



**SHIAWASSEE**

— COMMUNITY FOUNDATION —

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

**SHIAWASSEE COMMUNITY FOUNDATION, INC.**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Shiawassee Community Foundation, Inc.  
Owosso, Michigan 48867

### *Opinion*

We have audited the accompanying financial statements of Shiawassee Community Foundation, Inc. (a nonprofit corporation), which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shiawassee Community Foundation, Inc. as of September 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Shiawassee Community Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirement relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinion.

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

### *Auditor's Responsibility for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Shiawassee Community Foundation, Inc.'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 presentations of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Shiawassee Community Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

CHBW & Co., P.C.

Certified Public Accountants

SHIAWASSEE COMMUNITY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2023 AND 2022

	2023	2022
<b>ASSETS</b>		
<b>ASSETS</b>		
Cash and equivalents	\$ 160,175	\$ 170,772
Investments	10,622,515	9,642,488
Office equipment	8,550	5,283
Accumulated depreciation	<u>(4,548)</u>	<u>(3,550)</u>
<b>TOTAL ASSETS</b>	<u>\$ 10,786,692</u>	<u>\$ 9,814,993</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Payroll-related liabilities	\$ 5,865	\$ 5,900
Assets held for others (agency)	<u>536,655</u>	<u>455,536</u>
<b>TOTAL LIABILITIES</b>	<u>542,520</u>	<u>461,436</u>
<b>NET ASSETS</b>		
Without donor restrictions	3,959,141	3,563,568
With donor restrictions	<u>6,285,031</u>	<u>5,789,989</u>
<b>TOTAL NET ASSETS</b>	<u>10,244,172</u>	<u>9,353,557</u>
	<u>\$ 10,786,692</u>	<u>\$ 9,814,993</u>

The accompanying notes are an integral part of these financial statements.

SHIAWASSEE COMMUNITY FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023		2022	
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS
		TOTAL		TOTAL
<b>REVENUES, GAINS (LOSSES) AND OTHER SUPPORT</b>				
Contributions & grants	\$ 128,342	\$ 8,868	\$ 97,496	\$ 16,968
Gifts-in-kind			2,600	
Net investment returns (losses)	482,444	800,033	(707,332)	(1,129,279)
Refunded grants	5,140	5,140		
Agency fees	10,030	10,030	1,480	1,480
	\$ 625,956	\$ 808,901	\$ (605,756)	\$ (1,112,311)
<b>TOTAL REVENUES, GAINS (LOSSES) AND OTHER SUPPORT</b>		<u>1,434,857</u>		<u>(1,718,067)</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>				
Restrictions satisfied by payments for purpose	313,859	(313,859)	343,413	(343,413)
<b>EXPENSES</b>				
Program Services:				
Grants and scholarships	347,930		388,620	388,620
Other	95,173		90,810	90,810
Supporting Services:				
Management & general	59,209		60,347	60,347
Fundraising	41,930		43,058	43,058
	544,242		582,835	582,835
<b>TOTAL EXPENSES</b>				
	395,573	495,042	(845,178)	(1,455,724)
<b>CHANGES IN NET ASSETS</b>				
	3,563,568	5,789,989	4,408,746	7,245,713
<b>NET ASSETS, BEGINNING OF YEAR</b>				
	\$ 3,959,141	\$ 6,285,031	\$ 3,563,568	\$ 5,789,989
<b>NET ASSETS, END OF YEAR</b>				
		\$ 10,244,172		\$ 9,353,557

The accompanying notes are an integral part of these financial statements.

SHAWASSEE COMMUNITY FOUNDATION, INC.  
 STATEMENTS OF FUNCTIONAL EXPENSES  
 YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023			2022		
	SUPPORTING SERVICES		TOTAL	SUPPORTING SERVICES		TOTAL
	PROGRAM SERVICES	MANAGEMENT & GENERAL		MANAGEMENT & GENERAL	FUNDRAISING	
<b>GRANTS &amp; SCHOLARSHIPS</b>	\$ 347,930	\$	\$ 347,930	\$ 388,620	\$	\$ 388,620
<b>PAYROLL</b>	60,110	27,322	109,290	56,601	25,728	102,911
Salaries	4,735	2,152	8,609	4,272	1,942	7,767
Payroll taxes	64,845	29,474	117,899	60,873	27,670	110,678
<b>TOTAL PAYROLL</b>						
<b>OFFICE-RELATED EXPENSES</b>	754	343	1,371	686	312	1,247
Equip. rental & maintenance	2,541	1,155	4,620	2,541	1,155	4,620
Rent	1,220	555	2,219	988	449	1,797
Utilities	830	377	1,509	829	377	1,507
Telephone	396	180	720	341	155	620
Internet	520	236	945	530	241	963
Website	10,078	4,581	18,324	12,503	5,684	22,734
Software platform fees	2,186	994	3,974	696	316	1,265
Technology	3,598	1,635	6,541	2,602	1,183	4,731
Insurance	793	360	1,441	724	329	1,316
Postage	1,913	870	3,479	2,780	1,263	5,054
Office supplies	24,829	11,286	45,143	25,220	11,464	45,854
<b>TOTAL OFFICE-RELATED EXPENSES</b>						
<b>OTHER EXPENSES</b>	1,088	494	1,977	663	301	1,205
Printing	400	182	728	171	78	311
Appeals and brochures	1,652	751	3,004	1,077	490	1,958
Travel & mileage					4,107	4,107
Meetings, conferences & training					11,452	11,452
Consulting					3,035	3,035
Professional fees		10,540	10,540			
Payroll service fee		3,700	3,700			
Special project events		3,867	3,867			
Dues & membership	2,359	1,072	4,289	2,806	791	7,919
Depreciation		999	999		1,275	5,101
Miscellaneous		711	711		267	267
<b>TOTAL OTHER EXPENSES</b>	5,499	18,449	33,270	4,717	21,213	37,683
<b>TOTAL EXPENSES</b>	\$ 443,103	\$ 59,209	\$ 544,242	\$ 479,430	\$ 60,347	\$ 582,835

The accompanying notes are an integral part of these financial statements

SHIAWASSEE COMMUNITY FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 890,615	\$ (2,300,902)
Adjustment to reconcile the change in net assets to net cash provided by (used in) operating activities:		
Net unrealized (gains) losses on investments	(865,421)	2,726,949
Net realized (gains) losses on sale of investments	(56,065)	(167,504)
(Increase) decrease in current assets		
Accounts receivable		14,527
Prepaid expense		9,969
Increase (decrease) in current liabilities		
Payroll-related liabilities	(35)	533
Due to other agencies	81,119	92,746
	<u>81,119</u>	<u>92,746</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>50,213</u>	<u>376,318</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net purchases and proceeds of investments	(104,221)	(299,654)
Purchase of office equipment	(3,267)	
Principal collections on land contract receivable	46,678	6,222
	<u>46,678</u>	<u>6,222</u>
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<u>(60,810)</u>	<u>(293,432)</u>
<b>NET CHANGE IN CASH AND EQUIVALENTS</b>	(10,597)	82,886
<b>CASH AND EQUIVALENTS, BEGINNING OF YEAR</b>	<u>170,772</u>	<u>87,886</u>
<b>CASH AND EQUIVALENTS, END OF YEAR</b>	<u>\$ 160,175</u>	<u>\$ 170,772</u>

The accompanying notes are an integral part of these financial statements.



SHIAWASSEE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

NOTE 1: NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

**Organization Activities**

The Shiawassee Community Foundation (the "Foundation") was incorporated in 1995 as a nonprofit corporation to fulfill its mission to solicit, collect, receive, and administer funds exclusively for such religious, charitable, literary and educational purposes, as permitted for organizations defined in section 501(c)(3) of the Internal Revenue Service, as will best promote and enhance the well-being of Michigan residents. The Foundation is primarily supported by contributions and investment earnings.

**Basis of Accounting**

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Under this basis revenue/gains and expenses/losses are recognized in the period when earned or incurred, respectively.

To ensure observance of limitations and restrictions placed on the use of available resources, for internal accounting and stewardship purposes, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and internal reporting into funds established according to their nature and purpose.

**Basis of Presentation**

Net assets, revenues, gains, and losses are classified 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 not subject to donor-imposed restrictions comprised of resources that are available for general operations and fulfilling the purpose of donor established funds subject to agreements that grant variance power to the Foundation. Furthermore, the governing board has designated resources from these net assets establishing a board-designated (quasi) endowment.

*Net assets with donor restrictions* – Net assets subject to donor-imposed restrictions that are temporary in nature will be satisfied by the passage of time or other events specified by the donor. These net assets also comprise resources subject to donor-imposed restrictions that require the original gift be maintained in perpetuity and are not subject to variance power.

**Cash and Equivalents**

Cash and equivalents consist of deposits in checking, savings, and money market funds. From time to time during the year, deposits may exceed the Federal Deposit Insurance Corporation insured limits. However, all deposits were under the insured limit of \$250,000 at September 30, 2023 and 2022.

**Investments**

Investments in mutual and managed funds, unit investment trusts and bonds are carried at quoted market value for positions held in brokerage accounts. Investment returns are comprised of interest, dividends, realized and unrealized gains that are netted against investment fees. Investment earnings available for distribution are recorded in net assets without donor restrictions. Investment earnings with donor restrictions are recorded in net assets with donor restrictions. Investment in a land contract is accounted for based on amortized cost, which approximates fair value.

**SHIAWASSEE COMMUNITY FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2023 AND 2022**

**Risks and Uncertainties**

The Foundation invests in various investment securities that 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 financial statements.

**Office Equipment**

Office equipment with a cost of \$1,000 or more and having a useful life of greater than one year is capitalized. Donated office equipment is recorded at fair market value on the date of donation. Depreciation is computed using the straight-line method over the useful lives of the assets which range from 3 to 5 years. Costs of repairs and maintenance that do not add value or extend the useful life of assets are expensed when incurred.

**Grants and Scholarships Payable**

Grants and scholarships authorized (by the Board of Trustees) and agreements signed by recipients that remain unpaid at year-end are charged to the respective fund as expense and liability.

**Funds Held in Agency**

The Foundation has adopted guidance to record transfers of assets to a not-for-profit organization that holds contributions for others. Accounting standards specifically require 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 the donor or another entity that is specified by the donor. The standard 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.

**Revenue Recognition**

Contributions are recognized when cash, securities, other assets, unconditional promises to give, and notification of beneficial interest is received, measured at fair value. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period are reported as unrestricted support in net assets without donor restrictions, whereas restricted gifts for which restrictions are not met are reported in net assets with donor restrictions.

**Functional Allocation of Expenses**

Total expenses are comprised of program services, management and general, and fundraising. Costs are allocated between program and supporting services on an actual basis, where available, estimated percentages based on staff time, or based upon other reasonable methods. Although methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

**Fundraising Expense**

Management and general expense include costs related to fundraising in addition to fund event expense that is incurred by funds primarily to promote growth in their endowments.

SHIAWASSEE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

Administrative Fees

The Foundation's administrative operating fund charges a management fee to each donor fund to support the cost of its administrative operating budget. This fee is 1.50% of the average fund balance, with the exception of scholarship funds that are charged 2.0% and designated/agency funds that are charged 1.25%. For the years ended September 30, 2023 and 2022, the Foundation generated \$170,797 and \$176,054 in administrative fees, respectively.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Income Tax Status

The Internal Revenue Service (IRS) 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 taxes and qualifies as a charitable foundation under Section 501(c)(3). The Foundation is required to operate in conformity with the IRC to maintain its charitable status. The Foundation is not aware of any course of action or series of events that have occurred that might adversely affect its charitable status. Additionally, tax years that remain subject to tax examination by the IRS and the State of Michigan are 2018-2020. The Foundation may be subject to routine audits by taxing jurisdictions; however, currently there are no audits for any tax periods that have been initiated or that are in progress.

Change in Accounting Principles

In February 2016, FASB issued ASU Topic 842, Leases, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the income statement. The Foundation adopted Topic 842 on October 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Foundation has applied Topic 842 to reporting periods beginning on October 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Foundation's historical accounting treatment under ASC Topic 840, Leases.

The Foundation elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Foundation does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Foundation has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on October 1, 2022.

The Foundation determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Foundation obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Foundation also considers whether its service arrangements include the right to control the use of an asset.

**SHIAWASSEE COMMUNITY FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2023 AND 2022**

The Foundation made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or October 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Foundation made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable, they will be incurred.

The Foundation has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate, vehicle, and equipment asset classes. The non-lease components typically represent additional services transferred to the Foundation, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Adoption of Topic 842 did not result in the recording of ROU assets and lease liabilities at October 1, 2022. The adoption of the new lease standard did not impact change in net assets or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

**Subsequent Events**

Management has evaluated subsequent events through the auditor's report date, the date the financial statements were available to be issued.

**NOTE 2: CONTRIBUTED SERVICES**

During the years ended September 30, 2023 and 2022, the Foundation benefited from approximately 30 volunteers contributing services to its mission. The number of hours contributed was not quantified and reflected in the financial statements because the services did not meet the criteria of accounting standards, which only permits recognition for specialized skills

**SHIAWASSEE COMMUNITY FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2023 AND 2022**

**NOTE 3: LIQUIDITY AND AVAILABILITY**

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

	2023	2022
Cash and equivalents	\$ 160,175	\$ 70,772
Investments	10,622,515	9,642,488
Total financial assets – end of year	\$ 10,782,690	\$ 9,813,260
Less: Financial assets unavailable for general expenditures		
Donor-endowed assets	(9,578,393)	(8,755,880)
Board-designated endowments	(196,450)	(157,740)
Assets held for others (agency)	(536,655)	(455,536)
Other donor-imposed restricted assets	(5,023)	(5,561)
Add: Estimated spendable	426,680	587,691
Financial assets available to meet cash needs for general expenditures within one year	\$ 892,849	\$ 1,026,234

Historically the Foundation has maintained approximately three to four months of liquid assets to support general operating expenditures that average \$16,000 per month, and periodically liquidates investments to support payout of grants and scholarships based on the Foundation's spendable policy during those cycles that occur primarily during the months of November and May through July. Donor contributions are collected sporadically throughout the year and are not relied upon to support operations, but rather increase the value of the Foundation's endowment to the extent such monies are directed to endowed funds.

The Foundation's investment policy provides for a target of 60% allocation to equities with a range between 30% minimum and 70% maximum. As such there is a minimum of 30% of investments that have same-day liquidity, if needed. However, the Board of Directors would have to approve any expenditures in excess of the approved operating budget and spendable amounts allotted to endowed funds pursuant to the spendable policy.

**NOTE 4: FAIR VALUE MEASUREMENTS**

FASB ASC 820, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels.

**SHIAWASSEE COMMUNITY FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2023 AND 2022**

- *Level 1* Unadjusted quoted market prices for identical assets or liabilities in an active market that the Foundation has the ability to access.
- *Level 2* Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly.
- *Level 3* Unobservable inputs for the asset or liability and that rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability (the unobservable inputs should be developed based on the best information available in the circumstances and may include the Foundation's own data).

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value:

	September 30, 2023			
	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds	\$ 8,582,707	\$	\$	\$ 8,582,707
Stocks	245,233			245,233
Bonds	670,691			670,691
Managed future hedge funds			264,560	264,560
Unit investment trusts	732,578			732,578
Land contract			126,746	126,746
	<b>\$ 10,231,209</b>	<b>\$</b>	<b>\$ 319,306</b>	<b>\$ 10,622,515</b>
	September 30, 2022			
	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds	\$ 7,491,683	\$	\$	\$ 7,491,683
Stocks	350,026			350,026
Bonds	714,103			714,103
Managed future hedge funds			260,098	260,098
Unit investment trusts	653,154			653,154
Land contract			173,424	173,424
	<b>\$ 9,208,966</b>	<b>\$</b>	<b>\$ 433,522</b>	<b>\$ 9,642,488</b>

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis at September 30, 2023 and 2022:

- *Mutual Funds, Managed Futures Hedge Funds, Unit Investment Trusts, and Corporate Bonds: Valued by broker program, management's estimates based on book values.*
- *Land contract: Valued at amortized cost, which approximates fair value.*

**SHIAWASSEE COMMUNITY FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2023 AND 2022**

***Level 3 Gains and Losses***

The following table sets forth a summary of changes in the fair value of the level 3 investments:

	2023	2022
Balance at beginning of year	\$ 433,522	\$ 381,545
Change in value	4,462	58,199
Principal collections reinvested	(46,678)	(6,222)
Balance at end of year	\$ 391,306	\$ 433,522

**Managed Futures Hedge Funds**

*Campbell Strategic Allocation Fund LP – (2023) \$178,608 / (2022) \$176,289*

Capital is potentially allocated across 100 different markets around the world, which have been carefully selected based on objectives as follows: reduce overall portfolio volatility and enhance returns by adding non-correlated assets; provide global diversification within a single investment; provide the potential to profit regardless of the economic environment; generate returns independent of the stock and bond markets; achieve capital appreciation over the medium to long-term. These objectives are driven by a diversified portfolio comprised of commodities, equities, domestic and foreign treasury obligations.

*Global Macro Trust – (2023) \$85,952 / (2022) \$83,809*

The trust is organized to seek profit opportunities on trading of futures, forwards, and option contracts in global fixed-income instruments, currencies, stock indices and commodities.

**Unit Investment Trusts**

First Trust Inflation Hedge Ser #1 invests in common stocks of metals and mining companies and exchange-traded funds which are designed to track gold, silver, copper, or U.S. Treasury securities.

**Land Contract**

Investment in a land contract received from an estate is collectible in monthly installments of \$1,550, which includes interest at 7%, maturing November 1, 2023, with a balloon payment due on outstanding balance.

***Investment Earnings***

Following are the components of investment earnings for the years ended September 30, 2023 and 2022:

	2023	2022
Equity and Debt Securities		
Interest and dividends	\$ 375,922	\$ 642,817
Net realized gains (losses)	56,089	87,913
Unrealized gains (losses)	865,421	(2,553,208)
Investment advisory fees	(31,278)	(26,511)
Land contract interest	16,323	12,378
	\$ 1,282,477	\$ (1,836,611)

SHIAWASSEE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

NOTE 5: ENDOWMENT

FASB ASC 958-205-50 provides guidance on net asset classification of donor-restricted endowment funds subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Foundation's Board of Trustees has adopted State of Michigan's enacted UPMIFA as policy governing the accumulation and appropriation of endowment gifts. UPMIFA provides organizations the ability to distribute corpus of any trust or separate gift, devise, bequest, or fund as the Board in its sole discretion shall determine.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to accumulate or appropriate endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation, the nature of the endowment funds, and donor restrictions
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

Furthermore, the majority of the Foundation's agreements with donors include a variance provision, giving the Board of Trustees the power to vary the use of endowed funds if a restriction becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the area served by the Foundation. Based on these provisions, most contributions received by the Foundation are reported as unrestricted support. Any gift instrument received that is not established in accordance with the aforementioned that limits the Board's authority to accumulate or appropriate for expenditures, explicitly, is classified with donor restriction.

Investment Policy

*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; the Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of endowment assets. The current long-term objective is to return 7.85%, net of investment fees. Actual returns in any given year may vary from this amount.

*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 has developed a diversified asset allocation to achieve its long-term objectives within prudent risk parameters.

Spending Policy

The spending policy calculates the amount of money annually distributed from the Foundation's various endowment funds, for grant making, scholarships and administration. The current spending policy is based on the previous twenty-eight quarters' moving average balance of the market value of the endowment ending September 30th, with an average 4.5% payout amount (agency funds 4.75% and all other funds 4.25%) for granting and an average administrative fee of 1.50%. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment assets to grow at an average rate of approximately 1.64% annually. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment returns. The Foundation's Board reviews and modifies the spending policy annually based on economic conditions.



**SHIAWASSEE COMMUNITY FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2023 AND 2022**

Changes in endowment for the years ended September 30, 2023 and 2022:

	2023			2022		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Beginning of Year	\$ 2,971,452	\$ 5,784,428	\$ 8,755,880	\$ 3,705,230	\$ 7,238,897	\$10,944,127
Contributions	\$ 88,235	\$ 7,650	\$ 95,885	\$ 62,383	\$ 16,968	\$ 79,351
Returned grants/other revenue	5,140	1,218	6,358			
Net investment returns	427,124	818,733	1,245,857	(607,273)	(1,128,156)	(1,735,429)
Assets transferred in	9,463		9,463			
Amounts appropriated for expenditure	(203,029)	(332,021)	(535,050)	(188,888)	(343,281)	(532,169)
Change in Endowment	\$ 326,933	\$ 495,580	\$ 822,513	\$ (733,778)	\$ (1,454,469)	\$ (2,188,247)
End of Year	\$ 3,298,385	\$ 6,280,008	\$ 9,578,393	\$ 2,971,452	\$ 5,784,428	\$ 8,755,880

Endowment composition by type of fund as of September 30, 2023 and 2022:

	2023			2022		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Endowment Funds:						
Scholarships	\$ 1,649,753	\$ 1,545,826	\$ 3,195,579	\$ 1,463,290	\$ 1,430,474	\$ 2,893,764
Designated	978,905	2,584,190	3,563,095	893,286	2,394,714	3,288,000
Field of interest	150,637	2,108,393	2,259,030	136,406	1,920,850	2,057,256
Multi-purpose	519,090		519,090	478,470		478,470
Donor-advised		41,599	41,599		38,390	38,390
End of Year	\$ 3,298,385	\$ 6,280,008	\$ 9,578,393	\$ 2,971,452	\$ 5,784,428	\$ 8,755,880

**SHIAWASSEE COMMUNITY FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2023 AND 2022**

**NOTE 6: ASSETS HELD FOR OTHERS (AGENCY)**

In accordance with accounting standards, a liability has been established for a portion of the fair value of the funds, which is generally equivalent to the present value of future payments which may be made to NPOs.

At September 30, 2023 and 2022, the Foundation holds five agency endowment funds with a fair value totaling \$536,655 and \$455,536, respectively. The following table summarizes fund activity during the year:

	2023	2022
Agency Endowment Fund balances at October 1	\$ 455,536	\$ 362,790
Contributions / interfund gifts	36,000	173,044
Investment income / loss	65,343	(75,974)
Grants	(8,542)	(1,942)
Operating and investment fees	(11,682)	(2,382)
 Agency Endowment Fund balances at September 30	 \$ 536,655	 \$ 455,536

**NOTE 7: BOARD-DESIGNATED ENDOWMENT FUNDS**

The Foundation's net assets without donor restrictions include amounts that have been designated by the Board of Directors as endowment funds. These endowments totaling \$196,450 and \$157,740 for the years ended September 30, 2023 and 2022, respectively, are available for disbursement at the discretion of the Board and are subject to the Foundation's spending policy. Disbursements generally made are philanthropic grants that support the key objectives of the Foundation's mission.

**NOTE 8: RESTRICTED NET ASSETS**

Restricted net assets are available for the following purposes:

	2023	2022
<b><u>Temporarily Restricted</u></b>		
Scholarships	\$ 1,467,565	\$ 1,352,213
Environmental education	1,539,335	1,434,872
Education	92,925	83,094
Arts, culture and humanities	75,128	70,241
Animal-related activities	1,025,628	942,379
Youth development	712,967	661,174
Health	1,287,272	1,162,457
Recreation	5,950	5,298
	\$ 6,206,770	\$ 5,711,728
 <b><u>Permanently Restricted</u></b>		
Scholarships	\$ 78,261	\$ 78,261

SHIAWASSEE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

**NOTE 9: NET ASSETS RELEASED FROM DONOR RESTRICTIONS**

Net assets were released from donor restrictions by incurring expense satisfying restricted purposes specified by the donors as follows for the years ended September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Scholarships	\$ 87,402	\$ 107,980
Environmental education	84,818	91,384
Education	7,763	4,673
Arts, culture and humanities	5,796	3,644
Animal-related activities	48,469	43,183
Youth development	41,742	48,807
Health	37,781	53,648
Recreation	88	94
	<u>\$ 313,859</u>	<u>\$ 353,413</u>

**NOTE 10: OPERATING LEASES & SUBSCRIPTIONS**

**Operating Leases**

*Occupancy* – The Foundation leases its office in monthly installments of \$385, and incurred lease expense totaling \$4,620 for the years ended September 30, 2023 and 2022. The lease is renewable annually.

*Photo Copiers* – The Foundation leases a photocopier, over thirty-six months requiring monthly installments of \$125 plus a per print rate through November 2023. During the years ended September 30, 2023 and 2022, the Foundation incurred lease expense of \$1,500. Future monthly lease payments for 2023 total \$250.