oil or natural gas, metals such as gold, and agricultural products such as wheat. Investments are generally made in the form of futures contracts or mutual funds, and they do not involve actual holding of the physical commodities themselves. Commodity investing is basically a hedge against inflation where rises in prices are benefited. Commodity investing as we define it here differs in that it is predominantly based on assuming long positions and does not involve short selling.

Note 11 - Fair Value Measurements (Continued)

(c) Multistrategy: An investment approach that attempts to profit regardless of the overall direction of the stock or bond market. This is accomplished by using highly flexible investment strategies that permit the use of short selling and margin. While these techniques are widely perceived as risky, many managers have successfully used them to achieve solid returns with relatively low volatility. For example, while short selling is certainly risky on its own, when paired with traditional long equity positions, the result can be a relatively low-risk portfolio. Multistrategies can also be described with names such as absolute return, market neutral, convertible arbitrage, and merger arbitrage.

(d) Timber: An approach that invests in timberland, which entails forests and the land on which they are grown. The returns are generated through timber sales, forest management, and land appreciation. Timber managers typically invest in forests globally, but the geographic focus is often in the U.S. south, northwest, and northeast, along with forests in South America, New Zealand, and Australia. Timberland generally requires a long-term investment, making it a suitable investment for institutional investors' time horizons of perpetuity. Timber offers additional diversification and strong returns with moderate risk.

(e) Private equity: Private equity covers a broad class of investments, which generally involve taking an equity position in a privately held company or privatizing a publicly traded company. Private equity managers can be broadly classified into three groups: buyouts, venture capital, and special situations. Buyout transactions usually involve acquiring relatively mature businesses, while venture capital transactions involve providing capital to newer businesses. Special situations refer to investments in equity or debt securities of financially stressed companies. This could include various forms of investment, such as mezzanine debt and distressed investments.

(f) Real estate: This strategy involves generating returns predominately through the identification of undervalued or mispriced real estate assets or real estate-related companies. Investments would be expected to be made through either public or private equity securities, convertible notes or warrants, or other acquired or originated debt securities. The exposure within this asset class would be expected to be predominately long-only exposure and generally will be maintaining a long exposure to direct real estate assets or real estate-related companies and securities.

(g) International equity: This strategy is similar to long/short equity except that managers use international securities.

(h) Capital appreciation: This strategy's objective seeks to create capital appreciation by investing all of its investable assets in the Master Fund. The Master Fund seeks to achieve its investment objective principally by (i) investing in undervalued publicly listed companies and (ii) adding value to the companies in which it invests by affecting change.

(i) Private debt - Private investment vehicles that contain assets or strategies, such as direct lending, mezzanine, opportunistic credit, stressed, and distressed investments. Direct lending utilizes primarily floating rate debt to facilitate changes through leveraged buyouts or recapitalizations, finance acquisitions, or enable growth. Mezzanine investments tend to be fixed-rate subordinated debt obligations made to noninvestment grade borrowers. Opportunistic credit involves using various credit-linked opportunities, such as distressed debt, performing and nonperforming loans, structured products, and hard assets. Distressed investments for control have the intent to take equity control of the companies that have typically defaulted on debt obligations, whereas distressed (noncontrol) investments focus on companies that may have defaulted or are in need of financial restructuring.

Approximately $31,700,000 is invested in illiquid funds as of June 30, 2022. The illiquid funds are made up of timber, real estate, and private equity. The availability of funds is based on when the underlying direct funds believe there is an attractive exit point in the investment. Based on the percentage of ownership in each fund, the Foundation will receive distributions when deals are closed. Generally speaking, it takes about 2 to 4 years for the private equity funds to deploy capital and then roughly 5 to 9 years to return it to investors. For timber and real estate, it takes upwards of 10 to 15 years after the capital is deployed to return it to investors as a result of the nature of the investment/business.