

SHIAWASSEE COMMUNITY FOUNDATION, INC.

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

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, 2021 and 2020, 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, 2021 and 2020, 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's 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, including omissions, 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 6, 2021

SHIAWASSEE COMMUNITY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2021 AND 2020

	2021	2020
ASSETS		
ASSETS		
Cash and equivalents	\$ 87,886	\$ 34,034
Accounts receivable	14,527	
Investments	11,910,234	10,160,414
Prepaid expense	9,969	8,492
Office equipment	3,283	3,283
Accumulated depreciation	<u>(3,283)</u>	<u>(3,283)</u>
TOTAL ASSETS	<u>\$ 12,022,616</u>	<u>\$ 10,202,940</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$	\$ 2,285
Grants payable		1,000
Payroll-related liabilities	5,367	5,300
Note payable - PPP loan		21,879
Funds held as agency endowments	<u>362,790</u>	<u>282,497</u>
TOTAL LIABILITIES	<u>368,157</u>	<u>312,961</u>
NET ASSETS		
Without donor restrictions	4,408,746	3,606,680
With donor restrictions	<u>7,245,713</u>	<u>6,283,299</u>
TOTAL NET ASSETS	<u>11,654,459</u>	<u>9,889,979</u>
	<u>\$ 12,022,616</u>	<u>\$ 10,202,940</u>

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

SHIAWASSEE COMMUNITY FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021		2020	
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS
		TOTAL		TOTAL
REVENUES, GAINS (LOSSES) AND OTHER SUPPORT				
Contributions & grants	\$ 223,235	\$ 5,640	\$ 129,083	\$ 6,431
Net investment returns	746,876	1,276,527	256,267	458,299
Agency fees	4,283		3,344	
		<u>4,283</u>		<u>3,344</u>
		\$ 228,875		\$ 135,514
		2,023,403		714,566
		<u>4,283</u>		<u>3,344</u>
		<u>2,256,561</u>		<u>853,424</u>
TOTAL REVENUES, GAINS (LOSSES) AND OTHER SUPPORT				
	974,394	1,282,167	388,694	464,730
	<u>319,753</u>	<u>(319,753)</u>	262,349	<u>(262,349)</u>
NET ASSETS RELEASED FROM RESTRICTIONS				
Restrictions satisfied by payments for purpose				
EXPENSES				
Program Services:				
Grants and scholarships	320,075		338,528	338,528
Other	81,571		72,858	72,858
Supporting Services:				
Management & general	57,186		48,556	48,556
Fundraising	33,249		29,205	29,205
TOTAL EXPENSES	492,081		489,147	489,147
CHANGES IN NET ASSETS	802,066	962,414	161,896	202,381
NET ASSETS, BEGINNING OF YEAR	3,606,680	6,283,299	3,444,784	6,080,918
NET ASSETS, END OF YEAR	<u>\$ 4,408,746</u>	<u>\$ 7,245,713</u>	<u>\$ 3,606,680</u>	<u>\$ 6,283,299</u>
		<u>\$ 11,654,459</u>		<u>\$ 9,889,979</u>

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

SHAWASSEE COMMUNITY FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021				2020			
	PROGRAM SERVICES	SUPPORTING SERVICES		TOTAL	PROGRAM SERVICES	SUPPORTING SERVICES		TOTAL
	\$	MANAGEMENT & GENERAL	FUNDRAISING		\$	MANAGEMENT & GENERAL	FUNDRAISING	
GRANTS & SCHOLARSHIPS	\$ 320,075			\$ 320,075	\$ 338,528			\$ 338,528
PAYROLL								
Salaries	50,577	22,989	18,391	91,957	48,113	21,869	17,495	87,477
Payroll taxes	3,994	1,815	1,452	7,261	4,178	1,899	1,520	7,597
TOTAL PAYROLL	<u>54,571</u>	<u>24,804</u>	<u>19,843</u>	<u>99,218</u>	<u>52,291</u>	<u>23,768</u>	<u>19,015</u>	<u>95,074</u>
OFFICE-RELATED EXPENSES								
Equip. rental & maintenance	833	379	303	1,515	864	393	314	1,571
Rent	2,541	1,155	924	4,620	2,753	1,251	1,001	5,005
Utilities	1,047	476	381	1,904	1,000	454	364	1,818
Telephone	1,175	534	427	2,136	1,117	508	405	2,030
Internet	359	163	131	653	303	137	110	550
Website	499	227	182	908	458	208	167	833
Software platform fees	10,189	4,631	3,705	18,525	7,535	3,425	2,740	13,700
Insurance	1,052	478	382	1,912	290	2,520		2,520
Postage	594	270	216	1,080	132	132	105	527
Office supplies	4,024	1,829	1,464	7,317	2,286	1,040	832	4,158
TOTAL OFFICE-RELATED EXPENSES	<u>22,313</u>	<u>10,142</u>	<u>8,115</u>	<u>40,570</u>	<u>16,606</u>	<u>10,068</u>	<u>6,038</u>	<u>32,712</u>
OTHER EXPENSES								
Printing	1,170	532	426	2,128	320	145	116	581
Appeals and brochures			1,737	1,737			500	500
Travel & mileage	147	67	53	267	133	60	48	241
Meetings, conferences & training	707	321	257	1,285	1,536	698	558	2,792
Consulting		2,580		2,580		135		135
Professional fees		13,596		13,596		10,200		10,200
Payroll service fee		3,350		3,350		2,100		2,100
Special project events			1,850	1,850			2,212	2,212
Dues & membership	2,663	1,210	968	4,841	1,972	897	718	3,587
Miscellaneous		584		584		485		485
TOTAL OTHER EXPENSES	<u>4,687</u>	<u>22,240</u>	<u>5,291</u>	<u>32,218</u>	<u>3,961</u>	<u>14,720</u>	<u>4,152</u>	<u>22,833</u>
TOTAL EXPENSES	<u>\$ 401,646</u>	<u>\$ 57,186</u>	<u>\$ 33,249</u>	<u>\$ 492,081</u>	<u>\$ 411,386</u>	<u>\$ 48,556</u>	<u>\$ 29,205</u>	<u>\$ 489,147</u>

The accompanying notes are an integral part of these financial statements

SHIAWASSEE COMMUNITY FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 1,764,480	\$ 364,277
Adjustment to reconcile the change in net assets to net cash provided by (used in) operating activities:		
Net unrealized (gains) losses on investments	(1,482,100)	(246,355)
Net realized (gains) losses on sale of investments	(197,043)	(112,403)
(Increase) decrease in current assets		
Accounts receivable	(14,527)	
Prepaid expense	(1,477)	(1,167)
Increase (decrease) in current liabilities		
Accounts payable	(2,285)	2,285
Grants payable	(1,000)	1,000
Payroll-related liabilities	67	1,964
Due to other agencies	80,293	15,163
	<u>146,408</u>	<u>24,764</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
	<u>146,408</u>	<u>24,764</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net purchases and proceeds of investments	(76,479)	(77,540)
Principal collections on land contract receivable	5,802	5,411
	<u>(70,677)</u>	<u>(72,129)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
	<u>(70,677)</u>	<u>(72,129)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Note proceeds - Payroll Protection Program Loan	18,225	21,879
Repayment - Payroll Protection Program Loan	(5,500)	
Forgiveness - Payroll Protection Program Loan	(34,604)	
	<u>(21,879)</u>	<u>21,879</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
	<u>(21,879)</u>	<u>21,879</u>
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	53,852	(25,486)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	<u>34,034</u>	<u>59,520</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	<u>\$ 87,886</u>	<u>\$ 34,034</u>

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

SHIAWASSEE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

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.

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, 2021 and 2020.

Investments

Investments in mutual and managed funds, unit investment trusts and bonds are carried at quoted market value as determined by quoted market prices. 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, 2021 AND 2020

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.

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 the various programs and support services on an actual basis, where available, or based upon reasonable methods. Although methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Grants and Scholarships Payable

Grants and scholarships authorized (by the Board of Trustees) and agreements signed by a recipient that are unpaid at year-end are charged to the respective donor fund as an expense and are reported as liabilities.

Fundraising Expense

Administrative expense includes 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, 2021 AND 2020

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, 2021 and 2020, the Foundation generated \$181,357 and \$154,706 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 and its supporting organizations are public charities 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 2017-2019. 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 December 6, 2021, which is the date the financial statements were available to be issued.

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:

	2021	2020
Cash and equivalents	\$ 87,886	\$ 34,034
Accounts receivable	14,527	
Investments	11,910,234	10,160,414
 Total financial assets – end of year	 \$ 12,012,627	 \$ 10,194,448
 Less: Endowed/Designated/Restricted financial assets		
Donor endowed assets	(11,306,917)	(9,657,899)
Board-designated endowments	(227,723)	(176,246)
Other donor-imposed restricted assets	(6,816)	(5,747)
Add: Estimated spendable	519,672	442,795
 Financial assets available to meet cash needs for general expenditures, grants and scholarships within one year	 \$ 990,843	 \$ 797,351

SHIAWASSEE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

Historically the Foundation has maintained approximately three to four months of liquid assets to support general operating expenditures that average \$14,300 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 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 3: CONTRIBUTED SERVICES

During the years ended September 30, 2021 and 2020, 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.

NOTE 4: FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements*, establishes a framework for measuring fair value, and 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).

Following is a description of the valuation methodologies used for assets measured at fair value at September 30, 2021 and 2020:

- *Mutual Funds, Managed Futures Hedge Funds, Unit Investment Trusts, and Corporate Bonds: Valued at unadjusted quoted market prices of shares held by the Foundation at year end.*
- *Land contract: Valued at amortized cost, which approximates fair value.*

SHIAWASSEE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

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

	September 30, 2021			
	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds	\$ 9,223,733	\$	\$	\$ 9,223,733
Stocks	487,550			487,550
Bonds	1,074,519			1,074,519
Managed future hedge funds	81,421	120,478		201,899
Unit investment trusts	742,887			742,887
Land contract			179,646	179,645
	<u>\$ 11,610,111</u>	<u>\$ 120,478</u>	<u>\$ 179,646</u>	<u>\$ 11,910,234</u>

	September 30, 2020			
	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds	\$ 8,149,154	\$	\$	\$ 8,149,154
Stocks	364,412			364,412
Bonds	655,970			655,970
Managed future hedge funds	77,768	102,007		179,775
Unit investment trusts	625,655			625,655
Land contract			185,448	185,448
	<u>\$ 9,872,959</u>	<u>\$ 102,007</u>	<u>\$ 185,448</u>	<u>\$ 10,160,414</u>

Level 3 Gains and Losses

The following table sets forth a summary of changes in the fair value of the land contract:

	2021	2020
Balance at beginning of year	\$ 185,448	\$ 190,859
Principal collections reinvested	(5,802)	(5,411)
Balance at end of year	<u>\$ 179,646</u>	<u>\$ 185,448</u>

All investments other than the land contract are held and managed by Wells Fargo Advisors under a single account in the Foundation's name. Following are compositions of the Hedge and Unit Investment Trust Funds.

Managed Futures Hedge Funds

Campbell Strategic Allocation Fund LP – (2021) \$120,478 / (2020) \$102,007

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 – (2021) \$81,421 / (2020) \$77,768

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.

SHIAWASSEE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

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%, payable until balance is paid in full.

Investment Earnings

Following are the components of investment earnings for the years ended September 30, 2021 and 2020:

	2021	2020
Equity and Debt Securities		
Interest and dividends	\$ 369,626	\$ 374,198
Net realized gains (losses)	197,043	112,403
Unrealized gains (losses)	1,482,100	246,355
Investment advisory fees	(38,163)	(31,579)
Land contract interest	12,797	13,189
	\$ 2,023,403	\$ 714,566

NOTE 5: AGENCY ENDOWMENT FUNDS

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, 2021 and 2020, the Foundation holds five agency endowment funds with a fair value totaling \$362,790 and \$282,497, respectively. The following table summarizes fund activity during the year:

	2021	2020
Agency Endowment Fund balances at October 1	\$ 282,497	\$ 267,334
Contributions / interfund gifts	25,895	
Investment income / loss	62,468	21,222
Grants	(2,602)	(1,804)
Operating and investment fees	(5,468)	(4,255)
Agency Endowment Fund balances at September 30	\$ 362,790	\$ 282,497

SHIAWASSEE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

NOTE 6: 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 as either temporarily or permanently restricted net assets pursuant to the provisions of UPMIFA.

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, 2021 AND 2020

Changes in endowment net assets for the year ended September 30, 2021:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ 3,380,347	\$ 6,277,552	\$ 9,657,899
Contributions	\$ 145,992	\$ 5,640	\$ 151,632
Net investment returns	712,085	1,275,328	1,987,413
Amounts appropriated for expenditure	(170,404)	(319,623)	(490,027)
Reclassification from non-endowed			
Change in Endowment Net Assets	<u>\$ 687,673</u>	<u>\$ 961,345</u>	<u>\$ 1,649,018</u>
Endowment Net Assets, End of Year	<u>\$ 4,068,020</u>	<u>\$ 7,238,897</u>	<u>\$ 11,306,917</u>

Endowment net asset composition by type of fund as of September 30, 2021:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment Funds:			
Scholarships	\$ 1,821,783	\$ 1,828,209	\$ 3,649,992
Designated	1,111,711	2,953,645	4,065,356
Field of interest	164,978	2,419,434	2,584,412
Agency	362,790		362,790
Multi-purpose	606,758		606,758
Donor-advised		37,609	37,609
Endowment Net Assets, End of Year	<u>\$ 4,068,020</u>	<u>\$ 7,238,897</u>	<u>\$ 11,306,917</u>

Total net asset composition at September 30, 2021:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment funds	\$ 4,068,020	\$ 7,238,897	\$ 11,306,917
Board designated - quasi endowment	227,723		227,723
Non-endowment funds	475,793	6,816	482,609
Less: agency endowment payable	<u>(362,790)</u>		<u>(362,790)</u>
Total Net Assets, End of Year	<u>\$ 4,408,746</u>	<u>\$ 7,245,713</u>	<u>\$ 11,654,459</u>

SHIAWASSEE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

Changes in endowment net assets for the year ended September 30, 2020:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ 3,220,062	\$ 6,075,473	\$ 9,295,535
Contributions	\$ 93,414	\$ 6,431	\$ 99,845
Net investment returns	245,486	457,888	703,374
Amounts appropriated for expenditure	(178,615)	(262,240)	(440,855)
Reclassification from non-endowed			
Change in Endowment Net Assets	<u>\$ 160,285</u>	<u>\$ 202,079</u>	<u>\$ 362,364</u>
Endowment Net Assets, End of Year	<u>\$ 3,380,347</u>	<u>\$ 6,277,552</u>	<u>\$ 9,657,899</u>

Endowment net asset composition by type of fund as of September 30, 2020:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment Funds:			
Scholarships	\$ 1,509,199	\$ 1,590,338	\$ 3,099,537
Designated	948,139	2,568,656	3,516,795
Field of interest	131,995	2,086,343	2,218,338
Agency	282,497		282,497
Multi-purpose	508,517		508,517
Donor-advised		32,215	32,215
Endowment Net Assets, End of Year	<u>\$ 3,380,347</u>	<u>\$ 6,277,552</u>	<u>\$ 9,657,899</u>

Total net asset composition at September 30, 2020:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment funds	\$ 3,380,347	\$ 6,277,552	\$ 9,657,899
Board designated - quasi endowment	176,246		176,246
Non-endowment funds	332,584	5,747	338,331
Less: agency endowment payable	<u>(282,497)</u>		<u>(282,497)</u>
Total Net Assets, End of Year	<u>\$ 3,606,680</u>	<u>\$ 6,283,299</u>	<u>\$ 9,889,979</u>

SHIAWASSEE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

NOTE 7: DEBT

Paycheck Protection Program Loan

On April 23, 2020 and February 22, 2021, the Foundation received loan proceeds in the amount of \$21,879 and \$18,225, respectively, under the Paycheck Protection Program (“PPP”) through the Small Business Administration. The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months.

Upon expending the PPP monies pursuant to established guidelines the Foundation applied for forgiveness of payment for both loans. In response to the Foundation’s submission the Small Business Administration issued a notice of forgiveness in the amount of \$16,380 and \$18,225, with payment due of \$5,500 on the first round of PPP loan monies that were not fully expended. The total amount forgiven is recognized as revenue under contributions and grants.

NOTE 8: 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 \$227,723 and \$176,246 for years ended September 30, 2021 and 2020, 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 9: RESTRICTED NET ASSETS

Restricted net assets are available for the following purposes:

	2021	2020
<i><u>Temporarily Restricted</u></i>		
Scholarships	\$ 1,749,948	\$ 1,512,077
Environmental education	1,756,757	1,545,558
Education	104,535	92,544
Arts, culture and humanities	77,199	66,364
Animal-related activities	1,175,161	1,004,542
Youth development	845,512	733,304
Health	1,451,880	1,245,229
Recreation	6,460	5,420
	\$ 7,167,452	\$ 6,205,038
<i><u>Permanently Restricted</u></i>		
Scholarships	\$ 78,261	\$ 78,261

SHIAWASSEE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

NOTE 10: 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, 2021 and 2020:

	2021	2020
Scholarships	\$ 99,022	\$ 95,615
Environmental education	79,362	75,496
Education	6,742	1,694
Arts, culture and humanities	3,231	2,830
Animal-related activities	36,453	28,614
Youth development	41,529	40,318
Health	53,321	17,705
Recreation	93	77
	\$ 319,753	\$ 262,349

NOTE 11: OPERATING LEASES & SUBSCRIPTIONS

Operating Leases

Occupancy – The Foundation leases its office in monthly installments of \$385, and incurred lease expense totaling \$4,620 and \$5,005 for the years ended September 30, 2021 and 2020, respectively. 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, 2021 and 2020, the Foundation incurred lease expense of \$1,515 and \$1,571, respectively.

Subscriptions

During 2018 the Foundation entered into subscription agreements for cloud-based software for accounting/donor data base and online scholarship applications.

Accounting/donor data base subscription is effective 1/1/20, payable in annual installments of \$8,500 for three years. Online scholarship applications subscription is effective 10/1/19, payable in annual installments of \$5,200 for five years through September 2023. Expense incurred totaled \$13,700 and \$13,700 for years ended September 30, 2021 and 2020, respectively.

Following are the future minimum subscription payments:

Year	Subscriptions	Photocopier	Total
2022	\$ 5,200	\$ 1,500	\$ 6,700
2023	5,200	1,500	6,700
2024	_____	1,500	1,500
	\$ 10,400	\$ 4,500	\$ 14,900