
Community Foundation of the Holland/Zeeland
Area

Consolidated Financial Report
December 31, 2021

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Board and Staff

Officers

Chair, Chair – Scholarship – Deborah Sterken
Chair-elect, Chair – Audit – Diane Kooiker
Secretary – Tom Den Herder
Treasurer – Mark Harder
Past Chair – Jim Bishop
President/CEO – Mike Goorhouse

Trustees

Chair – Governance – Jim Bishop
Chair – Audit – Diane Kooiker
Chair – Investment – Jim Wiersma
Chair – Development – Mark Harder
Chair – Distribution – Leslie Brown
Chair – PRI – Bret Docter
Chair – Scholarship – Deborah Sterken
Chair – YAC – Lydia Steeby, Youth Trustee

Staff

President/CEO – Mike Goorhouse
Vice President of Community Impact/People and Culture – Elizabeth E. Kidd
Vice President of Development and Donor Services – Colleen Hill
Director of Finance – Rob Arnold
Director of Community Impact – Yah-Hanna Jenkins Leys
Director of Scholarships – Stacy Timmerman
Program Officer / College Success Coach – Yadah Ramirez
Communications Associate – Ellie Davis
Donor Services Associate – Sydney Santa Ana
Finance Associate – Barb Widener
Administrative Assistant – Beth Powers

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Community Foundation of the Holland/Zeeland Area (the "Foundation"), which comprise the consolidated balance sheet as of December 31, 2021 and 2020 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Consolidated Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 audits conducted in accordance with GAAS 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 consolidated financial statements.

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

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audits 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 consolidated 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Plante & Moran, PLLC

May 5, 2022

Community Foundation of the Holland/Zeeland Area

Consolidated Balance Sheet

December 31, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 9,385,398	\$ 6,164,316
Investments (Notes 4 and 5)	108,629,375	94,867,089
Pledges receivable (Note 6)	1,003,130	1,078,567
Loans and notes receivable	142,500	-
Property and equipment - Net (Note 7)	719,341	738,865
	<u>719,341</u>	<u>738,865</u>
Total assets	<u>\$ 119,879,744</u>	<u>\$ 102,848,837</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and other	\$ 194,518	\$ 276,391
Grants payable (Note 9)	592,724	792,214
Split-interest agreements payable	206,111	193,671
Funds held as agency - Founding funds (Note 13)	13,161,768	11,148,061
	<u>13,161,768</u>	<u>11,148,061</u>
Total liabilities	14,155,121	12,410,337
Net Assets		
Without donor restrictions: (Note 10)		
Board designated (Note 11)	104,712,690	89,345,945
Noncontrolling interest	10,303	13,988
	<u>104,722,993</u>	<u>89,359,933</u>
Total without donor restrictions	104,722,993	89,359,933
With donor restrictions (Note 10)	1,001,630	1,078,567
	<u>1,001,630</u>	<u>1,078,567</u>
Total net assets	105,724,623	90,438,500
	<u>105,724,623</u>	<u>90,438,500</u>
Total liabilities and net assets	<u>\$ 119,879,744</u>	<u>\$ 102,848,837</u>

Community Foundation of the Holland/Zeeland Area

Consolidated Statement of Activities and Changes in Net Assets

Years Ended December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Contributions	\$ 12,658,033	\$ 789,804	\$ 13,447,837	\$ 8,572,908	\$ 413,279	\$ 8,986,187
In-kind donations and services	25,475	-	25,475	4,962	-	4,962
Special event and other revenue	367,846	-	367,846	80,579	-	80,579
Net realized and unrealized gains on investments	12,243,181	-	12,243,181	8,561,651	-	8,561,651
Investment income	1,070,907	-	1,070,907	862,548	-	862,548
Change in value of split-interest agreements	(32,226)	-	(32,226)	(7,244)	-	(7,244)
Net assets released from restrictions	866,741	(866,741)	-	1,364,374	(1,364,374)	-
Total revenue, gains, and other support	27,199,957	(76,937)	27,123,020	19,439,778	(951,095)	18,488,683
Expenses						
Program services:						
Grants	10,489,687	-	10,489,687	9,325,588	-	9,325,588
Program services	456,349	-	456,349	322,625	-	322,625
Fund-related program services	142,801	-	142,801	113,706	-	113,706
Total program services	11,088,837	-	11,088,837	9,761,919	-	9,761,919
Support services:						
Management and general	469,312	-	469,312	485,296	-	485,296
Fundraising	278,748	-	278,748	155,444	-	155,444
Total support services	748,060	-	748,060	640,740	-	640,740
Total expenses	11,836,897	-	11,836,897	10,402,659	-	10,402,659
Increase (Decrease) in Net Assets	15,363,060	(76,937)	15,286,123	9,037,119	(951,095)	8,086,024
Net Assets - Beginning of year	89,359,933	1,078,567	90,438,500	80,322,814	2,029,662	82,352,476
Net Assets - End of year	\$ 104,722,993	\$ 1,001,630	\$ 105,724,623	\$ 89,359,933	\$ 1,078,567	\$ 90,438,500

Community Foundation of the Holland/Zeeland Area

Consolidated Statement of Cash Flows

Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Increase in net assets	\$ 15,286,123	\$ 8,086,024
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation	28,300	36,109
Unrealized gains on investment	(12,243,181)	(8,561,651)
Change in value of split-interest agreements	19,729	3,274
Loss on sale of property and equipment	296	722
Forgiveness of Paycheck Protection Program loan	(127,174)	-
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Pledges receivable	75,437	951,095
Grants payable	(199,490)	(289,475)
Accounts payable and other	45,301	215,839
Funds held as agency endowments	2,013,707	1,119,900
Net cash and cash equivalents provided by operating activities	4,899,048	1,561,837
Cash Flows from Investing Activities		
Purchase of capital assets	(9,072)	(16,471)
Purchase of investments	(37,790,505)	(48,233,008)
Proceeds from sales and maturities of investments	36,271,400	46,399,138
Issuance of notes receivable	(142,500)	-
Net cash and cash equivalents used in investing activities	(1,670,677)	(1,850,341)
Cash Flows Used in Financing Activities - Payments on charitable gift annuities	(7,289)	(7,289)
Net Increase (Decrease) in Cash and Cash Equivalents	3,221,082	(295,793)
Cash and Cash Equivalents - Beginning of year	6,164,316	6,460,109
Cash and Cash Equivalents - End of year	\$ 9,385,398	\$ 6,164,316

Community Foundation of the Holland/Zeeland Area

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

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, 2021 and 2020, 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 that at times may exceed federally insured limits. As of December 31, 2021 and 2020, the Foundation had \$3,648,146 and \$2,489,907, 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.

Property and Equipment

Property and equipment 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 \$2,900, 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, where 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.

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).

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Note 2 - Significant Accounting Policies (Continued)

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 in which 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, 2021 and 2020.

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 require 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 program and support services based on estimates determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Note 2 - Significant Accounting Policies (Continued)

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, 2021 and 2020, the amounts were insignificant.

As of December 31, 2021 and 2020, 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, 2021 and 2020 were \$21,003 and \$18,328, respectively.

Indirect Guarantees

In 2020, as a response to the COVID-19 pandemic, the Foundation started a program to guarantee bank debt for certain organizations in need. The initial program was for up to \$2,000,000 in guarantees provided by the Foundation. As of December 31, 2021, there were 8 participating organizations in the program, with an amount guaranteed by the Foundation of \$1,700,000 through June 2023. As of December 31, 2021, 2 organizations had an outstanding balance on the debt borrowed with a total balance of \$220,000. As of December 31, 2020, there were 12 participating organizations in the program, with an amount guaranteed by the Foundation of \$1,590,000 through June 2023. As of December 31, 2020, 2 organizations had an outstanding balance on the debt borrowed with a total balance of \$255,000. Based on a risk analysis, the Foundation estimates it may be required to make a payment under the guarantee and has accrued a liability in the amount of approximately \$49,000 and \$103,000 as of December 31, 2021 and 2020, respectively. In 2021, one line of credit was converted from a \$200,000 line of credit guarantee for operations to a \$600,000 program-specific line of credit guarantee.

Note Receivable

In January 2021, the Foundation entered into a revolving line of credit agreement with a nonprofit corporation. The line has an available balance of \$250,000, with interest accruing at a fixed rate of 1.00 percent through maturity in January 2026 and 5.00 percent thereafter. There are no required principal and interest payments until the maturity date. As of December 31, 2021, there was an outstanding principal balance of \$142,500 on the line of credit recorded.

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.

Community Foundation of the Holland/Zeeland Area

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Note 2 - Significant Accounting Policies (Continued)

Reclassification

Certain 2020 amounts have been reclassified to conform to the 2021 presentation. These reclassifications had no effect on the consolidated balance sheet. An adjustment has been made to the consolidated statement of activities and changes in net assets for the year ended December 31, 2020 to eliminate interfund grants and contributions.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including May 5, 2022, which is the date the financial statements were available to be issued.

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:

	2021	2020
Cash and cash equivalents	\$ 9,343,087	\$ 6,106,895
Short-term pledges receivable	978,228	1,002,204
Short-term investments	80,948,795	83,651,938
Total	<u>\$ 91,270,110</u>	<u>\$ 90,761,037</u>

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 \$46,700,000 and \$40,300,000 in nonendowed funds (described in Note 11), including agency reserve assets, as of December 31, 2021 and 2020, respectively. The Foundation generally uses these assets for grant-making 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 \$99,000 and \$124,000, which are held in savings bonds as of December 31, 2021 and 2020, respectively.

The Foundation's endowments are subject to a 5 percent spending rate (described in Note 11), which appropriates \$4,700,000 for the 12 months following December 31, 2021. 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 lockup 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.

Community Foundation of the Holland/Zeeland Area

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Note 4 - Investments

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

	2021	2020
Money market mutual funds	\$ 1,215,995	\$ 1,290,407
Equity mutual funds	47,755,457	38,674,300
Equity funds	2,462,927	2,808,378
Fixed-income mutual funds	14,730,693	16,142,694
Funds held at net asset value	37,311,275	31,826,595
Global REITs	4,995,211	3,926,412
Other marketable securities	157,817	198,303
Total	<u>\$ 108,629,375</u>	<u>\$ 94,867,089</u>

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, 2021 and 2020 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 where 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.

Community Foundation of the Holland/Zeeland Area

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Note 5 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at December 31, 2021					
	Quoted Prices in			Net Asset Value	Balance at December 31, 2021
	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Assets - Investments:					
Money market mutual funds	\$ 1,215,995	\$ -	\$ -	\$ -	\$ 1,215,995
Domestic equity funds	33,829,079	-	-	-	33,829,079
Non-U.S. developed equity funds	9,913,300	-	-	-	9,913,300
Emerging markets equity funds	-	-	-	4,323,637	4,323,637
U.S. Treasury fixed income	14,730,693	-	-	-	14,730,693
Global equity funds	6,476,005	-	-	5,307,059	11,783,064
Diversified hedge funds	-	-	-	8,054,600	8,054,600
Distressed credit hedge funds	-	-	-	2,875,626	2,875,626
Private equity	-	-	-	13,993,317	13,993,317
Global REITs	39,234	4,955,977	-	-	4,995,211
Private real assets	-	-	-	287,848	287,848
Credit opportunity fund	-	-	-	261,049	261,049
Collective investment	-	-	-	2,208,145	2,208,145
Other marketable securities	157,811	-	-	-	157,811
Total assets	\$ 66,362,117	\$ 4,955,977	\$ -	\$ 37,311,281	\$ 108,629,375
Assets Measured at Fair Value on a Recurring Basis at December 31, 2020					
	Quoted Prices in			Net Asset Value	Balance at December 31, 2020
	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Assets - Investments:					
Money market mutual funds	\$ 1,290,407	\$ -	\$ -	\$ -	\$ 1,290,407
Domestic equity funds	29,740,402	-	-	-	29,740,402
Non-U.S. developed equity funds	6,057,689	-	-	3,346,157	9,403,846
Emerging markets equity funds	-	-	-	4,394,341	4,394,341
U.S. Treasury fixed income	16,142,694	-	-	-	16,142,694
Global fixed-income funds	5,684,586	-	-	5,241,429	10,926,015
Diversified hedge funds	-	-	-	7,629,511	7,629,511
Distressed credit hedge funds	-	-	-	2,666,387	2,666,387
Private equity	-	-	-	8,548,771	8,548,771
Note receivable	31,973	3,894,439	-	-	3,926,412
Other marketable securities	198,303	-	-	-	198,303
Total assets	\$ 59,146,054	\$ 3,894,439	\$ -	\$ 31,826,596	\$ 94,867,089

The fair value of global real estate investment trusts (REITs) at December 31, 2021 and 2020 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.

Community Foundation of the Holland/Zeeland Area

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Note 5 - Fair Value Measurements (Continued)

Investments in Entities that Calculate Net Asset Value per Share

The Foundation holds shares or interests in investment companies at year end where 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.

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

Investments Held at December 31, 2021				
	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Emerging markets equity funds (b)	\$ 4,323,637	\$ -	Daily	7 days
Global equity funds (c)	5,307,059	-	Monthly	10 days
Diversified hedge funds (e)	8,054,600	-	Quarterly	65 days
Distressed credit hedge funds (f)	5,083,771	-	Annually	90 days
Private equity (g)	12,586,517	7,536,012	N/A	N/A
Private debt (i)	1,667,849	1,904,759	N/A	N/A
Private real assets (h)	287,848	1,256,250	N/A	N/A
Total	\$ 37,311,281	\$ 10,697,021		

Investments Held at December 31, 2020				
	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Non-U.S. developed equity funds (a)	\$ 3,346,157	\$ -	Monthly	10 days
Emerging markets equity funds (b)	4,394,341	-	Daily	7 days
Global fixed-income funds (d)	5,241,429	-	Monthly	10 days
Diversified hedge funds (e)	7,629,511	-	Quarterly	65 days
Distressed credit hedge funds (f)	2,666,387	-	Annually	90 days
Private equity (g)	8,548,771	6,338,042	N/A	N/A
Total	\$ 31,826,596	\$ 6,338,042		

(a) Non-U.S. developed funds invest in publicly traded equities of major developed nations primarily in the Asia-Pacific and Europe. Non-U.S. developed equity funds may be active or passive and seek capital appreciation. Investments are expected to be exposed to non-USD currency. Managers may engage in currency hedging back to the U.S. dollar at their discretion.

(b) Emerging markets equity funds invest in publicly traded equities of high growth countries in the emerging world, including Asia-Pacific, Europe, and Latin America. Emerging market equity funds may be active or passive and seek capital appreciation. Investments are expected to be exposed to non-USD currency. Managers may engage in currency hedging back to the U.S. dollar at their discretion.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Note 5 - Fair Value Measurements (Continued)

(c) Global equity funds may invest in publicly traded equities of developed and emerging markets. A majority of investments are expected to be in developed markets consistent with the global equity index composition. Global equity funds seek capital appreciation and may be active or passively managed. A portion of global equity investments are expected to be exposed to non-USD currency. Managers may engage in currency hedging back to the U.S. dollar at their discretion.

(d) 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.

(e) Diversified hedge fund portfolios consist of allocations to direct hedge funds across a variety of strategies less available to traditional investment vehicles. Underlying direct hedge funds have broad, flexible mandates or specialized niche strategies and may use shorting, leverage and illiquid investments to achieve their objectives.

(f) Distressed credit hedge funds invest in public and private securities trading at prices that are below perceived value. Investments are focused on high current yield and capital appreciation and are often event driven in nature, including stressed/distressed investing. Distressed credit investments are typically long biased, although they may include short investments.

(g) Private equity investments are illiquid holdings in private companies acquired through a negotiated process. Investments are made across the capital structure and use multiple levers, such as value, growth, and leverage, to generate current income and capital appreciation. Private equity provides diversification through a broader universe of investments, including access to smaller companies and a wider range of strategies. Private equity investments are expected to provide an illiquidity premium relative to public equities and may have a lower correlation.

(h) Private real asset funds are mainly composed of direct investments in farmland, timberland, infrastructure, and commercial real estate firms/properties. Private real asset investments are illiquid holdings acquired through a negotiated process. Private real asset investments are expected to provide an illiquidity premium relative to public real assets/real estate instruments and tend to have a lower correlation to said markets.

(i) Private debt investments typically consist of loans to companies, which are not provided by banks or public markets and instead are provided by private investors and funds. Private debt investments are expected to provide an illiquidity premium relative to public fixed-income instruments and may have a lower correlation to the aforementioned market.

Note 6 - Pledges Receivable

Pledges receivable consist of unconditional promises to give.

Pledges outstanding at December 31, 2021 and 2020 are expected to be collected as follows:

	2021	2020
Receivables due in less than one year	\$ 978,228	\$ 1,002,204
Receivables due in one to five years	25,500	78,001
Less allowance for net present value discount	(598)	(1,638)
Net pledges receivable	<u>\$ 1,003,130</u>	<u>\$ 1,078,567</u>

Community Foundation of the Holland/Zeeland Area

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Note 7 - Property and Equipment

Property and equipment are summarized as follows:

	2021	2020
Buildings and improvements	\$ 887,107	\$ 887,107
Furniture and fixtures	334,607	326,768
Total cost	1,221,714	1,213,875
Accumulated depreciation	502,373	475,010
Net property and equipment	<u>\$ 719,341</u>	<u>\$ 738,865</u>

Depreciation expense for 2021 and 2020 was \$28,300 and \$36,109, respectively.

Note 8 - Lease Commitments

The Foundation leases a copier under a 60-month operating lease, expiring in February 2025, and a postage machine under a 24-month operating lease, expiring in September 2023. The future minimum lease payments under the leases are as follows:

Years Ending	Amount
2022	\$ 3,141
2023	3,029
2024	2,693
2025	224
Total	<u>\$ 9,087</u>

Rent expense for 2021 and 2020 was \$4,351 and \$3,443, respectively.

Note 9 - Grants Payable

At December 31, 2021, 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
2022	\$ 471,400
2023	117,538
2024	3,786
Total	<u>\$ 592,724</u>

Community Foundation of the Holland/Zeeland Area

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Note 10 - Net Assets

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

	2021	2020
Board-designated net assets:		
Named and community's endowment fund	\$ 19,497,701	\$ 16,443,782
Donor advised	39,944,155	33,700,434
Project - Board advised (fiscal sponsorships)	1,483,042	2,010,702
Field of interest	10,115,464	8,725,427
Scholarships	11,795,115	9,372,289
Charitable trusts and annuities	327,205	294,652
Donor-designated and nonprofit endowments	21,550,008	18,798,659
Total board designated	104,712,690	89,345,945
Noncontrolling interest	10,303	13,988
Total net assets without restrictions	<u>\$ 104,722,993</u>	<u>\$ 89,359,933</u>

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

	2021	2020
Total net assets with donor restrictions - Time restricted	<u>\$ 1,001,630</u>	<u>\$ 1,078,567</u>

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. 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

Community Foundation of the Holland/Zeeland Area

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

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

- 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, 2021		
	Endowed	Nonendowed	Total
Board endowments - Beginning of year	\$ 54,525,904	\$ 34,820,041	\$ 89,345,945
Investment return:			
Investment return - Net appreciation (realized and unrealized)	9,350,834	3,951,887	13,302,721
Contributions and other revenue	2,910,506	11,722,269	14,632,775
Appropriation of endowment assets for expenditure	(1,616,401)	(11,812,353)	(13,428,754)
Other changes - Transfers from board endowment funds	50,170	809,833	860,003
Board endowments - End of year	<u>\$ 65,221,013</u>	<u>\$ 39,491,677</u>	<u>\$ 104,712,690</u>
	Changes in Net Assets without Donor Restrictions for the Fiscal Year Ended December 31, 2020		
	Endowed	Nonendowed	Total
Board endowments - Beginning of year	\$ 50,604,499	\$ 29,700,735	\$ 80,305,234
Investment return:			
Investment return - Net appreciation (realized and unrealized)	5,853,456	3,552,706	9,406,162
Contributions and other revenue	1,102,937	8,563,082	9,666,019
Appropriation of endowment assets for expenditure	(3,079,308)	(8,323,273)	(11,402,581)
Other changes - Transfers from board endowment funds	44,320	1,326,791	1,371,111
Board endowments - End of year	<u>\$ 54,525,904</u>	<u>\$ 34,820,041</u>	<u>\$ 89,345,945</u>

Funds with Deficiencies

As of December 31, 2021 and 2020, 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.

Community Foundation of the Holland/Zeeland Area

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

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

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.

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 4 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, 2 quarters of existence would use a 2 percent spending rate, and 3 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, 2021 is as follows:

	Program Services	Management and General	Fundraising	Total
Grants	\$ 10,489,687	\$ -	\$ -	\$ 10,489,687
Fund-related program services	142,801	-	-	142,801
Compensation and benefits	396,135	273,785	126,228	796,148
Occupancy	13,453	31,398	4,287	49,138
Professional services	-	99,663	16,186	115,849
Supplies, subscriptions, and fees	-	26,773	-	26,773
Staff development	10,948	7,567	3,489	22,004
Marketing and advertising	4,905	16,846	28,780	50,531
Events and meetings	30,908	3,280	99,778	133,966
Management fees	-	10,000	-	10,000
Total	<u>\$ 11,088,837</u>	<u>\$ 469,312</u>	<u>\$ 278,748</u>	<u>\$ 11,836,897</u>

Community Foundation of the Holland/Zeeland Area

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Note 12 - Expenses by Nature and Function (Continued)

Expense detail for December 31, 2020 is as follows:

	Program Services	Management and General	Fundraising	Total
Grants	\$ 9,325,588	\$ -	\$ -	\$ 9,325,588
Fund-related program services	113,706	-	-	113,706
Compensation and benefits	294,593	274,797	122,660	692,050
Occupancy	13,487	52,872	5,616	71,975
Professional services	-	102,922	945	103,867
Supplies, subscriptions, and fees	-	21,679	-	21,679
Staff development	7,683	7,166	3,199	18,048
Marketing and advertising	5,190	23,968	14,435	43,593
Events and meetings	1,672	892	8,589	11,153
Management fees	-	1,000	-	1,000
Total	<u>\$ 9,761,919</u>	<u>\$ 485,296</u>	<u>\$ 155,444</u>	<u>\$ 10,402,659</u>

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:

	2021	2020
Funds held as agency - Beginning of year	\$ 11,148,061	\$ 10,028,161
Gifts, memorials, and bequests	429,664	330,394
Investment income	1,909,063	1,166,254
Grants and administrative expenses	(325,020)	(376,748)
Funds held as agency - End of year	<u>\$ 13,161,768</u>	<u>\$ 11,148,061</u>