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Community Foundation of the Holland/Zeeland  
Area

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**Consolidated Financial Report**  
**December 31, 2023**

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## Board and Staff

### Officers

Chair, Chair – Governance	Tom Den Herder
Chair–elect, Chair – Audit	Erin Avery Zylman
Secretary	Jasmine Irish
Treasurer	Scott Brooks
Past Chair, Chair – Scholarship, Chair – Promise Scholarship Selection President/CEO	Diane Kooiker Patrick Cisler

### Trustees

Chair – Governance	Diane Kooiker
Chair – Audit	Erin Avery Zylman
Chair – Investment	Scott Brooks
Chair – Development	Jean Ramirez
Chair – Distribution	Leslie Brown
Chair – PRI	Diane Kooiker
Chair – Scholarship	Deborah Sterken
Chair – Promise Scholarship Selection	Deborah Sterken
Chair – YAC	Rogen McLean, Youth Trustee

### Staff

President/CEO	Patrick Cisler
Vice President of Community Impact/People and Culture	Elizabeth Kidd
Vice President of Development and Donor Services	Colleen Hill
Director of Finance	Rob Arnold
Director of Community Impact	Yadah Ramirez
Director of Scholarships	Stacy Timmerman
Program Officer/College Success Coach	Mitch Doyle
Donor Services and Events Officer	Sydney Santa Ana
Communications Associate	Ellie Davis
Finance Associate	Kent Baar
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, 2023 and 2022 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, 2023 and 2022 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.

### **Emphasis of Matter**

As described in Note 4, the consolidated financial statements include investments totaling \$47,487,939 (42 percent of net assets) and \$37,843,668 (38 percent of net assets) at December 31, 2023 and 2022, respectively, whose fair value has been estimated by management in the absence of readily determinable fair values and assets valued at net asset value by management based on information provided by the fund managers or the general partners. Our opinion is not modified with respect to this matter.

### **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.

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

***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.

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 & Moreau, PLLC*

May 14, 2024

## Community Foundation of the Holland/Zeeland Area

### Consolidated Balance Sheet

December 31, 2023 and 2022

	2023	2022
<b>Assets</b>		
Cash and cash equivalents	\$ 2,841,109	\$ 12,489,195
Investments (Notes 4 and 5)	122,148,325	97,604,331
Pledges receivable - Net (Note 6)	1,983,747	1,627,924
Asset held for sale	-	246,000
Loans and notes receivable	142,618	142,976
Property and equipment - Net (Note 7)	670,822	694,411
Total assets	<b><u>\$ 127,786,621</u></b>	<b><u>\$ 112,804,837</u></b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and other	\$ 105,833	\$ 85,647
Grants payable (Note 8)	432,535	397,645
Split-interest agreements payable	147,884	154,862
Funds held as agency - Founding funds (Note 12)	13,234,190	12,377,516
Total liabilities	13,920,442	13,015,670
<b>Net Assets</b>		
Without donor restrictions: (Note 9)		
Board designated (Note 10)	111,873,796	98,152,130
Noncontrolling interest	8,636	9,113
Total without donor restrictions	111,882,432	98,161,243
With donor restrictions (Note 9)	1,983,747	1,627,924
Total net assets	113,866,179	99,789,167
Total liabilities and net assets	<b><u>\$ 127,786,621</u></b>	<b><u>\$ 112,804,837</u></b>

## Community Foundation of the Holland/Zeeland Area

# Consolidated Statement of Activities and Changes in Net Assets

Years Ended December 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Gains, and Other Support</b>						
Contributions	\$ 15,369,075	\$ 2,143,247	\$ 17,512,322	\$ 15,409,169	\$ 2,365,469	\$ 17,774,638
Contributed nonfinancial assets	28,343	-	28,343	267,771	-	267,771
Special event and other revenue	329,277	-	329,277	312,504	-	312,504
Net realized and unrealized gains (losses) on investments	8,362,474	-	8,362,474	(13,253,506)	-	(13,253,506)
Investment income	2,215,644	-	2,215,644	1,428,363	-	1,428,363
Change in value of split-interest agreements	(8,345)	-	(8,345)	46,383	-	46,383
Net assets released from restrictions	1,787,424	(1,787,424)	-	1,739,175	(1,739,175)	-
Total revenue, gains, and other support	28,083,892	355,823	28,439,715	5,949,859	626,294	6,576,153
<b>Expenses</b>						
Program services:						
Grants	12,519,778	-	12,519,778	10,959,937	-	10,959,937
Program services	544,959	-	544,959	579,790	-	579,790
Fund-related program services	321,602	-	321,602	116,688	-	116,688
Total program services	13,386,339	-	13,386,339	11,656,415	-	11,656,415
Support services:						
Management and general	597,815	-	597,815	543,301	-	543,301
Fundraising	378,549	-	378,549	311,893	-	311,893
Total support services	976,364	-	976,364	855,194	-	855,194
Total expenses	14,362,703	-	14,362,703	12,511,609	-	12,511,609
<b>Increase (Decrease) in Net Assets</b>	13,721,189	355,823	14,077,012	(6,561,750)	626,294	(5,935,456)
<b>Net Assets - Beginning of year</b>	98,161,243	1,627,924	99,789,167	104,722,993	1,001,630	105,724,623
<b>Net Assets - End of year</b>	<b>\$ 111,882,432</b>	<b>\$ 1,983,747</b>	<b>\$ 113,866,179</b>	<b>\$ 98,161,243</b>	<b>\$ 1,627,924</b>	<b>\$ 99,789,167</b>

## Community Foundation of the Holland/Zeeland Area

# Consolidated Statement of Cash Flows

Years Ended December 31, 2023 and 2022

	2023	2022
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets	\$ 14,077,012	\$ (5,935,456)
Adjustments to reconcile increase (decrease) in net assets to net cash and cash equivalents from operating activities:		
Depreciation	29,781	31,548
Unrealized (gains) losses on investment	(8,362,474)	13,253,506
Change in value of split-interest agreements	311	(43,960)
Donation of asset held for sale	-	(246,000)
Gain on asset held for sale	(24,000)	-
Loss on assets	3,666	-
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Pledges receivable	(355,823)	(624,794)
Grants payable	34,890	(195,079)
Accounts payable and other	20,544	(109,347)
Funds held as agency endowments	856,674	(784,252)
Net cash and cash equivalents provided by operating activities	6,280,581	5,346,166
<b>Cash Flows from Investing Activities</b>		
Purchase of capital assets	(9,858)	(6,618)
Purchase of investments	(47,294,585)	(34,677,610)
Proceeds from sales and maturities of investments	31,113,065	32,449,148
Proceeds from asset held for sale	270,000	-
Net cash and cash equivalents used in investing activities	(15,921,378)	(2,235,080)
<b>Cash Flows Used in Financing Activities - Payments on charitable gift annuities</b>	(7,289)	(7,289)
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(9,648,086)	3,103,797
<b>Cash and Cash Equivalents - Beginning of year</b>	12,489,195	9,385,398
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 2,841,109</b>	<b>\$ 12,489,195</b>
<b>Significant Noncash Transactions - Donation of asset held for sale</b>	\$ -	\$ 246,000



## Community Foundation of the Holland/Zeeland Area

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# Notes to Consolidated Financial Statements

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December 31, 2023 and 2022

### 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, 2023 and 2022, 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. As of June 27, 2023, the Foundation adopted a plan to complete liquidation and dissolution of the Fund. The remaining assets and liabilities held by the Fund as of December 31, 2023 are presented in the consolidated financial statements.

### 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, 2023 and 2022, the Foundation had approximately \$3,000,000 and \$6,000,000, respectively, in uninsured deposits.

**Note 2 - Significant Accounting Policies (Continued)**

***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.

***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***

Unconditional 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 period in which the contribution is received, the Foundation reports the support as without donor restrictions (see Note 9 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 the 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 9 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 marketable securities are recorded at fair value as of the date of the gift. It is the Foundation's practice to determine appropriate disposition of such gifts of securities at the time of receipt.

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, 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, 2023 and 2022.

**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 11. 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 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.

***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, 2023 and 2022, the amounts were insignificant.

As of December 31, 2023 and 2022, the Foundation and its 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, 2023 and 2022 were \$22,062 and \$21,304, respectively.

***Note Receivable***

In January 2021, the Foundation extended a revolving line of credit agreement to 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, 2023 and 2022, there was an outstanding principal balance of \$142,500 on the line of credit recorded plus applicable accrued interest.

***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.

***Subsequent Events***

The financial statements and related disclosures include evaluation of events up through and including May 14, 2024, which is the date the financial statements were available to be issued.

## Community Foundation of the Holland/Zeeland Area

# Notes to Consolidated Financial Statements

December 31, 2023 and 2022

### 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:

	2023	2022
Cash and cash equivalents	\$ 2,802,408	\$ 12,449,764
Short-term pledges receivable	1,867,469	1,485,278
Investments	87,213,273	67,856,450
Total	<u>\$ 91,883,150</u>	<u>\$ 81,791,492</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 \$45,800,000 and \$39,100,000 in nonendowed funds (described in Note 10) as of December 31, 2023 and 2022, 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, which was held in savings bonds as of December 31, 2022.

The Foundation's endowments are subject to a 5 percent spending rate (described in Note 10), which appropriates \$3,800,000 for the 12 months following December 31, 2023. 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:

	2023	2022
Money market mutual funds	\$ 9,981,453	\$ 985,300
Equity mutual funds	45,090,108	42,825,395
Equity funds	2,695,845	1,993,260
Fixed-income mutual funds	16,862,113	13,930,351
Funds held at net asset value	47,487,939	37,843,668
Global REITs	30,867	26,357
Total	<u>\$ 122,148,325</u>	<u>\$ 97,604,331</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, 2023 and 2022 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.

## Community Foundation of the Holland/Zeeland Area

# Notes to Consolidated Financial Statements

December 31, 2023 and 2022

### Note 5 - Fair Value Measurements (Continued)

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.

#### Assets Measured at Fair Value on a Recurring Basis at December 31, 2023

	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, 2023
Assets - Investments:					
Money market mutual funds	\$ 9,981,453	\$ -	\$ -	\$ -	\$ 9,981,453
Domestic equity funds	29,718,549	-	-	-	29,718,549
Non-U.S. developed equity funds	11,040,671	-	-	-	11,040,671
Emerging markets equity funds	-	-	-	5,419,943	5,419,943
U.S. Treasury fixed income	16,535,666	-	-	-	16,535,666
Global equity funds	7,026,733	-	-	6,234,140	13,260,873
Fixed-income mutual funds	326,447	-	-	1,699,360	2,025,807
Diversified hedge funds	-	-	-	7,675,193	7,675,193
Distressed credit hedge funds	-	-	-	551,541	551,541
Private equity	-	-	-	13,662,048	13,662,048
Global REITs	30,867	-	-	-	30,867
Private real assets	-	-	-	503,570	503,570
Credit opportunity fund	-	-	-	1,030,097	1,030,097
Collective investment	-	-	-	10,155,212	10,155,212
Private debt	-	-	-	556,835	556,835
Total assets	\$ 74,660,386	\$ -	\$ -	\$ 47,487,939	\$ 122,148,325

## Community Foundation of the Holland/Zeeland Area

# Notes to Consolidated Financial Statements

December 31, 2023 and 2022

### Note 5 - Fair Value Measurements (Continued)

#### Assets Measured at Fair Value on a Recurring Basis at December 31, 2022

	Quoted Prices in			Net Asset Value	Balance at December 31, 2022
	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Assets - Investments:					
Money market mutual funds	\$ 985,300	\$ -	\$ -	\$ -	\$ 985,300
Domestic equity funds	31,765,422	-	-	-	31,765,422
Non-U.S. developed equity funds	8,136,469	-	-	-	8,136,469
Emerging markets equity funds	-	-	-	3,403,401	3,403,401
U.S. Treasury fixed income	13,675,109	-	-	-	13,675,109
Global equity funds	4,916,764	-	-	4,951,796	9,868,560
Fixed-income mutual funds	255,242	-	-	-	255,242
Diversified hedge funds	-	-	-	7,356,451	7,356,451
Distressed credit hedge funds	-	-	-	600,384	600,384
Private equity	-	-	-	14,814,220	14,814,220
Global REITs	26,357	-	-	-	26,357
Private real assets	-	-	-	342,599	342,599
Credit opportunity fund	-	-	-	574,479	574,479
Collective investment	-	-	-	5,800,338	5,800,338
<b>Total assets</b>	<b>\$ 59,760,663</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 37,843,668</b>	<b>\$ 97,604,331</b>

#### 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, 2023			
	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Emerging markets equity funds (a)	\$ 15,554,998	\$ -	Daily	7 days
Global equity funds (b)	7,459,247	-	Monthly	10 days
Diversified hedge funds (c)	7,675,193	-	Quarterly	65 days
Distressed credit hedge funds (d)	551,541	-	Annually	90 days
Private equity (e)	14,156,458	6,621,016	N/A	N/A
Private debt (f)	1,586,932	2,810,310	N/A	N/A
Private real assets (g)	503,570	1,780,298	N/A	N/A
<b>Total</b>	<b>\$ 47,487,939</b>	<b>\$ 11,211,624</b>		

## Community Foundation of the Holland/Zeeland Area

# Notes to Consolidated Financial Statements

December 31, 2023 and 2022

### Note 5 - Fair Value Measurements (Continued)

	Investments Held at December 31, 2022			
	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Emerging markets equity funds (a)	\$ 9,203,739	\$ -	Daily	7 days
Global equity funds (b)	4,951,796	-	Monthly	10 days
Diversified hedge funds (c)	7,356,451	-	Quarterly	65 days
Distressed credit hedge funds (d)	600,384	-	Annually	90 days
Private equity (e)	14,814,220	7,524,429	N/A	N/A
Private debt (f)	574,479	2,760,251	N/A	N/A
Private real assets (g)	342,599	1,885,226	N/A	N/A
Total	<u>\$ 37,843,668</u>	<u>\$ 12,169,906</u>		

(a) 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.

(b) 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.

(c) 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.

(d) 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.

(e) 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.

(f) 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.

(g) 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.



## Community Foundation of the Holland/Zeeland Area

# Notes to Consolidated Financial Statements

December 31, 2023 and 2022

### Note 6 - Pledges Receivable

Pledges receivable consist of unconditional promises to give.

Pledges outstanding at December 31, 2023 and 2022 are expected to be collected as follows:

	2023	2022
Receivables due in less than one year	\$ 1,867,469	\$ 1,485,278
Receivables due in one to five years	131,500	160,500
Less allowance for net present value discount	(15,222)	(17,854)
Net pledges receivable	<u>\$ 1,983,747</u>	<u>\$ 1,627,924</u>

### Note 7 - Property and Equipment

Property and equipment are summarized as follows:

	2023	2022
Buildings and improvements	\$ 887,107	\$ 887,107
Furniture and fixtures	330,319	334,424
Total cost	1,217,426	1,221,531
Accumulated depreciation	546,604	527,120
Net property and equipment	<u>\$ 670,822</u>	<u>\$ 694,411</u>

Depreciation expense for 2023 and 2022 was \$29,781 and \$31,548, respectively.

### Note 8 - Grants Payable

At December 31, 2023, the board of trustees has authorized certain unconditional grants to be paid in future periods. Total commitments are payable as follows:

Years Ending December 31	Amount
2024	\$ 339,289
2025	75,561
2026	17,685
Total	<u>\$ 432,535</u>

## Community Foundation of the Holland/Zeeland Area

# Notes to Consolidated Financial Statements

December 31, 2023 and 2022

### Note 9 - Net Assets

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

	<u>2023</u>	<u>2022</u>
Board-designated net assets:		
Named and community's endowment fund	\$ 20,624,155	\$ 17,600,024
Donor advised	42,685,964	37,973,625
Project - Board advised (fiscal sponsorships)	1,621,185	1,971,808
Field of interest	11,008,611	9,265,438
Scholarships	13,297,124	11,922,376
Charitable trusts and annuities	298,029	259,699
Donor-designated and nonprofit endowments	<u>22,338,728</u>	<u>19,159,160</u>
Total board designated	111,873,796	98,152,130
Noncontrolling interest	<u>8,636</u>	<u>9,113</u>
Total net assets without restrictions	<u>\$ 111,882,432</u>	<u>\$ 98,161,243</u>

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

	<u>2023</u>	<u>2022</u>
Total net assets with donor restrictions - Time restricted	<u>\$ 1,983,747</u>	<u>\$ 1,627,924</u>

### Note 10 - 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 is 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.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

**Note 10 - Board-designated Endowment Net Assets (Continued)**

*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
- 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, 2023		
	Endowed	Nonendowed	Total
Board endowments - Beginning of year	\$ 58,873,153	\$ 39,278,977	\$ 98,152,130
Investment return:			
Net appreciation (realized and unrealized)	6,614,054	3,751,486	10,365,540
Contributions and other revenue	2,442,984	13,275,771	15,718,755
Appropriation of endowment assets for expenditure	(899,427)	(13,250,626)	(14,150,053)
Other changes - Transfers from board endowment funds and reclassification of funds	561,500	1,225,924	1,787,424
Board endowments - End of year	<u>\$ 67,592,264</u>	<u>\$ 44,281,532</u>	<u>\$ 111,873,796</u>
	Changes in Net Assets without Donor Restrictions for the Fiscal Year Ended December 31, 2022		
	Endowed	Nonendowed	Total
Board endowments - Beginning of year	\$ 65,221,013	\$ 39,491,677	\$ 104,712,690
Investment return:			
Net depreciation (realized and unrealized)	(7,677,420)	(4,151,726)	(11,829,146)
Contributions and other revenue	2,098,090	13,974,784	16,072,874
Appropriation of endowment assets for expenditure	(1,006,676)	(11,536,787)	(12,543,463)
Other changes - Transfers from board endowment funds	238,146	1,501,029	1,739,175
Board endowments - End of year	<u>\$ 58,873,153</u>	<u>\$ 39,278,977</u>	<u>\$ 98,152,130</u>

**Note 10 - Board-designated Endowment Net Assets (Continued)**

***Funds with Deficiencies***

As of December 31, 2023 and 2022, 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 ended 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., 1 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 spending 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.

## Community Foundation of the Holland/Zeeland Area

# Notes to Consolidated Financial Statements

December 31, 2023 and 2022

### Note 11 - Expenses by Nature and Function

Expense detail for the year ended December 31, 2023 is as follows:

	Program Services	Management and General	Fundraising	Total
Grants	\$ 12,519,778	\$ -	\$ -	\$ 12,519,778
Fund-related program services	321,602	-	-	321,602
Compensation and benefits	449,884	357,344	171,242	978,470
Occupancy	14,239	33,729	5,420	53,388
Professional services	879	130,502	19,808	151,189
Supplies, subscriptions, and fees	-	36,409	-	36,409
Staff development	27,138	21,556	10,330	59,024
Marketing and advertising	4,089	11,164	28,819	44,072
Events and meetings	48,730	7,111	142,930	198,771
<b>Total</b>	<b>\$ 13,386,339</b>	<b>\$ 597,815</b>	<b>\$ 378,549</b>	<b>\$ 14,362,703</b>

Expense detail for the year ended December 31, 2022 is as follows:

	Program Services	Management and General	Fundraising	Total
Grants	\$ 10,959,937	\$ -	\$ -	\$ 10,959,937
Fund-related program services	116,688	-	-	116,688
Compensation and benefits	501,466	339,138	150,477	991,081
Occupancy	14,638	32,353	4,392	51,383
Professional services	-	112,535	16,809	129,344
Supplies, subscriptions, and fees	-	27,290	-	27,290
Staff development	18,071	12,222	5,423	35,716
Marketing and advertising	4,253	17,278	19,717	41,248
Events and meetings	41,362	2,485	115,075	158,922
<b>Total</b>	<b>\$ 11,656,415</b>	<b>\$ 543,301</b>	<b>\$ 311,893</b>	<b>\$ 12,511,609</b>

### Note 12 - 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.

**Community Foundation of the Holland/Zeeland Area**

**Notes to Consolidated Financial Statements**

**December 31, 2023 and 2022**

**Note 12 - Funds Held as Agency - Founding Funds (Continued)**

The following table summarizes activity in such funds:

	<u>2023</u>		<u>2022</u>
Funds held as agency - Beginning of year	\$ 12,377,516	\$	13,161,768
Gifts, memorials, and bequests	188,650		1,577,876
Investment income (loss)	1,185,756		(1,513,300)
Grants and administrative expenses	<u>(517,732)</u>		<u>(848,828)</u>
Funds held as agency - End of year	<u>\$ 13,234,190</u>	\$	<u>12,377,516</u>