

**Mt. Pleasant Area Community Foundation**

**Financial Statements**

**December 31, 2020 and 2019**



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## Independent Auditors' Report

Management and the Board of Trustees  
Mt. Pleasant Area Community Foundation  
Mt. Pleasant, Michigan

We have audited the accompanying financial statements of the Mt. Pleasant Area Community Foundation, which comprise the statement of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Basis for Qualified Opinion**

As explained in Note 1 to the financial statements, the Mt. Pleasant Area Community Foundation has a controlling interest in the William and Janet Strickler Nonprofit Center, for which accounting principles generally accepted in the United States of America requires consolidation in the financial statements. Management has elected not to consolidate the activities of this entity in the financial statements. The effects on the accompanying financial statements of the failure to consolidate the activities of the William and Janet Strickler Nonprofit Center have not been determined.

## **Qualified Opinion**

In our opinion, except for the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Mt. Pleasant Area Community Foundation as of December 31, 2020 and 2019, 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.

## **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Yeo & Yeo, P.C.*

Alma, Michigan  
April 19, 2021

**Mt. Pleasant Area Community Foundation**  
**Statement of Financial Position**  
**December 31, 2020 and 2019**

	2020	2019
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 748,312	\$ 777,728
Current portion, beneficial interests in trust	72,752	71,685
Current portion, promises to give	26,780	26,920
Current portion, student loans receivable	5,114	8,341
Total current assets	852,958	884,674
Noncurrent assets		
Investments	24,526,236	21,563,101
Beneficial interests in trust, less current portion	400,404	440,244
Promises to give, less current portion	11,880	21,310
Student loans receivable, less current portion, less allowance	12,177	17,061
Life insurance - cash surrender value	16,481	14,769
Property and equipment, net of accumulated depreciation	447,096	465,103
Total noncurrent assets	25,414,274	22,521,588
<b>Total assets</b>	<b>\$ 26,267,232</b>	<b>\$ 23,406,262</b>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accrued expenses	\$ 4,876	\$ 3,551
Deferred revenue	5,229	4,959
Grants payable	307,880	39,172
Total current liabilities	317,985	47,682
Assets held for others (agency)	4,965,118	4,334,253
Total liabilities	5,283,103	4,381,935
Net assets		
Without donor restrictions	20,455,832	18,449,399
With donor restrictions	528,297	574,928
Total net assets	20,984,129	19,024,327
<b>Total liabilities and net assets</b>	<b>\$ 26,267,232</b>	<b>\$ 23,406,262</b>

See Accompanying Notes to the Financial Statements

**Mt. Pleasant Area Community Foundation**  
**Statement of Activities**  
**Years Ended December 31, 2020 and 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, gains and other support</b>						
Contributions (net of amounts received as agency endowments)	\$ 953,031	\$ 3,500	\$ 956,531	\$ 765,043	\$ 5,050	\$ 770,093
Administrative fees	44,057	-	44,057	37,847	-	37,847
Change in value of beneficial interest	-	32,102	32,102	-	25,639	25,639
Special event	60,750	-	60,750	61,000	-	61,000
Less: costs of direct benefit to donors	-	-	-	(14,404)	-	(14,404)
Other income	6,702	-	6,702	6,351	-	6,351
Net investment return	2,359,364	1,712	2,361,076	2,970,009	200	2,970,209
<b>Total revenues, gains and other support</b>	<b>3,423,904</b>	<b>37,314</b>	<b>3,461,218</b>	<b>3,825,846</b>	<b>30,889</b>	<b>3,856,735</b>
<b>Net assets released from restrictions</b>						
Restrictions satisfied by payments and time	83,945	(83,945)	-	129,036	(129,036)	-
<b>Expenses</b>						
Program services						
Grants (net of amounts granted from agency endowments)	1,137,997	-	1,137,997	1,641,308	-	1,641,308
Other program services	100,895	-	100,895	53,420	-	53,420
<b>Total program services</b>	<b>1,238,892</b>	<b>-</b>	<b>1,238,892</b>	<b>1,694,728</b>	<b>-</b>	<b>1,694,728</b>
Management and general	223,731	-	223,731	259,262	-	259,262
Fundraising	38,793	-	38,793	21,673	-	21,673
<b>Total expenses</b>	<b>1,501,416</b>	<b>-</b>	<b>1,501,416</b>	<b>1,975,663</b>	<b>-</b>	<b>1,975,663</b>
Change in net assets	2,006,433	(46,631)	1,959,802	1,979,219	(98,147)	1,881,072
Net assets - beginning of the year	18,449,399	574,928	19,024,327	16,470,180	673,075	17,143,255
Net assets - end of the year	<b>\$ 20,455,832</b>	<b>\$ 528,297</b>	<b>\$ 20,984,129</b>	<b>\$ 18,449,399</b>	<b>\$ 574,928</b>	<b>\$ 19,024,327</b>

See Accompanying Notes to the Financial Statements

**Mt. Pleasant Area Community Foundation**  
**Statement of Functional Expenses**  
**Years Ended December 31, 2020 and 2019**

	2020				2019			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Grants	\$ 1,137,997	\$ -	\$ -	\$ 1,137,997	\$ 1,641,308	\$ -	\$ -	\$ 1,641,308
Payroll								
Salaries and wages	83,253	82,510	28,410	194,173	22,723	123,812	16,355	162,890
Employee benefits	9,324	8,542	3,182	21,048	2,670	14,546	1,921	19,137
Payroll taxes	6,369	6,055	2,173	14,597	1,738	8,662	1,251	11,651
Total payroll	98,946	97,107	33,765	229,818	27,131	147,020	19,527	193,678
Office-related expenses								
Computer maintenance and software	-	36,474	-	36,474	-	15,111	-	15,111
Equipment rental and maintenance	-	1,651	-	1,651	-	2,213	-	2,213
Postage and shipping	-	3,480	-	3,480	-	2,606	-	2,606
Supplies and office expense	-	3,033	-	3,033	-	2,613	-	2,613
Telephone	-	2,266	-	2,266	-	2,214	-	2,214
Total office-related expenses	-	46,904	-	46,904	-	24,757	-	24,757
Other expenses								
Annual report/newsletter	-	8,806	-	8,806	-	7,353	-	7,353
Bad debt expense (recovery)	-	-	-	-	-	(14,613)	-	(14,613)
Depreciation	-	18,007	-	18,007	-	18,432	-	18,432
Dues and subscriptions	-	8,462	-	8,462	-	7,466	-	7,466
Insurance	-	4,883	-	4,883	-	6,791	-	6,791
Miscellaneous	1,949	-	1,269	3,218	26,289	-	1,098	27,387
Printing and publicity	-	6,644	-	6,644	-	5,419	-	5,419
Professional development	-	335	-	335	-	920	-	920
Professional service fees	-	18,048	-	18,048	-	17,018	-	17,018
Sponsored events and development	-	2,756	3,759	6,515	-	24,153	1,048	25,201
Travel expenses	-	250	-	250	-	3,661	-	3,661
Trustee development	-	1,939	-	1,939	-	1,688	-	1,688
Utilities	-	9,590	-	9,590	-	9,197	-	9,197
Total other expenses	1,949	79,720	5,028	86,697	26,289	87,485	2,146	115,920
Total expenses	\$ 1,238,892	\$ 223,731	\$ 38,793	\$ 1,501,416	\$ 1,694,728	\$ 259,262	\$ 21,673	\$ 1,975,663

See Accompanying Notes to the Financial Statements

**Mt. Pleasant Area Community Foundation**  
**Statement of Cash Flows**  
**Years Ended December 31, 2020 and 2019**

	2020	2019
<b>Cash flows from operating activities</b>		
Cash received from contributors	\$ 1,214,480	\$ 1,227,976
Miscellaneous income received	6,972	6,612
Interest and dividends received	555,601	560,073
Grants paid	(909,968)	(1,660,138)
Payments for payroll	(228,493)	(197,984)
Payments for investment fees	(66,028)	(54,177)
Payments to vendors	(115,594)	(136,649)
	<b>456,970</b>	<b>(254,287)</b>
<b>Cash flows from investing activities</b>		
Net collections of student loans receivable	8,111	(5,753)
Proceeds from sale of investments	2,989,627	12,657,520
Purchases of investments	(3,484,124)	(13,259,948)
	<b>(486,386)</b>	<b>(608,181)</b>
Change in cash and cash equivalents	<b>(29,416)</b>	<b>(862,468)</b>
Cash and cash equivalents - beginning of the year	<b>777,728</b>	1,640,196
<b>Cash and cash equivalents - end of the year</b>	<b>\$ 748,312</b>	<b>\$ 777,728</b>

See Accompanying Notes to the Financial Statements



**Mt. Pleasant Area Community Foundation**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**

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**Note 1 - Nature of Activities and Significant Accounting Policies**

The Mt. Pleasant Area Community Foundation (“the Foundation”) is a collection of local funds given by individuals, corporations and foundations to enhance and support the quality of life for all the people in the Mt. Pleasant area.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Basis of Presentation**

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net assets with donor restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor imposed restrictions are temporarily in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation does not have any net assets whereby the donor imposed restriction is perpetual in nature as of December 31, 2020 and 2019.

The Foundation reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are

reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified in the statement of activities as net assets released from restrictions.

**Fund Accounting**

The Foundation has determined that the use of fund accounting to segregate assets, liabilities, net assets, income and expenses, although not required by accounting principles generally accepted in the United States of America, is a meaningful practice to continue for internal purposes only. The financial activities of the Foundation are recorded in separate internal funds, described as follows:

***Administrative Funds***

These funds include resources that represent the portion of expendable funds available for support of the Foundation and Hersee House operations, including amounts expended for equipment.

***Pass Through Funds***

Pass Through Funds are used to account for assets held by the Foundation that are not endowed, but will be expended in their entirety on a specific project or for a specific cause.

***Endowment Funds***

These funds have been established by a gift instrument describing either the general or specific purpose for which grants from the individual funds are to be made. The individual funds have been classified and reported as follows:

**Community Impact** – funds over which the Board has discretionary control and are available for grant making and other purposes.

**Agency** – funds established to support specific charitable organizations.

**Field of Interest** – funds established to benefit specific but broadly defined, charitable purposes.

**Mt. Pleasant Area Community Foundation**  
**Notes to the Financial Statements**  
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**Donor Advised** – funds established to make grants according to the charitable interests of their founders.

**Designated** – funds designated by donors to support specific charitable organizations.

**Scholarship** – funds established to provide scholarships to individuals.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Concentrations of Credit Risk**

As of December 31, 2020, \$219,778 of the \$739,598 cash held in financial institutions balance was uninsured by a federal agency.

**Beneficial Interests in Trust**

Charitable Lead Annuity Trust – The Foundation is an income beneficiary of a charitable lead annuity trust. The annuity is measured and reported at the present value of estimated future cash flows expected to be realized by the Foundation using a five year average rate of return of 6.53% and 5.47% for the years ended December 31, 2020 and 2019, respectively. Changes in value each year are reported in the statement of activities.

Charitable Lead Unitrust – The Foundation is an income beneficiary of a charitable lead unitrust. The annuity is measured and reported at the present value of estimated future cash flows expected to be realized by the Foundation using a five year average rate of return of 7.25% and 5.91% for the years ended December 31, 2020 and 2019, respectively. Changes in value each year are reported in the statement of activities.

**Promises to Give**

Promises to give have been recorded as current or noncurrent assets, depending upon their maturity, and include all amounts pledged to the Foundation. Based upon the nature and reputation of donors, as well as past collection history, pledges are all considered collectible. No amounts were written off for the years ending December 31, 2020 and 2019.

**Student Loans Receivable**

Student loans receivable have been recorded at the amount granted to individuals through the loan program less repayments received. The Foundation is no longer granting loan funds, but instead grants scholarships which do not require repayment. The allowance for doubtful accounts was \$2,823 for the years ending December 31, 2020 and 2019.

**Investments**

Investments are stated at fair value. Donated investments are reflected as contributions at their fair values at date of receipt. Investment income is reported net of direct investment expenses.

**Life Insurance – Cash Surrender Value**

The Foundation is listed as the beneficiary of a donor's life insurance policy. The cash surrender value of the policy is recorded in the statement of financial position. The initial recording was recorded as a contribution, and subsequent increases in value are recorded as net investment return.

**Property and Equipment**

Acquired assets are stated at cost and donated assets at fair market value at the time of donation. The Foundation has a \$2,500 capitalization policy. The straight-line method of depreciation is used.

**Mt. Pleasant Area Community Foundation**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**

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Following are the useful lives used to depreciate each category:

Equipment	5 – 10 years
Land improvements	15 years
Building Improvements	5 – 40 years
Buildings	40 years

Major improvements are capitalized while ordinary maintenance and repairs are expensed.

**Deferred Revenue**

Deferred revenue represents unearned rental revenue generated from the advance payments received from the Foundation's tenant. Revenue is earned as the terms of the agreement are met.

**Grants Payable**

Grants are recognized as liabilities at the time the Board or committees authorize the expenditures, regardless of the year in which the grant is paid. Grants authorized are subject to the spending policy limitations.

**Assets Held for Others**

The Foundation has entered into exchange transactions with other not-for-profit organizations and as a result, assets held for others are included in the agency endowment funds. The agency endowment fund agreements between the Foundation and the organizations allow for distributions per the spending policy of the Foundation. The resources received under these agreements are not considered contributions to the Foundation and, therefore, have been classified as a liability.

**Functional Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The expenses that are allocated and the method of allocation include the following:

<u>Expense</u>	<u>Method and Allocation</u>
Salaries and wages	Time and effort
Employee benefits	Time and effort
Payroll taxes	Time and effort

**Income Tax Status**

The Internal Revenue Service has ruled that the Foundation is qualified under Section 501(c)(3) of the Internal Revenue Code and is, therefore, not subject to tax under present federal income tax laws, and also is not a private foundation under the meaning of Section 509(a)(1) of the code. The Foundation files information returns in the U.S. Federal jurisdiction.

**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 statement of financial position.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Mt. Pleasant Area Community Foundation**  
**Notes to the Financial Statements**  
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**William and Janet Strickler Nonprofit Center**

The Foundation has not consolidated into the financial statements the accounts of the equity investment in the William and Janet Strickler Nonprofit Center. This is a departure from U.S. generally accepted accounting principles. In accordance with FASB ASC 810-10-15, the Foundation should prepare consolidated financial statements that include the operations of the William and Janet Strickler Nonprofit Center, disclosed in Note 14 - Related Parties, because these entities meet the criteria of "consolidation" as defined in that pronouncement. The effect of this departure from U.S. generally accepted accounting principles is not reasonably determinable.

**Subsequent Events**

Management has evaluated subsequent events through April 19, 2021, which is the date the financial statements were available to be issued.

**Note 2 - Liquidity and Availability**

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 748,312	\$ 777,728
Promises to give	38,660	48,230
Student loans receivable	17,291	25,402
Investments	24,526,236	21,563,101
Beneficial interests in trust	<u>473,156</u>	<u>511,929</u>
 Total financial assets - end of year	 <b>25,803,655</b>	 22,926,390
 Less: financial assets unavailable for general expenditures within one year, due to:		
Receivables due in more than 1 year	(424,461)	(478,615)
Board designated endowment, net spendable portion	(17,761,649)	(15,862,221)
Assets held for others (agency)	<u>(4,965,118)</u>	<u>(4,334,253)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <b>\$ 2,652,427</b>	 <b>\$ 2,251,301</b>

The Foundation's board designated endowment is subject to an annual spending rate of 4% (5% for agency endowments) of the average of 12 rolling quarters up to the June 30 balance of the prior year. Although the Foundation does not intend to spend from the board designated endowment, these amounts could be made available, if necessary, to cover any unexpected expenses above the normal amount appropriated for general expenditures as part of the annual operating budget and grant making budget.

**Mt. Pleasant Area Community Foundation**  
**Notes to the Financial Statements**  
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The Foundation has a policy in place on maintaining administrative fund balance, and the grant making policies and procedures allow adequate time to liquidate assets should the need arise. The Foundation's investment policy states 60-80% allocation to equity, therefore, a minimum of 40% of the investment assets have same day liquidity, if needed. If necessary, the board would have to approve any need above and beyond normal expenditures already approved in the annual budgets, for both operating and grant making.

**Note 3 - Investments**

Fair value of investments is summarized as follows at December 31:

	<u>2020</u>	<u>2019</u>
Money fund	\$ 153,372	\$ 186,438
Mutual funds - fixed income	5,765,248	5,423,691
Mutual funds - equities	15,615,196	12,483,894
Equities	2,992,420	3,469,078
	<u>\$ 24,526,236</u>	<u>\$ 21,563,101</u>

**Note 4 - Promises to Give**

The Foundation expects promises to give to be collected as follows:

<u>Year Ending December 31,</u>	
2021	\$ 26,780
2022	7,230
2023	2,150
2024	1,150
2025	750
Thereafter	600
	<u>\$ 38,660</u>

Pledges receivable are presented in the statement of financial position for 2020 as follows:

Current portion, promises to give	\$ 26,780
Promises to give, less current portion	11,880
	<u>\$ 38,660</u>

**Note 5 - Student Loans Receivable**

The Foundation expects student loans receivable to be collected as follows:

<u>Year Ending December 31,</u>	
2021	\$ 5,114
2022	3,964
2023	2,445
2024	2,445
2025	1,904
Thereafter	4,242
Total student loans receivable	20,114
Less: allowance for doubtful accounts	(2,823)
	<u>\$ 17,291</u>

Outstanding student loans are presented in the statement of financial position for 2020 as follows:

Current portion, student loans receivable	\$ 5,114
Student loans receivable, less current portion, less allowance	12,177
	<u>\$ 17,291</u>

**Mt. Pleasant Area Community Foundation**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**

**Note 6 - Property and Equipment**

Property and equipment includes the following at December 31:

	<u>2020</u>	<u>2019</u>
Land	\$ 15,776	\$ 15,776
Land improvements	6,194	6,194
Building	573,646	573,646
Building improvements	14,727	14,727
Furniture and equipment	53,931	53,931
Less: accumulated depreciation	(217,178)	(199,171)
	<u>\$ 447,096</u>	<u>\$ 465,103</u>

**Note 7 - Assets Held for Other (Agency)**

The Foundation has adopted guidance to record transfers of assets to a not-for-profit organization that holds contributions for others. Accounting standards have specific requirements for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both to the donor or another entity that is specified by the donor.

The standard specifically requires that if a not-for-profit organization (NPO) establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability.

In accordance with accounting standards, a liability has been established for a portion of the fair value of the funds, which is generally equivalent to the present value of future payments which may be made to NPOs.

The following table summarizes activity in such funds as of December 31:

	<u>2020</u>	<u>2019</u>
Funds held as agency - beginning of year	\$ 4,334,253	\$ 3,416,858
Contributions	118,466	273,097
Net investment return	597,135	712,323
Grants and administrative expenses	(84,736)	(68,025)
Funds held as agency - end of year	<u>\$ 4,965,118</u>	<u>\$ 4,334,253</u>

**Note 8 - Net Assets Without Donor Restrictions**

Net assets without donor restrictions consist of the following fund types at December 31:

	<u>2020</u>	<u>2019</u>
Pass through	\$ 71,723	\$ 77,322
Community impact	3,564,443	3,104,769
Field of interest	2,658,437	2,388,761
Donor advised	3,208,575	3,138,634
Designated	5,828,072	5,149,917
Scholarship	4,222,884	3,779,812
Administrative	901,698	810,184
	<u>\$ 20,455,832</u>	<u>\$ 18,449,399</u>

**Note 9 - Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes and periods at December 31:

	<u>2020</u>	<u>2019</u>
Subject to the passage of time		
Pledges receivable	\$ 38,660	\$ 48,230
Receivable from beneficial interest in trust	473,156	511,929
Life insurance - cash surrender value	16,481	14,769
	<u>\$ 528,297</u>	<u>\$ 574,928</u>

**Mt. Pleasant Area Community Foundation**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**

**Note 10 - Net Assets Released from Donor Restrictions**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Passage of time		
Promises to give	\$ 13,070	\$ 54,230
Trust distributions	70,875	74,806
	<u>\$ 83,945</u>	<u>\$ 129,036</u>

**Note 11 - Designated Endowments**

The Foundation's net assets without donor restrictions include amounts designated as endowments whereby the Foundation has variance power over those assets. Therefore, the Board treats these funds as designated endowments and they are classified and reported based on the existence or absence of donor-imposed restrictions.

Changes in endowment net assets are as follows for the year ended December 31:

	<u>Without Donor Restrictions</u>	
	<u>2020</u>	<u>2019</u>
Beginning of year	\$ 18,449,399	\$ 16,470,180
Contributions	1,416,102	1,198,774
Distributions	(1,769,033)	(2,189,561)
Net investment return	2,359,364	2,970,006
End of year	<u>\$ 20,455,832</u>	<u>\$ 18,449,399</u>

**Interpretation of Relevant Law**

The board of trustees of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2020 and 2019, there were no such donor stipulations. As a result of this interpretation, we retain in perpetuity (a) the original value of initial and subsequent gift amounts including promises to give net of discount and allowance for doubtful accounts donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. We consider the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: (1) The duration and preservation of the fund; (2) The purposes of the organization and the donor restricted endowment fund; (3) General economic conditions ; (4) The possible effect of inflation and deflation; (5) The expected total return from income and the appreciation of investments; (6) Other resources of the organization; and (7) The investment policies of the organization.

**Risk Objectives and Risk Parameters**

The primary objective of the financial investments for the Foundation is to accumulate a pool of assets sufficient to build capital for future use with the corresponding obligation to support current and future needs. The overall, long-term investment goal is to achieve an annualized total return (net of fees and expenses), through appreciation and income, greater than the rate of inflation (as measured by the broad, domestic Consumer Price Index) plus any spending, thus protecting the investments against inflation.

**Mt. Pleasant Area Community Foundation**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**

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The majority of assets will be invested in equity or equity-like securities, including real assets (real estate and natural resources). Fixed income and diversifying strategies will be used to lower short-term volatility and provide stability, especially during periods of negative equity markets. The Foundation targets a diversified asset allocation that places a greater emphasis on equity based investments.

**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**

The annual amount available for spending on grants and program expenses from any endowed fund is 4% (5% for agency funds) of the 12-quarter rolling average market value as calculated on the previous June 30. A calculation is not done if the June 30 market value of a fund has not reached the minimum required for grantmaking from that fund type or is less than the paid historic gifts to that fund. However, agency funds are permitted to spend even when underwater. Any spendable balance that is not spent from a fund remains available for spending in subsequent years.

The long-term investment goal of the Foundation is to achieve an annualized total return (net of fees and expenses), through appreciation and income, greater than the rate of inflation (as measured by the Consumer Price Index) plus any spending, thus protecting the overall value of the contributed assets.

**Note 12 - Fair Value Measurements**

The following tables represent information about the Foundation's assets and liabilities measured at fair value on a recurring basis at December 31, 2020 and 2019, and the valuation techniques used at the Foundation to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities 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 and liabilities 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 or liability.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in the 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 or liability.



**Mt. Pleasant Area Community Foundation**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**

Disclosure concerning assets and liabilities measured at fair value on a recurring basis are as follows as of December 31:

	Fair Value Measurements using:		
	Balance	Level 1	Level 3
<b>December 31, 2020</b>			
<b>Assets</b>			
Money fund	\$ 153,372	\$ 153,372	\$ -
Mutual funds - fixed income	5,765,248	5,765,248	-
Mutual funds - equities	15,615,196	15,615,196	-
Equities	2,992,420	2,992,420	-
Beneficial interest trust	473,156	-	473,156
	<u>\$ 24,999,392</u>	<u>\$ 24,526,236</u>	<u>\$ 473,156</u>
<b>Liabilities</b>			
Assets held for others	<u>\$ 4,965,118</u>	<u>\$ -</u>	<u>\$ 4,965,118</u>

	Fair Value Measurements using:		
	Balance	Level 1	Level 3
<b>December 31, 2019</b>			
<b>Assets</b>			
Money fund	\$ 186,438	\$ 186,438	\$ -
Mutual funds - fixed income	5,423,691	5,423,691	-
Mutual funds - equities	12,483,894	12,483,894	-
Equities	3,469,078	3,469,078	-
Beneficial interest in trust	511,929	-	511,929
	<u>\$ 22,075,030</u>	<u>\$ 21,563,101</u>	<u>\$ 511,929</u>
<b>Liabilities</b>			
Assets held for others	<u>\$ 4,334,253</u>	<u>\$ -</u>	<u>\$ 4,334,253</u>

Changes in level 3 assets and liabilities at fair value on a recurring basis:

	Beneficial Interest in Trust	Assets Held for Others
<b>December 31, 2018</b>	\$ 561,096	\$ 3,416,858
Agency activity (see Note 7)	-	917,395
Purchase	25,639	-
Transfer out of Level 3	(74,806)	-
<b>December 31, 2019</b>	511,929	4,334,253
Agency activity (see Note 7)	-	630,865
Purchase	32,102	-
Transfer out of Level 3	(70,875)	-
<b>December 31, 2020</b>	<u>\$ 473,156</u>	<u>\$ 4,965,118</u>

The Foundation estimates the fair value of the beneficial interest in charitable lead annuity trust based upon the present value of estimated future distributions, and the beneficial interest in charitable lead unitrust based upon the fair value of the assets in the trust unless the facts and circumstances indicated that the fair value would be different from these methods. The significant unobservable inputs and amounts used in calculating the beneficial interest in the charitable lead unitrust are the fair value of the assets in the trust totaling \$232,137 and \$222,423 at December 31, 2020 and 2019, respectively.

Assets held for others characterized as a Level 3 liability consists of agency endowment funds established by not-for-profit organizations with their own funds, for which the Foundation reports a liability for the market value. The Foundation estimates the fair value of these assets held for others at the fair value of the underlying assets unless the facts and circumstances indicated the fair value would be different.

Transfers out of the beneficial interest in trust totaled \$70,875 and \$74,806 for 2020 and 2019, respectively. When cash is received by the Foundation under these trusts, the Level 3 classification is no longer applicable.

**Mt. Pleasant Area Community Foundation**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**

**Quantitative Information about Level 3 Fair Value Measurements**

	Fair Value	Valuation Techniques	Unobservable Input	Range (Weighted Average)
<b>December 31, 2020</b>				
Beneficial interest in charitable lead annuity trust and unitrust	\$ 473,156	Income Method	Interest rate  Payout % Payment years	6.53 - 7.25% (6.81%) 11% 7.5 years
<b>December 31, 2019</b>				
Beneficial interest in charitable lead annuity trust and unitrust	\$ 511,929	Income Method	Interest rate  Payout % Payment years	5.47 - 5.91% (5.63%) 11% 8.5 years

**Note 13 - Retirement Benefit Plan**

The Foundation has a Simple IRA Pension Plan for employees. The Foundation contributes 3% of eligible employee wages to the plan. The contributions for the years ended December 31, 2020 and 2019 were \$5,093 and \$4,922, respectively.

**Note 14 - Related Party Transactions**

The Foundation has a volunteer board and received contributions of \$92,598 and \$63,679 from trustees and their businesses for the years 2020 and 2019, respectively.

The Foundation raised \$1,118,107 in 2019 in a non-endowed special project fund for the purpose of purchasing and renovating a building for a nonprofit service center in Isabella County. Now named the William and Janet Strickler Nonprofit Center (The Center), the building was purchased for \$960,363 in 2019. The Foundation collected contributions and pledge payments in 2020 for the purpose of renovating the William and Janet Strickler Nonprofit Center. During 2020, \$9,563 was granted to The Center. The Foundation is the sole member of The Center.

**Note 15 - Effect of COVID-19 Pandemic**

As a result of the global coronavirus pandemic of 2020, many organizations' financial picture has seen an unanticipated change. The duration and full effects of the outbreak are currently unknown, as the global picture continues to change daily. While management is hopeful that the impact is temporary in nature, it is not possible to estimate the effect this may have on the Foundation or the effect this may have on the businesses that the Foundation supports. Accordingly, no adjustments to the financial statements have been made related to this uncertainty.

**Mt. Pleasant Area Community Foundation**  
**Administrative Fund**  
**Schedule of Changes in Net Assets Without Donor Restrictions**  
**Years Ended December 31, 2020 and 2019**

	2020			2019		
	General Operations	Hersee House Operations	Total	General Operations	Hersee House Operations	Total
<b>Revenues</b>						
Contributions	\$ 66,466	\$ -	\$ 66,466	\$ 28,074	\$ -	\$ 28,074
Interest and dividends	5,038	-	5,038	277	-	277
Administrative fee interfund transfer	311,675	-	311,675	245,577	-	245,577
Other income	67,452	-	67,452	67,353	-	67,353
Total revenues	<b>450,631</b>	<b>-</b>	<b>450,631</b>	341,281	-	341,281
<b>Expenses</b>						
Salaries	194,173	-	194,173	162,890	-	162,890
Employee benefits	21,048	-	21,048	19,137	-	19,137
Payroll taxes	14,597	-	14,597	11,651	-	11,651
Computer maintenance and software	36,467	-	36,467	15,111	-	15,111
Professional service fees	18,048	-	18,048	17,018	-	17,018
Supplies and office expense	3,033	-	3,033	2,613	-	2,613
Telephone	2,266	-	2,266	2,214	-	2,214
Postage and shipping	3,480	-	3,480	2,606	-	2,606
Insurance	4,883	-	4,883	6,791	-	6,791
Utilities	9,590	-	9,590	9,197	-	9,197
Equipment rental and maintenance	1,291	360	1,651	1,381	832	2,213
Printing and publicity	6,644	-	6,644	5,419	-	5,419
Annual report/newsletter	8,806	-	8,806	7,353	-	7,353
Sponsored events and development	6,515	-	6,515	25,201	-	25,201
Travel expenses	250	-	250	3,661	-	3,661
Dues and subscriptions	8,462	-	8,462	7,466	-	7,466
Trustee development	862	-	862	1,688	-	1,688
Professional development	335	-	335	920	-	920
Total expenses before depreciation	<b>340,750</b>	<b>360</b>	<b>341,110</b>	302,317	832	303,149
Depreciation	-	18,007	18,007	-	18,432	18,432
Total expenses	<b>340,750</b>	<b>18,367</b>	<b>359,117</b>	302,317	19,264	321,581
Change in net assets without donor restrictions - administrative fund	<b>109,881</b>	<b>(18,367)</b>	<b>91,514</b>	38,964	(19,264)	19,700
Net assets without donor restrictions - beginning of the year - administrative fund	<b>331,132</b>	<b>479,052</b>	<b>810,184</b>	292,168	498,316	790,484
Net assets without donor restrictions - end of the year - administrative fund	<b>\$ 441,013</b>	<b>\$ 460,685</b>	<b>\$ 901,698</b>	<b>\$ 331,132</b>	<b>\$ 479,052</b>	<b>\$ 810,184</b>

**Mt. Pleasant Area Community Foundation**  
**Pass Through and Endowment Funds**  
**Schedule of Changes in Net Assets**  
**Year Ended December 31, 2020**

	January 1, 2020	Reclassifications & Transfers In (Out)	Contributions	Net Investment Return	Expenses		December 31, 2020
					Program Grants	Other Expenses	
Pass Through Fund	\$ 406,937	\$ -	\$ 192,357	\$ 22	\$ 226,396	\$ 1,409	\$ 371,511
Endowment Fund							
Community Impact Funds	\$ 3,132,214	\$ -	\$ 236,990	\$ 439,837	\$ 183,407	\$ 32,210	\$ 3,593,424
Agency Endowment Funds	4,334,253	-	118,466	597,135	40,679	44,057	4,965,118
Field of Interest Funds	2,424,214	-	52,082	324,833	83,125	45,047	2,672,957
Donor Advised Funds	3,138,634	-	134,406	405,967	408,376	62,056	3,208,575
Designated Funds	5,150,017	-	174,682	672,345	119,593	49,379	5,828,072
Scholarship Funds	3,962,126	-	131,650	513,034	117,100	81,818	4,407,892
	22,141,458	-	848,276	2,953,151	952,280	314,567	24,676,038
Less donor designations for specific organizations	4,334,253	-	118,466	597,135	40,679	44,057	4,965,118
	\$ 17,807,205	\$ -	\$ 729,810	\$ 2,356,016	\$ 911,601	\$ 270,510	\$ 19,710,920