

December 4, 2024

To the Board of Directors  
Shiawassee Community Foundation, Inc.  
217 North Washington Street, Suite 104  
P.O. Box 753  
Owosso, MI 48867

We have audited the financial statements of Shiawassee Community Foundation, Inc. for the years ended September 30, 2024 and 2023, and have issued our report thereon dated December 4, 2024. Professional standards require that we provide you with the information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 30, 2024. Professional standards also require that we communicate to you the following information related to our audit.

#### **Significant Audit Findings**

##### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Foundation are described in Note 1 to the financial statements.

No new accounting policies were adopted, and the application of existing policies was not changed during 2024, except for the adoption of Accounting Standards Update No. 2016-13, *Current Expected Credit Loss (CECL)*. The adoption of the standard did not have a significant impact on the financial statements.

Application of existing policies was not changed. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements were that the Foundation is invested in alternatives at year end.

The financial statement disclosures are neutral, consistent, and clear.

##### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statement taken as a whole.

### ***Disagreements with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated December 4, 2024.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### ***Conclusion***

This information is intended solely for the use of the Board of Directors and management of Shiawassee Community Foundation, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

**CHBW & Co., P.C.**

Certified Public Accountants



**SHIAWASSEE**  
— COMMUNITY FOUNDATION —

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
YEARS ENDED SEPTEMBER 30, 2024 AND 2023**

**SHIAWASSEE COMMUNITY FOUNDATION, INC.**

**TABLE OF CONTENTS**

	PAGE
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>1 - 2</b>
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 16

## 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, 2024 and 2023, 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, 2024 and 2023, 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 for 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

Hillsdale, Michigan  
December 4, 2024

**SHIAWASSEE COMMUNITY FOUNDATION, INC.**

**STATEMENTS OF ACTIVITIES**

**YEARS ENDED SEPTEMBER 30, 2024 AND 2023**

	2024			2023		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<b>REVENUES, GAINS (LOSSES) AND OTHER SUPPORT</b>						
Contributions & grants	\$ 230,864	\$ 10,427	\$ 241,291	\$ 128,342	\$ 8,868	\$ 137,210
Net investment returns	994,722	1,608,987	2,603,709	482,444	800,033	1,282,477
Refunded grants & scholarships	2,346		2,346	5,140		5,140
Agency fees	9,554		9,554	10,030		10,030
<b>TOTAL REVENUES, GAINS (LOSSES) AND OTHER SUPPORT</b>	<b>1,237,486</b>	<b>1,619,414</b>	<b>2,856,900</b>	<b>625,956</b>	<b>808,901</b>	<b>1,434,857</b>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>						
Restrictions satisfied by payments for purpose	401,038	(401,038)		313,859	(313,859)	
<b>EXPENSES</b>						
Program Services:						
Grants and scholarships	490,985		490,985	347,930		347,930
Other	99,730		99,730	95,173		95,173
Supporting Services:						
Management & general	60,375		60,375	59,209		59,209
Fundraising	52,340		52,340	41,930		41,930
<b>TOTAL EXPENSES</b>	<b>703,430</b>		<b>703,430</b>	<b>544,242</b>		<b>544,242</b>
<b>CHANGES IN NET ASSETS</b>	<b>935,094</b>	<b>1,218,376</b>	<b>2,153,470</b>	<b>395,573</b>	<b>495,042</b>	<b>890,615</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>3,959,141</b>	<b>6,285,031</b>	<b>10,244,172</b>	<b>3,563,568</b>	<b>5,789,989</b>	<b>9,353,557</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 4,894,235</b>	<b>\$ 7,503,407</b>	<b>\$ 12,397,642</b>	<b>\$ 3,959,141</b>	<b>\$ 6,285,031</b>	<b>\$ 10,244,172</b>

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

SHIAWASSEE COMMUNITY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2024 AND 2023

	2024	2023
<b>ASSETS</b>		
<b>ASSETS</b>		
Cash and equivalents	\$ 109,745	\$ 160,175
Investments	13,305,096	10,622,515
Office equipment	8,550	8,550
Accumulated depreciation	<u>(5,602)</u>	<u>(4,548)</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 13,417,789</b></u>	<u><b>\$ 10,786,692</b></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Payroll-related liabilities	\$ 5,931	\$ 5,865
Assets held for others (agency)	<u>1,014,216</u>	<u>536,655</u>
<b>TOTAL LIABILITIES</b>	<u><b>1,020,147</b></u>	<u><b>542,520</b></u>
<b>NET ASSETS</b>		
Without donor restrictions	4,894,235	3,959,141
With donor restrictions	<u>7,503,407</u>	<u>6,285,031</u>
<b>TOTAL NET ASSETS</b>	<u><b>12,397,642</b></u>	<u><b>10,244,172</b></u>
	<u><b>\$ 13,417,789</b></u>	<u><b>\$ 10,786,692</b></u>

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



**SHIAWASSEE COMMUNITY FOUNDATION, INC.**

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED SEPTEMBER 30, 2024 AND 2023**

	<b>2024</b>	<b>2023</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 2,153,470	\$ 890,615
Adjustment to reconcile the change in net assets to net cash provided by (used in) operating		
Depreciation	1,053	999
Net unrealized (gains) losses on investments	(2,105,477)	(865,421)
Net realized (gains) losses on sale of investments	(54,027)	(56,065)
Increase (decrease) in current liabilities		
Payroll-related liabilities	66	(35)
Due to other agencies	<u>477,561</u>	<u>81,119</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>472,646</u>	<u>51,212</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net purchases and proceeds of investments	(649,822)	(105,220)
Purchase of office equipment		(3,267)
Principal collections on land contract receivable	<u>126,746</u>	<u>46,678</u>
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<u>(523,076)</u>	<u>(61,809)</u>
<b>NET CHANGE IN CASH AND EQUIVALENTS</b>	(50,430)	(10,597)
<b>CASH AND EQUIVALENTS, BEGINNING OF YEAR</b>	<u>160,175</u>	<u>170,772</u>
<b>CASH AND EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 109,745</u></u>	<u><u>\$ 160,175</u></u>

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

SHAWASSEE COMMUNITY FOUNDATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	2024				2023			
	PROGRAM SERVICES	SUPPORTING SERVICES MANAGEMENT & GENERAL	FUNDRAISING	TOTAL	PROGRAM SERVICES	SUPPORTING SERVICES MANAGEMENT & GENERAL	FUNDRAISING	TOTAL
<b>GRANTS &amp; SCHOLARSHIPS</b>	\$ 490,985	\$	\$	\$ 490,985	\$ 347,930	\$	\$	\$ 347,930
<b>PAYROLL</b>								
Salaries	67,667	30,758	24,606	123,031	60,110	27,322	21,858	109,290
Payroll taxes	5,462	2,483	1,986	9,931	4,735	2,152	1,722	8,609
<b>TOTAL PAYROLL</b>	<b>73,129</b>	<b>33,241</b>	<b>26,592</b>	<b>132,962</b>	<b>64,845</b>	<b>29,474</b>	<b>23,580</b>	<b>117,899</b>
<b>OFFICE-RELATED EXPENSES</b>								
Equip. rental & maintenance	823	374	299	1,496	754	343	274	1,371
Rent	2,651	1,205	964	4,820	2,541	1,155	924	4,620
Utilities	1,188	540	432	2,160	1,220	555	444	2,219
Telephone	781	355	284	1,420	830	377	302	1,509
Internet	396	180	144	720	396	180	144	720
Website	536	244	194	974	520	236	189	945
Software platform fees	8,387	3,812	3,050	15,249	10,078	4,581	3,665	18,324
Technology	456	207	166	829	2,186	994	794	3,974
Insurance	2,126	966	773	3,865	3,598	1,635	1,308	6,541
Postage	887	403	323	1,613	793	360	288	1,441
Office supplies	1,819	827	661	3,307	1,913	870	696	3,479
<b>TOTAL OFFICE-RELATED EXPENSES</b>	<b>20,050</b>	<b>9,113</b>	<b>7,290</b>	<b>36,453</b>	<b>24,829</b>	<b>11,286</b>	<b>9,028</b>	<b>45,143</b>
<b>OTHER EXPENSES</b>								
Printing	1,242	564	452	2,258	1,088	494	395	1,977
Appeals and brochures			9,204	9,204			3,455	3,455
Travel & mileage				-	400	182	146	728
Meetings, conferences & training	1,392	633	505	2,530	1,652	751	601	3,004
Professional fees		11,040		11,040		10,540		10,540
Payroll service fee		2,755		2,755		3,700		3,700
Special project events			6,982	6,982			3,867	3,867
Dues & membership	3,615	1,644	1,315	6,574	2,359	1,072	858	4,289
Depreciation		1,053		1,053		999		999
Miscellaneous	302	332		634		711		711
<b>TOTAL OTHER EXPENSES</b>	<b>6,551</b>	<b>18,021</b>	<b>18,458</b>	<b>43,030</b>	<b>5,499</b>	<b>18,449</b>	<b>9,322</b>	<b>33,270</b>
<b>TOTAL EXPENSES</b>	<b>\$ 590,715</b>	<b>\$ 60,375</b>	<b>\$ 52,340</b>	<b>\$ 703,430</b>	<b>\$ 443,103</b>	<b>\$ 59,209</b>	<b>\$ 41,930</b>	<b>\$ 544,242</b>

The accompanying notes are an integral part of these financial statements

**SHIAWASSEE COMMUNITY FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2024 AND 2023**

**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 cash held in investment brokerage accounts. From time to time during the year, deposits may exceed the Federal Deposit Insurance Corporation (FDIC), or in the case of cash held by a brokerage account the Securities Investor Protection Corporation (SIPC), insured limits. However, all deposits were under the insured limit of \$250,000 at September 30, 2024 and 2023.

**SHIAWASSEE COMMUNITY FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2024 AND 2023**

**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.

**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.

**SHIAWASSEE COMMUNITY FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2024 AND 2023**

**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.

**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, 2024 and 2023, the Foundation generated \$188,025 and \$170,797 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 2020-2022. 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.

**Subsequent Events**

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

**SHIAWASSEE COMMUNITY FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2024 AND 2023**

**NOTE 2: 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:

	2024	2023
Cash and equivalents	\$ 109,745	\$ 160,175
Investments	<u>13,305,096</u>	<u>10,622,515</u>
Total financial assets – end of year	\$ 13,414,841	\$ 10,782,690
Less: Financial assets unavailable for general expenditures		
Donor-endowed assets	(11,666,651)	(9,578,393)
Board-designated endowments	(253,502)	(196,450)
Assets held for others (agency)	(1,014,216)	(536,655)
Other donor-imposed restricted assets	(6,222)	(5,023)
Add: Estimated current and carryover spendable	<u>723,518</u>	<u>746,371</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,197,768</u>	<u>\$ 1,212,540</u>

Historically the Foundation has maintained approximately three to four months of liquid assets to support general operating expenditures that average \$17,700 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.

Prior year liquidity calculation has been modified to conform with current year presentation.

**NOTE 3: CONTRIBUTED SERVICES**

During the years ended September 30, 2024 and 2023, 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, 2024 AND 2023

### 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.

- **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, 2024			
	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds	\$ 11,529,330	\$	\$	\$ 11,529,330
Stocks	329,548			329,548
Bonds	421,882			421,882
Managed future hedge funds			88,358	88,358
Unit investment trusts	935,978			935,978
Land contract				
	<u>\$ 13,216,738</u>	<u>\$</u>	<u>\$ 88,358</u>	<u>\$ 13,305,096</u>
	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
	<u>\$ 10,231,209</u>	<u>\$</u>	<u>\$ 319,306</u>	<u>\$ 10,622,515</u>

**SHIAWASSEE COMMUNITY FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2024 AND 2023**

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis at September 30, 2024 and 2023:

- *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.*

***Level 3 Gains and Losses***

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

	2024	2023
Balance at beginning of year	\$ 391,306	\$ 433,522
Change in value	2,406	4,462
Reinvested in equities	(178,608)	
Principal collections reinvested	(126,746)	(46,678)
Balance at end of year	\$ 88,358	\$ 391,306

**Managed Futures Hedge Funds**

*Campbell Strategic Allocation Fund LP – (2024) \$0 / (2023) \$178,608*

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 – (2024) \$88,358 / (2023) \$85,952*

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**

A unit investment trust (UIT) is an investment company that sells redeemable units to investors that represent ownership in a fixed portfolio of securities made up of stocks and bonds in multi industry sectors ranging from small-cap and large-cap growth and value.

**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. As of September 30, 2024 the full amount of the contract was collected.



**SHIAWASSEE COMMUNITY FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2024 AND 2023**

***Investment Earnings***

Following are the components of investment earnings for the years ended September 30, 2024 and 2023:

	2024	2023
Equity and Debt Securities		
Interest and dividends	\$ 479,674	\$ 375,922
Net realized gains (losses)	54,027	56,089
Unrealized gains (losses)	2,105,476	865,421
Investment advisory fees	(36,320)	(31,278)
Land contract interest	852	16,323
	<u>\$ 2,603,709</u>	<u>\$ 1,282,477</u>

**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.

# SHIAWASSEE COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### SEPTEMBER 30, 2024 AND 2023

*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.

Changes in endowment for the years ended September 30, 2024 and 2023:

	2024			2023		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Beginning of Year	\$3,298,385	\$6,280,008	\$ 9,578,393	\$2,971,452	\$ 5,784,428	\$8,755,880
Contributions / other	\$ 199,599	\$ 10,427	\$ 210,026	\$ 93,375	\$ 8,868	\$ 102,243
Net investment returns	882,004	1,608,024	2,490,028	427,124	818,733	1,245,857
Assets transferred in	4,758		4,758	9,463		9,463
Amounts appropriated for expenditure	(215,280)	(401,274)	(616,554)	(203,029)	(332,021)	(535,050)
Change in Endowment	\$ 871,081	\$1,217,177	\$ 2,088,258	\$ 326,933	\$ 495,580	\$ 822,513
End of Year	\$4,169,466	\$7,497,185	\$11,666,651	\$3,298,385	\$6,280,008	\$9,578,393

Endowment composition by type of fund as of September 30, 2024 and 2023:

	2024			2023		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Endowment Funds:						
Scholarships	\$2,099,305	\$1,843,832	\$ 3,943,137	\$1,649,753	\$1,545,826	\$3,195,579
Designated	1,220,657	3,105,039	4,325,696	975,905	2,584,190	3,560,095
Field of interest	231,321	2,496,867	2,728,188	150,637	2,108,393	2,259,030
Multi-purpose	618,183		618,183	519,090		519,090
Donor-advised		51,447	51,447		41,599	41,599
End of Year	\$4,169,466	\$7,497,185	\$11,666,651	\$3,295,385	\$6,280,008	\$9,575,393

**SHIAWASSEE COMMUNITY FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2024 AND 2023**

**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, 2024 and 2023, the Foundation holds five agency endowment funds with a fair value totaling \$1,014,216 and \$536,655, respectively. The following table summarizes fund activity during the year:

	2024	2023
Agency Endowment Fund balances at October 1	\$ 536,655	\$ 455,536
Contributions / interfund gifts	319,348	36,000
Investment income / loss	176,782	63,714
Grants	(9,016)	(8,542)
Operating expenses	(9,553)	(10,053)
Agency Endowment Fund balances at September 30	<u>\$ 1,014,216</u>	<u>\$ 536,655</u>

**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 \$253,502 and \$196,450 for the years ended September 30, 2024 and 2023, 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:

	2024	2023
<b><u>Temporarily Restricted</u></b>		
Scholarships	\$ 1,765,571	\$ 1,467,565
Environmental education	1,849,588	1,539,335
Education	108,136	92,925
Arts, culture and humanities	92,233	75,128
Animal-related activities	1,231,931	1,025,628
Youth development	859,126	712,967
Health	1,511,155	1,287,272
Recreation	7,406	5,950
	<u>\$ 7,425,146</u>	<u>\$ 6,206,770</u>
<b><u>Permanently Restricted</u></b>		
Scholarships	<u>\$ 78,261</u>	<u>\$ 78,261</u>

**SHIAWASSEE COMMUNITY FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2024 AND 2023**

**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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Scholarships	\$ 112,688	\$ 87,402
Environmental education	84,738	84,818
Education	8,362	7,763
Arts, culture and humanities	3,646	5,796
Animal-related activities	100	48,469
Youth development	98,155	41,742
Health	55,727	37,781
Recreation	<u>37,622</u>	<u>88</u>
	<u>\$ 401,038</u>	<u>\$ 313,859</u>

**NOTE 10: OPERATING LEASES & SUBSCRIPTIONS**

**Operating Leases**

*Occupancy* – The Foundation leases its office in monthly installments of \$385 with an increase to \$405 effective January 1, 2024. Lease expenses totaled \$4,820 and \$4,620 for the years ended September 30, 2024 and 2023, respectively. The lease is renewable annually.

*Photo Copiers* – The Foundation extended its photocopier lease that matured in November 2023, on a month-to-month basis, requiring installments of \$125 plus a per print rate. During the years ended September 30, 2024 and 2023, the Foundation incurred lease expense of \$1,500.