Community Foundation of the Holland/Zeeland Area

Consolidated Financial Report

December 31, 2019

Contents

Board and Staff

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Independent Auditor's Report

To the Board of Trustees
Community Foundation of the Holland/Zeeland Area

We have audited the accompanying consolidated financial statements of Community Foundation of the Holland/Zeeland Area (the "Foundation"), which comprise the consolidated balance sheet as of December 31, 2019 and 2018 and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Foundation of the Holland/Zeeland Area as of December 31, 2019 and 2018 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.

Plante & Moran, PLLC

April 29, 2020

Consolidated Balance Sheet

December 31, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	$ 6,460,109	$ 7,275,731
Investments (Notes 4 and 5)	84,471,568	65,467,536
Pledges receivable (Note 6)	2,029,662	1,881,433
Receivable for sale of noncash gift	-	6,000,000
Property and equipment - Net (Note 7)	759,225	816,330
Total assets	**$ 93,720,564**	**$ 81,441,030**
Liabilities and Net Assets		
Liabilities		
Accounts payable and other	$ 60,552	$ 38,309
Grants payable (Note 9)	1,081,689	1,074,276
Split-interest agreements payable	197,686	216,946
Funds held as agency - Founding funds (Note 13)	10,028,161	9,117,240
Total liabilities	11,368,088	10,446,771
Net Assets		
Without donor restrictions: (Note 10)		
Board designated (Note 11)	80,305,234	68,531,306
Noncontrolling interest	17,580	-
Total without donor restrictions	80,322,814	68,531,306
With donor restrictions (Note 10)	2,029,662	2,462,953
Total net assets	82,352,476	70,994,259
Total liabilities and net assets	**$ 93,720,564**	**$ 81,441,030**

Consolidated Statement of Activities and Changes in Net Assets

Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Contributions	$ 9,213,478	$ 1,439,881	$ 10,653,359	$ 16,746,660	$ 1,909,773	$ 18,656,433
In-kind donations and services	24,645	-	24,645	20,232	-	20,232
Special event and other revenue	229,121	-	229,121	193,669	-	193,669
Net realized and unrealized gains (losses) on investments	10,816,729	110,818	10,927,547	(4,308,372)	(37,528)	(4,345,900)
Investment income	1,226,245	-	1,226,245	684,935	-	684,935
Change in value of split-interest agreements	27,835	-	27,835	(2,130)	-	(2,130)
Net assets released from restrictions	1,983,990	(1,983,990)	-	1,225,924	(1,225,924)	-
Total revenue, gains, and other support	23,522,043	(433,291)	23,088,752	14,560,918	646,321	15,207,239
Expenses						
Program services:						
Grants	10,445,188	-	10,445,188	6,650,526	-	6,650,526
Program services	321,388	-	321,388	258,216	-	258,216
Fund-related program services	138,431	-	138,431	211,020	-	211,020
Total program services	10,905,007	-	10,905,007	7,119,762	-	7,119,762
Support services:						
Management and general	530,341	-	530,341	477,731	-	477,731
Fundraising	320,187	-	320,187	270,600	-	270,600
Total support services	850,528	-	850,528	748,331	-	748,331
Total expenses	11,755,535	-	11,755,535	7,868,093	-	7,868,093
Increase (Decrease) in Net Assets - Before other items	11,766,508	(433,291)	11,333,217	6,692,825	646,321	7,339,146
Other Items - Noncontrolling interest capital contribution to the Fund (Note 1)	25,000	-	25,000	-	-	-
Increase (Decrease) in Net Assets	11,791,508	(433,291)	11,358,217	6,692,825	646,321	7,339,146
Net Assets - Beginning of year	68,531,306	2,462,953	70,994,259	61,838,481	1,816,632	63,655,113
Net Assets - End of year	**$ 80,322,814**	**$ 2,029,662**	**$ 82,352,476**	**$ 68,531,306**	**$ 2,462,953**	**$ 70,994,259**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Increase in net assets	$ 11,358,217	$ 7,339,146
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation	58,959	69,105
Unrealized (gains) losses on investment	(10,927,547)	4,345,900
Change in value of split-interest agreements	5,136	22,307
Change in receivable for sale of noncash gift	6,000,000	(6,000,000)
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Pledges receivable	(148,229)	(720,029)
Grants payable	7,413	(344,882)
Accounts payable and other	22,243	(29,992)
Funds held as agency endowments	910,921	918,251
Net cash and cash equivalents provided by operating activities	7,287,113	5,599,806
Cash Flows from Investing Activities		
Purchase of capital assets	(1,854)	(91,583)
Purchase of investments	(21,958,108)	(7,300,765)
Proceeds from sales and maturities of investments	13,881,623	5,262,562
Net cash and cash equivalents used in investing activities	(8,078,339)	(2,129,786)
Cash Flows Used in Financing Activities - Payments on charitable gift annuities	(24,396)	(25,410)
Net (Decrease) Increase in Cash and Cash Equivalents	(815,622)	3,444,610
Cash and Cash Equivalents - Beginning of year	7,275,731	3,831,121
Cash and Cash Equivalents - End of year	**$ 6,460,109**	**$ 7,275,731**

See notes to consolidated financial statements.

Note 1 - Nature of Business

Community Foundation of the Holland/Zeeland Area (the "Foundation") is a public, nonprofit Michigan corporation organized exclusively for the purpose of receiving and administering funds for charitable, educational, and scientific purposes, as described in Section 501(c)(3) of the Internal Revenue Code, primarily in the communities of Holland and Zeeland and the surrounding areas. The mission of Community Foundation of the Holland/Zeeland Area is to create lasting positive change. The Foundation works to build a permanent community endowment that supports high-impact charitable projects. The Foundation helps donors achieve their charitable goals, and the Foundation leads and partners in community-level initiatives.

In 2019, the Foundation created the Holland/Zeeland Housing Pre-Development Fund, Inc. (the "Fund"). The Fund's main purpose is to increase the affordability of housing in the Holland/Zeeland area by increasing the supply of housing units across a variety of price points. The Fund will seek to achieve this objective while being committed to mixed income neighborhoods and developments, increasing housing choice, and ensuring that development patterns are compatible with local goals and objectives. The Fund will also seek to demonstrate that innovative and market-driven solutions are possible for addressing the local housing affordability issue. At December 31, 2019, the Foundation owned 75.6 percent of the Fund, and, therefore, the Fund is a consolidated subsidiary of the Foundation. The remaining 24.4 percent of the Fund is reflected as noncontrolling interest in net assets without donor restrictions.

Note 2 - Significant Accounting Policies

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

Principles of Consolidation

The consolidated financial statements include the accounts of the Foundation and its majority-owned subsidiary. All material intercompany accounts and transactions have been eliminated in consolidation.

Cash Equivalents

The Foundation considers all investments with an original maturity of three months or less when purchased to be cash equivalents. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of interest-bearing checking accounts, a petty cash fund, money market accounts, and savings bonds.

Concentration of Credit Risk

The Foundation maintains cash balances in bank deposit accounts, which at times may exceed federally insured limits. As of December 31, 2019 and 2018, the Foundation had $3,278,223 and $6,014,967, respectively, in uninsured deposits.

Investments

Investments in equity securities and mutual funds are stated at current market values. Unrealized gains or losses from changes in the market value of investments and realized gains and losses on the sale of investments are included in the consolidated statement of activities and changes in net assets. Investments in hedge funds, certain equity funds, and private equity funds, which are not readily marketable, are carried at estimated fair values, as provided by the various investment managers, adjusted for additional investments into the funds or withdrawals from the funds. The Foundation reviews and evaluates the values provided by the investment managers and agrees with the valuation methods used and significant assumptions used in determining fair value. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

Note 2 - Significant Accounting Policies (Continued)

Risks and Uncertainties

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

Receivable for Sale of Noncash Gift

The Foundation entered into an agreement to sell a noncash gift in December 2018. The cash proceeds were received in January 2019.

Capital Assets

Capital assets are stated at their estimated market values at the date donated or at cost, if purchased. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 25 years.

Grants and Scholarships

Grants and scholarships are charged to operations and recognized as liabilities when authorized by the board of trustees.

Split-interest Agreements

The Foundation is a remainder beneficiary of several charitable annuity and unitrusts. Required distributions to other beneficiaries range from $510 to $17,106, as defined by each agreement. The discount rates used to calculate the present value range from 5.0 percent to 7.6 percent.

Classification of Net Assets

The Foundation reports information regarding its financial position and activities according to two classes of net assets:

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

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions may be perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. If a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as without donor restrictions (see Note 10 for further classification of net assets with donor restrictions).

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

Note 2 - Significant Accounting Policies (Continued)

Community Foundation Classification of Net Assets without Donor Restrictions

The bylaws of Community Foundation of the Holland/Zeeland Area include a variance provision and powers of modification, giving the board of trustees the power to vary the use of funds. The Foundation is governed subject to its articles of incorporation and bylaws and further by its adopted investment policy, as well as individual gift instruments and agreements. Although the Foundation's mission is to build endowed assets, the Foundation has the ability, as stated in its articles of incorporation, to distribute all or any part of its net income, principal, or property, in accordance with determination made by the Foundation's board of trustees, for the purpose set forth in its restated articles of incorporation. As a result of the ability to distribute corpus, all contributions not classified as with donor restrictions are classified as net assets without donor restrictions for financial statement purposes.

Based on these provisions, most contributions received by the Foundation are reported as support without donor restrictions (see Note 10 for further classification of net assets without donor restrictions).

The Foundation maintains separate accounting records for each of the individual established funds, which are classified as net assets without donor restrictions.

Contributions

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows. Contributions resulting from split-interest agreements, measured at the time the agreements are entered into, are based on the difference between the fair value of the assets received or promised and the present value of the obligation to the third-party recipients under the contract.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the period the gift is received are both reported as unrestricted support. Other restricted gifts are reported as support with donor restrictions.

Authoritative guidance provides that, if the governing body of an organization has the ability to remove a donor restriction (i.e., variance power), the contribution should be classified as unrestricted. To ensure tax deductibility of donors' gifts, the Foundation is required by the Internal Revenue Service to exercise final discretion concerning expenditures from its funds. Accordingly, all contributions over which the Foundation exercises control are classified as unrestricted activity; however, if the donor has indicated a desire to support a particular area of interest or organization, the Foundation may designate the contribution for that use.

The Foundation solicits a variety of contributions to fund its grants, including donor-advised funds. Donor-advised funds allow for the donor to recommend distributions to foundation beneficiaries or other charitable organizations approved by the Foundation. Although the Foundation generally fulfills the donor's recommendation, use of donor-advised funds is subject to approval by the Foundation's board, and donor-advised funds are, therefore, considered unrestricted contributions when received.

Fund-related Program Services

Included in program services are fund-related program services. These expenses are primarily made up of fiscal sponsorships that vary from year to year. Through fiscal sponsorships, the Foundation agrees to provide administrative and financial services to the activities of groups or individuals engaged in work that furthers the Foundation’s mission. Expenditures dedicated for fiscal project purposes require that an equal amount of revenue has been received in current or prior years. Such revenue is included in contribution revenue for the years ended December 31, 2019 and 2018.

Note 2 - Significant Accounting Policies (Continued)

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in Note 12. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses required allocation on a reasonable basis that is consistently applied. Salaries and related expenses are allocated on the basis of time and effort. Expenses deemed to be indirect to employee work, such as professional services, depreciation, insurance, and supplies, are considered to be all management and general expenses. Other expenses utilized by all employees, such as occupancy, utilities, and training, are also allocated on the basis of time and effort. Costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Income Taxes

The Internal Revenue Service has ruled that the Foundation is a public charity and operates as a 501(c)(3), as described in Section 509(a)(1) of the Internal Revenue Code. Consequently, the Foundation is exempt from federal income tax and certain excise taxes imposed on private foundations.

The Fund is organized as a C corporation. The Fund is subject to federal income taxes. A current tax liability or asset is recognized for the estimated taxes payable or refundable on tax returns for each year. Deferred tax liabilities or assets are recognized for estimated future tax effects of temporary differences between financial reporting and tax accounting and operating loss and tax credit carryforwards. As of December 31, 2019 the amounts were insignificant. The Fund was created in 2019; therefore, no amounts are reported for 2018.

As of December 31, 2019, the Foundation and subsidiary's unrecognized tax benefits were not significant. There were no significant penalties or interest recognized during the year or accrued at year end.

Retirement Plan

The Foundation has a simplified employee benefit plan that covers all of its employees. The plan allows for salary deferrals, and the Foundation makes matching contributions up to 3 percent of eligible compensation. Contributions to the plan for the years ended December 31, 2019 and 2018 were $17,970 and $15,086, respectively.

Use of Estimates

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

Adoption of a New Accounting Pronouncement

As of January 1, 2019, the Foundation adopted Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made,* which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The Foundation has analyzed the impact of the accounting standard and concluded there was no impact on the timing of revenue recognition of foundation and individual grants and contributions.

Note 2 - Significant Accounting Policies (Continued)

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including April 29, 2020, which is the date the financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations. As of the date of issuance of the financial statements, the fair value of the Foundation's investment portfolio has declined by approximately 12 percent, consistent with the general decline in financial markets as a result of the COVID-19 pandemic. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. No impairments were recorded as of the consolidated balance sheet date; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while the Foundation's results of operations, cash flows, and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

Note 3 - Liquidity and Availability of Resources

The Foundation's financial assets available within one year of December 31 for general expenditure are as follows:

	2019	2018
Cash and cash equivalents	$ 6,387,963	$ 7,275,731
Short-term pledges receivable	1,870,561	1,317,888
Receivable for sale of noncash gift	-	6,000,000
Short-term investments	70,808,994	54,490,861
Total	$ 79,067,518	$ 69,084,480

None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the consolidated balance sheet date.

The assets above include approximately $36,900,000 and $34,600,000 in nonendowed funds (described in Note 11), including agency reserve assets, as of December 31, 2019 and 2018, respectively. The Foundation generally uses these assets for grantmaking based on donor and agency recommendations, first accessing dollars available in cash. The Foundation invests all cash in money market bank account funds, except for $124,000, which is held in savings bonds as of December 31, 2019 and 2018.

The Foundation's endowments are subject to a 5 percent spending rate (described in Note 11), which appropriates $3,400,000 for the 12 months following December 31, 2019. Although the Foundation does not intend to spend from the principal of endowed funds (other than amounts appropriated per the board's annual spending rate approval), these amounts could be made available, if necessary. However, the board-designated endowments contain investments with lock-up provisions that reduce the total investments that could be made available (see Note 5 for disclosures about investments).

The Foundation also realizes there could be unanticipated liquidity needs.

Note 4 - Investments

The details of the Foundation's investments at fair value at December 31 are as follows:

	2019	2018
Money market mutual funds	$ 1,377,003	$ 380,982
Equity mutual funds	41,061,825	30,573,672
Equity funds	3,748,900	3,123,551
Fixed-income mutual funds	6,994,008	6,312,312
Funds held at net asset value	27,016,325	21,598,775
Global REITs	4,247,766	3,478,244
Other marketable securities	25,741	-
Total	$ 84,471,568	$ 65,467,536

Note 5 - Fair Value Measurements

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

The following tables present information about the Foundation's assets measured at fair value on a recurring basis at December 31, 2019 and 2018 and the valuation techniques used by the Foundation to determine those fair values.

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

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

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

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

Note 5 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2019				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	Balance at December 31, 2019
Assets - Investments:					
Money market funds	$ 1,377,003	$ -	$ -	$ -	$ 1,377,003
Domestic equity funds	37,065,549	-	-	-	37,065,549
Non-U.S. developed equity funds	7,745,176	-	-	3,307,797	11,052,973
Emerging markets equity funds	-	-	-	3,285,695	3,285,695
U.S. treasuries fixed income	6,978,456	-	-	-	6,978,456
Global fixed-income funds	15,553	-	-	6,739,220	6,754,773
Diversified hedge funds	-	-	-	6,130,299	6,130,299
Distressed credit hedge funds	-	-	-	2,603,035	2,603,035
Private equity	-	-	-	4,950,278	4,950,278
Global REITs	20,666	4,227,100	-	-	4,247,766
Other marketable securities	25,741	-	-	-	25,741
Total assets	$ 53,228,144	$ 4,227,100	$ -	$ 27,016,324	$ 84,471,568

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2018				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	Balance at December 31, 2018
Assets - Investments:					
Money market funds	$ 380,983	$ -	$ -	$ -	$ 380,983
Domestic equity funds	28,165,466	-	-	-	28,165,466
Non-U.S. developed equity funds	5,531,756	-	-	2,755,038	8,286,794
Emerging markets equity funds	-	-	-	2,456,441	2,456,441
U.S treasuries fixed income	6,294,960	-	-	-	6,294,960
Global fixed-income funds	17,352	-	-	6,098,622	6,115,974
Diversified hedge funds	-	-	-	5,403,752	5,403,752
Distressed credit hedge funds	-	-	-	1,422,005	1,422,005
Private equity	-	-	-	3,462,917	3,462,917
Global REITs	16,781	3,461,463	-	-	3,478,244
Total assets	$ 40,407,298	$ 3,461,463	$ -	$ 21,598,775	$ 65,467,536

The fair value of global real estate investment trusts (REITs) at December 31, 2019 and 2018 was determined primarily based on Level 2 inputs. The Foundation estimates the fair value of these investments using quoted prices from similar funds and underlying assets.

Investments in Entities that Calculate Net Asset Value per Share

The Foundation holds shares or interests in investment companies at year end whereby the fair value of the investment held is estimated based on the net asset value per share (or its equivalent) of the investment companies as a practical expedient.

Note 5 - Fair Value Measurements (Continued)

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

	Investments Held at December 31, 2019			
	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Non-U.S. developed equity funds (a)	$ 3,307,797	$ -	Monthly	10 days
Emerging markets equity funds (b)	3,285,695	-	Daily	7 days
Global fixed-income funds (c)	6,739,220	-	Monthly	10 days
Diversified hedge funds (d)	6,130,299	-	Quarterly	65 days
Distressed credit hedge funds (e)	2,603,035	-	Annually	90 days
Private equity (f)	4,950,278	7,086,220	N/A	N/A
Total	$ 27,016,324	$ 7,086,220		

	Investments Held at December 31, 2018			
	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Non-U.S. developed equity funds (a)	$ 2,755,038	$ -	Monthly	10 days
Emerging markets equity funds (b)	2,456,441	-	Daily	7 days
Global fixed-income funds (c)	6,098,622	-	Monthly	10 days
Diversified hedge funds (d)	5,403,752	-	Quarterly	65 days
Distressed credit hedge funds (e)	1,422,005	-	Annually	90 days
Private equity (f)	3,462,917	6,244,772	N/A	N/A
Total	$ 21,598,775	$ 6,244,772		

(a) Non-U.S. developed equity funds seek to invest in companies believed have to have discounted future profits that are attractive relative to their current stock prices. Portfolio construction begins with an initial screening of stocks based on a variety of value and growth measures. Fundamental and business analysis is then conducted, emphasizing quality with a particular focus on assessing competitive position, management's past track record and experience, underlying industry growth, and capitalization. The typical holding period is three to five years. Exposure to emerging markets is capped at 20 percent.

(b) Emerging markets equity funds utilize a bottom-up investment process that seeks to own high-quality companies that can sustain long-term earnings growth and are available at reasonable valuations. They look for companies that have an understandable business strategy, sound accounting principles, limited need for capital, a strong and defensible franchise, and a high-quality management team. Portfolio diversification is driven by the bottom-up investment process, which has historically led to varying portfolio characteristics relative to the MSCI Emerging Markets benchmark.

(c) Global fixed-income funds seek to construct a portfolio consisting only of sovereign bonds and domestic high-yield bonds. The primary valuation tool used for sovereign bonds is real yields, which are defined as a given country's benchmark bond issue less forecasted inflation for the country. Domestic high-yield bonds use a research-intensive process with a goal of gauging credit risk and avoiding deteriorating credits and/or defaults. Portfolios are built from the bottom up, and analysts conduct a sensitivity analysis on the key factors that they believe impact cash flows.

Note 5 - Fair Value Measurements (Continued)

(d) Diversified hedge funds seek to generate equity-like returns with bond-like volatility employing multiple strategies (average allocation 50 percent long/short equity, 20 percent event-driven, 20 percent relative value, and 10 percent global asset allocation). The fund will typically be made up of 15-30 managers, and the aim is for no single fund to account for more than 15 percent of capital.

(e) Distressed credit hedge funds seek to achieve superior absolute returns and solid downside protection by investing in nonperforming and underperforming corporate, consumer, and real estate loans, structured products, high-yield debt, and certain equity securities and derivatives primarily in the U.S. and Europe. The vast majority of the portfolio is in long positions, which are typically well diversified by asset type, industry, and geography. The only constraint on the fund is that it has a 30 percent maximum on private investments.

(f) Private equity is generally defined as capital invested in a private company through a negotiated process. A private equity program seeks the highest return and growth opportunities that capture market inefficiencies through active management in the private markets. The objective of the private equity program is to generate net of fee returns that exceed the total return of public equity markets by at least 3 percent (illiquidity premium) over a 10-year period.

Note 6 - Pledges Receivable

Pledges receivable consist of unconditional promises to give.

Pledges outstanding at December 31, 2019 and 2018 are expected to be collected as follows:

	2019	2018
Receivables due in less than one year	$ 1,870,562	$ 1,317,888
Receivables due in one to five years	165,837	601,433
Less allowance for net present value discount	(6,737)	(37,888)
Net pledges receivable	$ 2,029,662	$ 1,881,433

Note 7 - Property and Equipment

Property and equipment are summarized as follows:

	2019	2018
Buildings and improvements	$ 887,107	$ 887,107
Furniture and fixtures	323,765	323,011
Total cost	1,210,872	1,210,118
Accumulated depreciation	451,647	393,788
Net property and equipment	$ 759,225	$ 816,330

Depreciation expense for 2019 and 2018 was $58,959 and $69,105, respectively.

Note 8 - Lease Commitments

The Foundation leases a copier under a 60-month operating lease, expiring in August 2020, and a postage machine under a 51-month operating lease, expiring in March 2021. The future minimum lease payments under the leases are as follows:

Years Ending	Amount
2020	$ 2,467
2021	448
Total	$ 2,915

Rent expense for 2019 and 2018 was $3,172 and $2,968, respectively.

Note 9 - Grants Payable

At December 31, 2019, the board of trustees has authorized certain grants to be paid in future periods. Total commitments are payable as follows:

Years Ending December 31	Amount
2020	$ 604,835
2021	276,643
2022	145,962
2023	50,717
2024	3,532
Total	$ 1,081,689

Note 10 - Net Assets

Net assets without donor restrictions consist of the following as of December 31:

	2019	2018
Board-designated net assets:		
Named and community's endowment fund	$ 14,391,470	$ 12,239,593
Donor advised	31,131,871	25,719,635
Project - Board advised (fiscal sponsorships)	1,091,551	3,246,021
Field of interest	7,817,447	6,558,442
Scholarships	8,467,682	7,073,692
Charitable trusts and annuities	264,209	234,242
Donor-designated and nonprofit endowments	17,141,004	13,459,681
Total board designated	80,305,234	68,531,306
Noncontrolling interest	17,580	-
Total net assets without restrictions	$ 80,322,814	$ 68,531,306

Net assets with donor restrictions as of December 31 are available for the following purposes:

	2019	2018
MSU Bioeconomy Fund	$ -	$ 581,520
Time restricted	2,029,662	1,881,433
Total net assets with donor restrictions	$ 2,029,662	$ 2,462,953

Note 11 - Board-designated Endowment Net Assets

The Foundation's endowment includes funds designated by the board of trustees to function as endowments, which represent donor-endowed funds (subjected to variance power described in Note 2) included in net assets without donor restrictions. The remainder of net assets without donor restrictions are denoted as nonendowed funds. The nonendowed funds are board-designated net assets, but not subject to the spending policy or the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The board of trustees of the Foundation had interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to a donor endowed fund. As a result of this interpretation, when reviewing its board-designated endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate board-designated endowment funds:

- The duration and preservation of the fund
- The purpose of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

	Changes in Net Assets without Donor Restrictions for the Fiscal Year Ended December 31, 2019		
	Endowed	Nonendowed	Total
Board endowments - Beginning of year	$ 42,555,147	$ 25,976,159	$ 68,531,306
Investment return:			
Investment return - Net appreciation (realized and unrealized)	8,098,431	3,921,142	12,019,573
Contributions and other revenue	1,097,825	8,402,733	9,500,558
Appropriation of endowment assets for expenditure	(2,159,030)	(9,571,229)	(11,730,259)
Other changes - Transfers from board endowment funds	1,012,126	971,930	1,984,056
Board endowments - End of year	$ 50,604,499	$ 29,700,735	$ 80,305,234

Note 11 - Board-designated Endowment Net Assets (Continued)

	Changes in Net Assets without Donor Restrictions for the Fiscal Year Ended December 31, 2018		
	Endowed	Nonendowed	Total
Board endowments - Beginning of year	$ 45,528,194	$ 16,310,287	$ 61,838,481
Investment return:			
Investment return - Net depreciation (realized and unrealized)	(2,652,460)	(970,977)	(3,623,437)
Contributions and other revenue	1,704,884	15,253,547	16,958,431
Appropriation of endowment assets for expenditure	(2,374,629)	(5,493,465)	(7,868,094)
Other changes - Transfers from board endowment funds	349,158	876,767	1,225,925
Board endowments - End of year	$ 42,555,147	$ 25,976,159	$ 68,531,306

Funds with Deficiencies

As of December 31, 2019 and 2018, there were no funds with deficiencies.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period, as well as board-designated funds. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the Consumer Price Index plus 5 percent on an annual basis. The 5 percent premium shall reflect the average annual spending policy. Total net return shall include interest, dividends, and the change in the capital value of the investments after all management and custodial fees have been deducted. 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 targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Given the long-term historical returns on various asset classes, expectations for the future, and the demonstrated ability of some professional managers to add incremental return above-market averages, the Foundation will accomplish its objectives by annually spending no more than 5 percent of the average market value of the fund over 12 quarters, subject to the gift instrument, calculation method, or additional spending limits set forth below. The allocation for this 5 percent shall consist of the applicable fee according to the then-current administrative fee schedule (or as stated in the gift instrument) and the remaining percentage for spending.

In order to be able to predict support and minimize the effect caused by volatility of returns, 4 percent (or 5 percent less the appropriate administrative fee) of the prior 12 quarters' average market value shall be used in determining annual spending allocations, calculated on a fund-by-fund basis. The formula shall be applied to the prior 12 quarters ending on each September 30.

Note 11 - Board-designated Endowment Net Assets (Continued)

Funds with less than 12 quarters of history, but with 4 or more quarters, will be eligible for spending based on market performance, fund balance, and the objectives of the particular fund, with a goal of balancing consistent granting that meets with donor intent and principal preservation to sustain the endowed nature of the fund. The calculation shall consist of the applicable spending percentage applied to the average market value of the fund over the actual quarters it has been in existence.

Funds with less than four quarters of history may set aside additional nonendowed dollars designated for current or future year spending or will be allowed to make distributions the following year by applying a reduced spending rate based on the actual number of quarters in existence prior to the September 30 calculation date (i.e., one quarter of existence would use a 1 percent spending rate, two quarters of existence would use a 2 percent spending rate, and three quarters would use a 3 percent rate).

Distributions for all fund types will be made in accordance with the individual fund agreements or policies or procedures then in effect for funds of that type.

Note 12 - Expenses by Nature and Function

Expense detail for December 31, 2019 is as follows:

	Program Services	Management and General	Fundraising	Total
Grants	$ 10,445,188	$ -	$ -	$ 10,445,188
Fund-related program services	138,431	-	-	138,431
Compensation and benefits	256,912	285,577	176,711	719,200
Occupancy	10,605	70,747	7,294	88,646
Professional services	-	101,748	-	101,748
Supplies, subscriptions, and fees	-	31,731	-	31,731
Staff development	10,071	11,195	6,927	28,193
Marketing and advertising	8,524	16,663	28,538	53,725
Events and meetings	35,276	2,680	100,717	138,673
Management fees	-	10,000	-	10,000
Total	$ 10,905,007	$ 530,341	$ 320,187	$ 11,755,535

Expense detail for December 31, 2018 is as follows:

	Program Services	Management and General	Fundraising	Total
Grants	$ 6,650,526	$ -	$ -	$ 6,650,526
Fund-related program services	211,020	-	-	211,020
Compensation and benefits	204,116	240,514	139,684	584,314
Occupancy	10,084	80,987	6,901	97,972
Professional services	-	90,253	-	90,253
Supplies, subscriptions, and fees	-	37,080	-	37,080
Staff development	7,802	9,193	5,339	22,334
Marketing and advertising	6,961	17,144	33,173	57,278
Events and meetings	29,253	2,560	85,503	117,316
Total	$ 7,119,762	$ 477,731	$ 270,600	$ 7,868,093

Note 13 - Funds Held as Agency - Founding Funds

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 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.

The Foundation maintains variance power and legal ownership of agency funds and, as such, continues to report the funds as assets of the Foundation. 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 that may be made to NPOs.

The following table summarizes activity in such funds:

	2019	2018
Funds held as agency - Beginning of year	$ 9,117,240	$ 8,198,989
Gifts, memorials, and bequests	2,643,536	2,029,669
Investment income (loss)	1,495,738	(603,283)
Grants and administrative expenses	(3,228,353)	(508,135)
Funds held as agency - End of year	$ 10,028,161	$ 9,117,240