

Community Foundation for Oceana County

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

December 31, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Community Foundation for Oceana County

Opinion

We have audited the accompanying financial statements of the Community Foundation for Oceana County, (the "Foundation") (a nonprofit organization), which comprise the statements of financial position as of December 31, 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 the Community Foundation for Oceana County as of December 31, 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 the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements 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 statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities 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 the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Dennis, Gartland & Niergarth

Certified Public Accountants
Traverse City, Michigan

October 8, 2025

Community Foundation for Oceana County

STATEMENTS OF FINANCIAL POSITION

December 31,

	<u>2024</u>	<u>2023</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 703,581	\$ 1,120,458
Investments (Note D)	6,956,174	6,771,103
Accounts receivable	<u>424</u>	<u>-</u>
Total current assets	<u>7,660,179</u>	<u>7,891,561</u>
OTHER ASSETS		
Endowment investments (Note H)	12,032,742	10,901,691
Property and equipment, net	<u>-</u>	<u>1,342</u>
Total other assets	<u>12,032,742</u>	<u>10,903,033</u>
Total assets	<u>\$ 19,692,921</u>	<u>\$ 18,794,594</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 4,805	\$ 4,326
Grants payable	182	-
Accrued payroll liabilities	<u>9,044</u>	<u>5,407</u>
Total current liabilities	14,031	9,733
OTHER LIABILITIES		
Agency funds payable (Note G)	<u>584,654</u>	<u>559,625</u>
Total liabilities	598,685	569,358
NET ASSETS		
Without donor restrictions	<u>19,094,236</u>	<u>18,225,236</u>
Total liabilities and net assets	<u>\$ 19,692,921</u>	<u>\$ 18,794,594</u>

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

Community Foundation for Oceana County

STATEMENTS OF ACTIVITIES

Years Ended December 31,

	Without Donor Restrictions	
	<u>2024</u>	<u>2023</u>
REVENUE AND SUPPORT		
Contributions	\$ 3,431,935	\$ 2,574,715
Investment return, net of investment fees	1,816,250	2,273,434
Administrative fee income	<u>6,506</u>	<u>-</u>
Total revenue and support	<u>5,254,691</u>	<u>4,848,149</u>
EXPENSES		
Program services	4,156,272	2,547,622
Management and general	121,075	75,491
Fundraising	<u>108,344</u>	<u>189,983</u>
Total expenses	<u>4,385,691</u>	<u>2,813,096</u>
CHANGE IN NET ASSETS	869,000	2,035,053
NET ASSETS , beginning of year	<u>18,225,236</u>	<u>16,190,183</u>
NET ASSETS , end of year	<u>\$ 19,094,236</u>	<u>\$ 18,225,236</u>

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

Community Foundation for Oceana County

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2024

	Program Services	Management & General	Fundraising	Total Expenses
Grants and Scholarships				
Grants and scholarships	\$ 3,954,343	\$ -	\$ -	\$ 3,954,343
Payroll				
Salaries and wages	95,855	47,178	47,178	190,211
Employee benefits	7,460	3,730	3,730	14,920
Payroll taxes	7,210	3,605	3,605	14,420
Office-Related Expenses				
Accounting and legal fees	9,628	21,814	4,814	36,256
Equipment rental	793	462	947	2,202
Office rent	2,160	1,200	2,640	6,000
Telephone and internet	716	418	856	1,990
Website	346	-	807	1,153
Software platform fees	5,534	12,913	-	18,447
Technology	439	1,025	-	1,464
Insurance	1,173	2,347	1,173	4,693
Postage and shipping	1,197	698	1,429	3,324
Office supplies	968	567	1,160	2,695
Program supplies	16,082	-	4,020	20,102
Other Expenses				
Contracted services	32,783	16,392	16,392	65,567
Conferences, trainings & meetings	3,943	2,299	4,709	10,951
Stewardship and events	9,356	2,765	7,552	19,673
Marketing	1,189	-	2,027	3,216
Printing	708	413	846	1,967
Travel	2,049	-	2,049	4,098
Dues and memberships	2,340	1,907	2,410	6,657
Depreciation	-	1,342	-	1,342
Total expenses	\$ 4,156,272	\$ 121,075	\$ 108,344	\$ 4,385,691

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

Community Foundation for Oceana County

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2023

	Program Services	Management & General	Fundraising	Total Expenses
Grants and Scholarships				
Grants and scholarships	\$ 2,462,101	\$ -	\$ -	\$ 2,462,101
Payroll				
Salaries and wages	15,650	29,423	108,295	153,368
Employee benefits	5,212	3,040	6,225	14,477
Payroll taxes	4,242	2,474	5,067	11,783
Office-Related Expense				
Accounting and legal fees	8,858	5,167	10,580	24,605
Occupancy	2,160	1,200	2,640	6,000
Telephone and web hosting fees	908	449	1,242	2,599
Insurance	996	1,992	996	3,984
Postage and printing	3,392	1,979	4,052	9,423
Office supplies	6,865	13,785	1,525	22,175
Other Expenses				
Contracted services	17,328	10,108	20,697	48,133
Conferences and meetings	8,122	2,369	6,432	16,923
Marketing	3,278	-	13,113	16,391
Travel	2,461	-	2,461	4,922
Dues and memberships	1,958	1,679	1,958	5,595
Miscellaneous	2,119	1,237	2,533	5,889
Depreciation	1,010	589	1,205	2,804
Bank fees	962	-	962	1,924
Total expenses	\$ 2,547,622	\$ 75,491	\$ 189,983	\$ 2,813,096

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

Community Foundation for Oceana County

STATEMENTS OF CASH FLOWS

Years Ended December 31,

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 869,000	\$ 2,035,053
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	1,342	2,804
Net realized and unrealized (gain) loss on investments	(1,329,729)	(1,822,371)
Changes in operating assets and liabilities		
Accounts receivable	(424)	-
Accounts payable	479	4,326
Grants payable	182	-
Accrued liabilities	3,637	(2,665)
Agency funds payable	25,029	64,644
Net cash flows from operating activities	(430,484)	281,791
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,259,439)	(1,275,588)
Proceeds from sales of investments	1,273,046	269,412
Net cash flows from investing activities	13,607	(1,006,176)
NET CHANGE IN CASH	(416,877)	(724,385)
Cash and cash equivalents beginning of year	1,120,458	1,844,843
Cash and cash equivalents, end of year	\$ 703,581	\$ 1,120,458

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

Community Foundation for Oceana County

NOTES TO FINANCIAL STATEMENTS

NOTE A - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Community Foundation for Oceana County (the "Foundation") is a public foundation established to aggregate funds created by individuals, families and corporations to benefit programs and services primarily for people in the Oceana County, Michigan area.

The Foundation accomplishes this mission by:

- Building endowments and other funds and providing a broad range of flexible and cost-effective donor services.
- Delivering exceptional service and being an active participant in seeking solutions to real-life problems.
- Providing grants and scholarship to support a broad range of projects and programs that address community needs.
- Serving as a leader, catalyst, and resource in our communities.

Historically, the Foundation was operated as an affiliate under Muskegon County Community Foundation. Starting in 2020, the Foundation was set up as a Michigan not-for-profit corporation and now operates independently from the previous affiliation.

Description of Funds

The Foundation administers 200 funds under fund agreements established between original donors and the Foundation. Fund distributions are approved by the Board of Directors of the Foundation according to the purpose of the fund. Interfund grants and administrative charges are eliminated in the basic financial statements of the Foundation.

Basis of Accounting and Financial Statement Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting. The Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restriction - Net assets whose use is limited by donor-imposed and/or purpose restrictions.

NOTES TO FINANCIAL STATEMENTS - Continued

Donors may endow their contributions, however, the Foundation retains variance power or the power to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to any specified organizations, if in their sole judgment (without the approval of any trustee, custodian or agent), such restriction or condition becomes, in effect unnecessary, incapable of fulfillment or inconsistent with the charitable needs of Oceana County. Accordingly, all net assets are classified as without donor restrictions.

Cash and Cash Equivalents

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

Investments

Investment securities purchased are initially recorded at cost and investment securities received by gift are recorded at fair value at the date of donation. Thereafter, the carrying value of such investments are adjusted to fair value, which is determined using published exchange market quotations where applicable or estimated fair values provided by external investment managers or other sources. Realized and unrealized gains and losses are reflected as investment return, net of investment fees in the accompanying statements of activities. Cash equivalents of investment portfolios are included in investments.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the estimated fair value at the date of donation. Depreciation and amortization is computed on a straight line basis over the useful lives of the respective assets, which is generally 3 - 5 years. The Foundation capitalizes all expenditures for property and equipment in excess of \$2,500 and with an estimated useful life of greater than one year.

Agency Funds Payable

Funds established by an unrelated not-for-profit organization using its own funds and for its own benefit are classified by the Foundation as a liability. The Foundation refers to such funds as agency funds. Investment earnings or losses allocated to the funds and distributions paid to the beneficiary organization are recorded as increases and decreases, respectively, to the liability.

Fair Value Measurements

The Foundation follows FASB ASC 820, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements. FASB ASC 820, applies whenever other financial reporting standards require or permit assets or liabilities to be measured at fair value on a recurring basis and, therefore, does not expand the use of fair value in any new circumstances. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or more advantageous market for the asset or liability in an orderly transaction (i.e., not a forced transaction, such as a liquidation or distressed sale) between market participants at the measurement date. FASB ASC 820, clarifies that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. For assets and liabilities recorded at fair value, it is the Foundation's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements for those financial instruments for which there is an active market.

Contributions

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.

The fund agreements established by donors grant the Board of Trustees variance power, thus all contributions to funds with such agreements are classified as without donor restrictions.

Contributions of Nonfinancial Assets

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, and performed by people with those skills, and would otherwise be purchased by the Foundation. A substantial number of volunteers have made significant contributions of their time to the Foundation's program services. The value of this contributed time is not reflected in these financial statements since the volunteer time does not require specialized skills.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and benefits are allocated based on estimates of time and effort and certain other costs are allocated based on specific benefits received.

NOTES TO FINANCIAL STATEMENTS - Continued

Tax Status

The Internal Revenue Service has determined that the Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Also, the Foundation has been certified as a community foundation by the State of Michigan and has received determination as an "other than private foundation" under section 170(b)(1)(A)(vi) of the Internal Revenue Code. The Foundation is subject to income tax only on the business income not related to its exempt purpose. Such taxes are generally insignificant. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

The Foundation files information returns in the U.S. Federal jurisdiction. With few exceptions, the Foundation is no longer subject to U.S. Federal examinations by tax authorities for years before December 31, 2021.

Use of Estimates in the Preparation of Financial Statements

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

Subsequent Events

The Foundation has evaluated subsequent events and transactions for potential recognition and disclosure through October 8, 2025, the date the financial statements were available to be issued.

NOTE B - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following at December 31:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 703,581	\$ 1,120,458
Accounts receivable	424	-
Spendable investment	7,578,969	7,728,318
Less agency funds	<u>(584,654)</u>	<u>(559,625)</u>
Totals	<u>\$ 7,698,320</u>	<u>\$ 8,289,151</u>

NOTES TO FINANCIAL STATEMENTS - Continued

The Foundation's endowment funds consist of donor and organization endowments and funds designated by the board as endowments. These endowments are subject to a variable annual spending rate of 0-5% of the average market value over the previous twelve quarters. Although, the donor and organization endowments' non spending amounts are not available for general expenditure, these amounts could be made available, if necessary, if the circumstance adhere to the specific requirements involving variance power of the Board.

As part of the Foundation's liquidity management plan, the Foundation assesses the immediate liquidity needs weekly. This timeframe is used to accommodate timely payments for unpredictable donor grant recommendations as well as the regularly scheduled general expenses and grant programs. The Foundation invests cash in excess of daily requirements in an interest-bearing checking account and savings account.

NOTE C - CASH AND CASH EQUIVALENTS

The Foundation maintains its cash in a bank deposit account authorized by members of the governing Board. Management evaluates the financial institutions in which the Foundation deposits its funds and assesses the level of risk associated with those institutions. The Foundation has not experienced any losses in such accounts.

The cash balance periodically exceeds the Federal insurance limit for deposits. At December 31, 2024 and 2023, \$562,072 and \$934,703 were uninsured, respectively.

NOTE D - INVESTMENTS

The Foundation's investments are held by financial institutions and consisted of the following at December 31:

	<u>2024</u>	<u>2023</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 2,207,736	\$ 2,340,914
Mutual funds - real estate securities	-	654,649
Mutual funds - debt	4,614,144	3,515,405
Mutual funds - equity	<u>12,167,036</u>	<u>11,161,826</u>
Total investments	<u>\$18,988,916</u>	<u>\$17,672,794</u>

NOTES TO FINANCIAL STATEMENTS - Continued

Investments are included in the statements of financial position as follows at December 31:

	<u>2024</u>	<u>2023</u>
Investments	\$ 6,956,174	\$ 6,771,103
Endowment investments	<u>12,032,742</u>	<u>10,901,691</u>
	<u>\$18,988,916</u>	<u>\$17,672,794</u>

Investment return on these investments consisted of the following as of December 31:

	<u>2024</u>	<u>2023</u>
Interest and dividends	\$ 510,691	\$ 472,350
Realized gains (losses)	290,779	92,395
Unrealized gains (losses)	1,038,950	1,729,976
Less investment fees	<u>(24,170)</u>	<u>(21,287)</u>
Net investment return	<u>\$ 1,816,250</u>	<u>\$ 2,273,434</u>

Concentration of Credit Risk - Investments

Brokerage accounts have insurance of \$500,000 per broker, provided by the Securities Investor Protection Corporation and FDIC insurance of \$500,000 per broker for bank deposit accounts. The balance of investments exceeded insured limits by \$18.1 million and \$16.7 million at December 31, 2024 and 2023, respectively.

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2024</u>	<u>2023</u>
Equipment	\$ 14,017	\$ 14,017
Less accumulated depreciation	<u>(14,017)</u>	<u>(12,675)</u>
Total property and equipment	<u>\$ -</u>	<u>\$ 1,342</u>

Depreciation expense for the years ended December 31, 2024 and 2023 totaled \$1,342 and \$2,804, respectively.

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE F - FAIR VALUE

The Foundation utilizes fair value measurements to record fair value adjustments to investments and to determine fair value disclosures. These assets are recorded at fair value on a recurring basis.

Fair Value Hierarchy

Under FASB ASC 820, the Foundation groups its investments at fair value into three levels, based on the markets in which the investments are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, that are traded by dealers or brokers in active over-the-counter markets and money market funds valued at net asset value of shares held by the Foundation at year-end.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates that market participants would use in pricing the asset or liability.

Fair value measurement for the Foundation's investments is based upon quoted prices. Level 1 investments include equity and debt securities (primarily mutual funds).

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets and liabilities at fair value at December 31:

2024				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Cash equivalents	\$ 2,207,736	\$ -	\$ -	\$ 2,207,736
Mutual funds - debt	4,614,144	-	-	4,614,144
Mutual funds - equity	<u>12,167,036</u>	<u>-</u>	<u>-</u>	<u>12,167,036</u>
	<u>\$ 18,988,916</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,988,916</u>
2023				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Cash equivalents	\$ 2,340,914	\$ -	\$ -	\$ 2,340,914
Mutual funds - real estate securities	654,649	-	-	654,649
Mutual funds - debt	3,515,405	-	-	3,515,405
Mutual funds - equity	<u>11,161,826</u>	<u>-</u>	<u>-</u>	<u>11,161,826</u>
	<u>\$ 17,672,794</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,672,794</u>

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE G - AGENCY FUNDS

The financial effects of transactions related to Agency funds are recorded as changes in the Agency funds payable and are not included in the statements of activities. The changes in the liability for the years ended December 31, are as follows:

	<u>2024</u>	<u>2023</u>
Additions:		
Contributions	\$ 2,000	\$ -
Investment earnings (loss)	<u>55,684</u>	<u>77,277</u>
Total additions	<u>57,684</u>	<u>77,277</u>
Distributions:		
Grants	32,655	12,633
Investment and administrative fees	<u>-</u>	<u>-</u>
Total distributions	<u>32,655</u>	<u>12,633</u>
Change in balance	25,029	64,644
Balance in Agency funds, beginning of year	<u>559,625</u>	<u>494,981</u>
Balance in Agency funds, end of year	<u>\$ 584,654</u>	<u>\$ 559,625</u>

NOTE H - ENDOWMENTS

Fund agreements have been established by donors for a variety of purposes. The fund agreements determine whether the assets are endowed or unendowed. The endowed principal is defined as the fund's opening contribution plus all subsequent contributions. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation is subject to the Michigan Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Foundation's Board of Trustees has adopted UPMIFA as policy governing the accumulation and appropriation of endowment gifts. The Foundation's interpretation of 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.

NOTES TO FINANCIAL STATEMENTS - Continued

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 Foundation's agreements with donors include a variance provision, giving the Board of Trustees the power to vary the use of endowed funds if the purpose becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the area served by the Foundation. Based on these provisions, contributions received by the Foundation are reported as support without donor restrictions. 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, would be classified as net assets with donor restrictions pursuant to the provisions of UPMIFA.

Investment Policy

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 of 4-5% through diversification of endowment assets.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation 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 twelve quarters' average balance of the market value of the endowment ending September 30, with a 0-5% payout amount. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional growth through the endowment.

NOTES TO FINANCIAL STATEMENTS - Continued

Composition of and changes in endowment net assets for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Endowment net assets, beginning of year	\$ 10,901,691	\$ 9,480,005
Contributions	495,761	510,648
Net appreciation and investment income	1,273,062	1,595,607
Amounts appropriated for expenditure	(681,902)	(687,789)
Reclassification from non-endowed	<u>44,130</u>	<u>3,220</u>
Endowment net assets, end of year	<u>\$ 12,032,742</u>	<u>\$ 10,901,691</u>

Endowment net asset composition by type of funds as of December 31:

	<u>2024</u>	<u>2023</u>
Endowment Funds:		
Scholarships	\$ 7,233,677	\$ 6,667,866
Designated	2,432,246	2,180,084
Field of interest	1,655,531	1,454,569
Unrestricted	696,331	572,434
Build-a-fund	<u>14,957</u>	<u>26,738</u>
Total endowment funds	<u>\$ 12,032,742</u>	<u>\$ 10,901,691</u>

NOTE I - NET ASSETS

Net assets without donor restrictions as of December 31:

	<u>2024</u>	<u>2023</u>
Endowment funds	\$ 12,032,742	\$ 10,901,691
Non-endowed funds	6,610,708	6,924,491
Board designated	<u>450,786</u>	<u>399,054</u>
Total net assets	<u>\$ 19,094,236</u>	<u>\$ 18,225,236</u>

The board designated fund is the administrative fund that supports the Foundation's operations and leadership activities.

NOTE J - SUBSEQUENT EVENT

On June 4, 2025, the Foundation purchase an office building for \$400,000. The building is not debt-financed.