

**Mt. Pleasant Area Community Foundation**

**Financial Statements**

**December 31, 2021 and 2020**



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## Independent Auditors' Report

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

### Qualified Opinion

We have audited the accompanying financial statements of Mt. Pleasant Area Community Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, 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, 2021, and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for 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 Nonprofit Center have not been determined.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mt. Pleasant Area Community Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Mt. Pleasant Area Community Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Mt. Pleasant Area Community Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mt. Pleasant Area Community Foundation's ability to continue as a going concern for a reasonable period of time.

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

## Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information 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 audit 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 8, 2022

**Mt. Pleasant Area Community Foundation**  
**Statement of Financial Position**  
**December 31, 2021 and 2020**

	2021	2020
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 919,619	\$ 748,312
Current portion, beneficial interests in trust	71,825	72,752
Current portion, promises to give	22,480	26,780
Current portion, student loans receivable	3,377	5,114
Prepaid expenses	3,996	-
Total current assets	<u>1,021,297</u>	<u>852,958</u>
Noncurrent assets		
Investments	28,084,639	24,526,236
Beneficial interests in trust, less current portion	1,051,808	400,404
Promises to give, less current portion	4,600	11,880
Student loans receivable, less current portion, less allowance	9,758	12,177
Life insurance - cash surrender value	15,230	16,481
Property and equipment, net of accumulated depreciation	435,191	447,096
Total noncurrent assets	<u>29,601,226</u>	<u>25,414,274</u>
<b>Total assets</b>	<u><b>\$ 30,622,523</b></u>	<u><b>\$ 26,267,232</b></u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accrued expenses	\$ 9,172	\$ 4,876
Deferred revenue	5,526	5,229
Grants payable	50,741	307,880
Total current liabilities	<u>65,439</u>	<u>317,985</u>
Assets held for others (agency)	<u>5,562,903</u>	<u>4,965,118</u>
Total liabilities	<u>5,628,342</u>	<u>5,283,103</u>
Net assets		
Without donor restrictions	23,828,238	20,455,832
With donor restrictions	1,165,943	528,297
Total net assets	<u>24,994,181</u>	<u>20,984,129</u>
<b>Total liabilities and net assets</b>	<u><b>\$ 30,622,523</b></u>	<u><b>\$ 26,267,232</b></u>

See Accompanying Notes to the Financial Statements

**Mt. Pleasant Area Community Foundation**  
**Statement of Activities**  
**Years Ended December 31, 2021 and 2020**

	2021			2020		
	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)	\$ 1,190,910	\$ 714,119	\$ 1,905,029	\$ 953,031	\$ 3,500	\$ 956,531
Administrative fees	51,779	-	51,779	44,057	-	44,057
Change in value of beneficial interest	-	9,861	9,861	-	32,102	32,102
Special event	61,000	-	61,000	60,750	-	60,750
Less: costs of direct benefit to donors	(10,748)	-	(10,748)	-	-	-
Other income	7,071	-	7,071	6,702	-	6,702
Net investment return	3,041,615	(1,251)	3,040,364	2,359,364	1,712	2,361,076
<b>Total revenues, gains and other support</b>	<b>4,341,627</b>	<b>722,729</b>	<b>5,064,356</b>	<b>3,423,904</b>	<b>37,314</b>	<b>3,461,218</b>
<b>Net assets released from restrictions</b>						
Restrictions satisfied by payments and time	85,083	(85,083)	-	83,945	(83,945)	-
<b>Expenses</b>						
Program services						
Grants (net of amounts granted from agency endowments)	665,568	-	665,568	1,137,997	-	1,137,997
Other program services	103,933	-	103,933	100,895	-	100,895
<b>Total program services</b>	<b>769,501</b>	<b>-</b>	<b>769,501</b>	<b>1,238,892</b>	<b>-</b>	<b>1,238,892</b>
Management and general	239,530	-	239,530	223,731	-	223,731
Fundraising	45,273	-	45,273	38,793	-	38,793
<b>Total expenses</b>	<b>1,054,304</b>	<b>-</b>	<b>1,054,304</b>	<b>1,501,416</b>	<b>-</b>	<b>1,501,416</b>
Change in net assets	3,372,406	637,646	4,010,052	2,006,433	(46,631)	1,959,802
Net assets - beginning of the year	20,455,832	528,297	20,984,129	18,449,399	574,928	19,024,327
Net assets - end of the year	<b>\$ 23,828,238</b>	<b>\$ 1,165,943</b>	<b>\$ 24,994,181</b>	<b>\$ 20,455,832</b>	<b>\$ 528,297</b>	<b>\$ 20,984,129</b>

See Accompanying Notes to the Financial Statements

**Mt. Pleasant Area Community Foundation**  
**Statement of Functional Expenses**  
**Years Ended December 31, 2021 and 2020**

	2021				2020			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Grants	\$ 665,568	\$ -	\$ -	\$ 665,568	\$ 1,137,997	\$ -	\$ -	\$ 1,137,997
Payroll								
Salaries and wages	87,933	86,493	29,458	203,884	83,253	82,510	28,410	194,173
Employee benefits	8,928	8,277	2,991	20,196	9,324	8,542	3,182	21,048
Payroll taxes	6,727	8,706	2,254	17,687	6,369	6,055	2,173	14,597
Total payroll	103,588	103,476	34,703	241,767	98,946	97,107	33,765	229,818
Office-related expenses								
Computer maintenance and software	-	29,072	-	29,072	-	36,474	-	36,474
Equipment rental and maintenance	-	6,342	-	6,342	-	1,651	-	1,651
Postage and shipping	-	2,068	-	2,068	-	3,480	-	3,480
Supplies and office expense	-	2,238	-	2,238	-	3,033	-	3,033
Telephone	-	2,313	-	2,313	-	2,266	-	2,266
Total office-related expenses	-	42,033	-	42,033	-	46,904	-	46,904
Other expenses								
Annual report/newsletter	-	9,288	-	9,288	-	8,806	-	8,806
Depreciation	-	16,138	-	16,138	-	18,007	-	18,007
Dues and subscriptions	-	8,147	-	8,147	-	8,462	-	8,462
Insurance	-	5,516	-	5,516	-	4,883	-	4,883
Miscellaneous	345	-	482	827	1,949	-	1,269	3,218
Printing and publicity	-	2,104	-	2,104	-	6,644	-	6,644
Professional development	-	2,807	-	2,807	-	335	-	335
Professional service fees	-	19,741	-	19,741	-	18,048	-	18,048
Sponsored events and development	-	11,651	10,088	21,739	-	2,756	3,759	6,515
Travel expenses	-	852	-	852	-	250	-	250
Trustee development	-	7,836	-	7,836	-	1,939	-	1,939
Utilities	-	9,941	-	9,941	-	9,590	-	9,590
Total other expenses	345	94,021	10,570	104,936	1,949	79,720	5,028	86,697
Total expenses	\$ 769,501	\$ 239,530	\$ 45,273	\$ 1,054,304	\$ 1,238,892	\$ 223,731	\$ 38,793	\$ 1,501,416

See Accompanying Notes to the Financial Statements



**Mt. Pleasant Area Community Foundation**  
**Statement of Cash Flows**  
**Years Ended December 31, 2021 and 2020**

	2021	2020
<b>Cash flows from operating activities</b>		
Cash received from contributors	\$ 1,101,155	\$ 1,214,480
Miscellaneous income received	7,368	6,972
Interest and dividends received	765,265	555,601
Proceeds from sale of donated securities	251,766	-
Grants paid	(1,058,170)	(909,968)
Payments for payroll	(237,471)	(228,493)
Payments for investment fees	(80,569)	(66,028)
Payments to vendors	(145,575)	(115,594)
	<b>603,769</b>	456,970
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(4,234)	-
Net collections of student loans receivable	4,156	8,111
Proceeds from sale of investments	3,292,964	2,989,627
Purchases of investments	(3,725,348)	(3,484,124)
	<b>(432,462)</b>	(486,386)
Net cash flows provided by operating activities		
Change in cash and cash equivalents	<b>171,307</b>	(29,416)
Cash and cash equivalents - beginning of the year	<b>748,312</b>	777,728
<b>Cash and cash equivalents - end of the year</b>	<b>\$ 919,619</b>	\$ 748,312

See Accompanying Notes to the Financial Statements

**Mt. Pleasant Area Community Foundation**  
**Notes to the Financial Statements**  
**December 31, 2021 and 2020**

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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, 2021 and 2020.

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, 2021, \$273,857 of the \$878,100 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 9.16% and 6.53% for the years ended December 31, 2021 and 2020, 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 5.65% and 7.25% for the years ended December 31, 2021 and 2020, respectively. Changes in value each year are reported in the statement of activities.

Charitable Remainder Trust – The Foundation is a beneficiary of a charitable remainder 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 rate of return of 2.47% for the year ended December 31, 2021. The rate of return going forward will be averaged annually until a five year average is established. 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, 2021 and 2020.

**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, 2021 and 2020.

**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.

**Mt. Pleasant Area Community Foundation**  
**Notes to the Financial Statements**  
**December 31, 2021 and 2020**

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**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. 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**

The Foundation recognizes grants as expenses at the time recipients are entitled to receive them. Generally, this occurs at the time the Board or committees authorize the grant expenditures, regardless of the year in which the grant is paid. Unconditional grants approved but not yet disbursed are reported as grants payable in the statement of financial position. Conditional grants approved but contingent upon fulfillment of certain specified conditions by the grantee are not recorded until the conditions have been met. 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.

**Mt. Pleasant Area Community Foundation**  
**Notes to the Financial Statements**  
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**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.

**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.

**Date of Management's Review**

Management has evaluated subsequent events through April 8, 2022 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:

	2021	2020
Cash and cash equivalents	\$ 919,619	\$ 748,312
Promises to give	27,080	38,660
Student loans receivable	13,135	17,291
Investments	28,084,639	24,526,236
Beneficial interests in trust	1,123,633	473,156
 Total financial assets - end of year	 30,168,106	 25,803,655
 Less: financial assets unavailable for general expenditures within one year, due to:		
Receivables due in more than 1 year	(1,066,166)	(424,461)
Board designated endowment, net spendable portion	(20,724,078)	(17,761,649)
Assets held for others (agency)	(5,562,903)	(4,965,118)
 Financial assets available to meet cash needs for general expenditures within one year	 \$ 2,814,959	 \$ 2,652,427

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>2021</u>	<u>2020</u>
Money fund	\$ 182,867	\$ 153,372
Mutual funds - fixed income	6,247,149	5,765,248
Mutual funds - equities	17,062,922	15,615,196
Real estate investment trust	529,024	-
Equities	4,062,677	2,992,420
	<u>\$ 28,084,639</u>	<u>\$ 24,526,236</u>

**Note 4 - Promises to Give**

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

<u>Year Ending December 31,</u>	
2022	\$ 22,480
2023	2,100
2024	1,150
2025	750
2026	250
Thereafter	350
	<u>\$ 27,080</u>

Pledges receivable are presented in the statement of financial position for 2021 as follows:

Current portion, promises to give	\$ 22,480
Promises to give, less current portion	4,600
	<u>\$ 27,080</u>

**Note 5 - Student Loans Receivable**

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

<u>Year Ending December 31,</u>	
2022	\$ 3,377
2023	2,445
2024	2,445
2025	2,445
2026	1,561
Thereafter	3,685
Total student loans receivable	15,958
Less: allowance for doubtful accounts	(2,823)
	<u>\$ 13,135</u>

Outstanding student loans are presented in the statement of financial position for 2021 as follows:

Current portion, student loans receivable	\$ 3,377
Student loans receivable, less current portion, less allowance	9,758
	<u>\$ 13,135</u>

**Mt. Pleasant Area Community Foundation**  
**Notes to the Financial Statements**  
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**Note 6 - Property and Equipment**

Property and equipment includes the following at December 31:

	2021	2020
Land	\$ 15,776	\$ 15,776
Land improvements	6,194	6,194
Building	573,646	573,646
Building improvements	18,961	14,727
Furniture and equipment	52,880	53,931
Less: accumulated depreciation	(232,266)	(217,178)
	<u>\$ 435,191</u>	<u>\$ 447,096</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:

	2021	2020
Funds held as agency - beginning of year	\$ 4,965,118	\$ 4,334,253
Contributions	15,928	118,466
Net investment return	769,099	597,135
Grants and administrative expenses	(187,242)	(84,736)
Funds held as agency - end of year	<u>\$ 5,562,903</u>	<u>\$ 4,965,118</u>

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

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

	2021	2020
Pass through	\$ 53,436	\$ 71,723
Community impact	4,024,004	3,564,443
Field of interest	3,128,285	2,658,437
Donor advised	3,690,880	3,208,575
Designated	7,068,554	5,828,072
Scholarship	4,869,622	4,222,884
Administrative	993,456	901,698
	<u>\$ 23,828,237</u>	<u>\$ 20,455,832</u>

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

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

	2021	2020
Subject to the passage of time		
Pledges receivable	\$ 27,080	\$ 38,660
Receivable from beneficial interest in trust	1,123,633	473,156
Life insurance - cash surrender value	15,230	16,481
	<u>\$ 1,165,943</u>	<u>\$ 528,297</u>

**Mt. Pleasant Area Community Foundation**  
**Notes to the Financial Statements**  
**December 31, 2021 and 2020**

**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>2021</u>	<u>2020</u>
Passage of time		
Promises to give	\$ 12,330	\$ 13,070
Trust distributions	72,753	70,875
	<u>\$ 85,083</u>	<u>\$ 83,945</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>2021</u>	<u>2020</u>
Beginning of year	\$ 20,455,832	\$ 18,449,399
Contributions	1,716,199	1,416,102
Distributions	(1,447,801)	(1,769,033)
Net investment return	3,041,615	2,359,364
Transfers	62,392	-
End of year	<u>\$ 23,828,237</u>	<u>\$ 20,455,832</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, 2021 and 2020, 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, 2021 and 2020**

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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, 2021 and 2020, 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, 2021 and 2020**

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, 2021</b>			
<b>Assets</b>			
Money fund	\$ 182,867	\$ 182,867	\$ -
Mutual funds - fixed income	6,247,149	6,247,149	-
Mutual funds - equities	17,062,922	17,062,922	-
Equities	4,062,677	4,062,677	-
Beneficial interest trust	1,123,633	-	1,123,633
	<u>\$ 28,679,248</u>	<u>\$ 27,555,615</u>	<u>\$ 1,123,633</u>
<b>Liabilities</b>			
Assets held for others	<u>\$ 5,562,903</u>	<u>\$ -</u>	<u>\$ 5,562,903</u>

	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 in 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>

The following table summarizes the Foundation's investments at net asset value (NAV) as of December 31:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
<b>December 31, 2021</b>				
Real estate investment trust	<u>\$ 529,024</u>	<u>\$ -</u>	Monthly	30 days

The Foundation is invested in a real estate investment trust that invests primarily in commercial real estate in the United States and to a lesser extent real estate related securities. Redemptions are permitted monthly and a thirty-day redemption notice period is required.

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, 2019</b>		
	\$ 511,929	\$ 4,334,253
Agency activity (see Note 7)	-	630,865
Purchase	32,102	-
Transfer out of Level 3	<u>(70,875)</u>	-
<b>December 31, 2020</b>	473,156	4,965,118
Agency activity (see Note 7)	-	597,785
Purchase	723,230	-
Net investment return	-	-
Transfer out of Level 3	<u>(72,753)</u>	-
<b>December 31, 2021</b>	<u>\$ 1,123,633</u>	<u>\$ 5,562,903</u>

**Mt. Pleasant Area Community Foundation**  
**Notes to the Financial Statements**  
**December 31, 2021 and 2020**

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, and charitable remainder trust 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 and charitable remainder trust are the fair value of the assets in the trusts totaling \$1,236,773 and \$232,137 at December 31, 2021 and 2020, 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 \$72,753 and \$70,875 for 2021 and 2020, respectively. When cash is received by the Foundation under these trusts, the Level 3 classification is no longer applicable.

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

	Fair Value	Valuation Techniques	Unobservable Input	Range (Weighted Average)
<b>December 31, 2021</b>				
Beneficial interest in charitable remainder trust, lead annuity trust, and unitrust	\$ 1,123,633	Income Method	Interest rate	2.47 - 9.16% (4.37%)
			Payout % Payment years	11% and 5% 6.5 / 12 / 11 years
<b>December 31, 2020</b>				
Beneficial interest in charitable lead annuity trust and unitrust	\$ 473,156	Income Method	Interest rate	6.53 - 7.25% (6.81%)
			Payout % Payment years	11% 7.5 / 13 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, 2021 and 2020 were \$8,870 and \$5,093, respectively.

**Note 14 - Related Party Transactions**

The Foundation has a volunteer board and received contributions of \$126,973 and \$92,598 from trustees and their businesses for the years 2021 and 2020, respectively.

The Foundation collected contributions and pledge payments in 2021 and 2020 for the purpose of renovating the William and Janet Strickler Nonprofit Center. During 2021 and 2020, \$7,960 and \$9,563 was granted to the Center. The Foundation is the sole member of the Center. Additionally in 2021, \$8,599 was granted to the Center from a designated endowment fund established to support the Center's mission.

**Mt. Pleasant Area Community Foundation**  
**Administrative Fund**  
**Schedule of Changes in Net Assets Without Donor Restrictions**  
**Years Ended December 31, 2021 and 2020**

	2021			2020		
	General Operations	Hersee House Operations	Total	General Operations	Hersee House Operations	Total
<b>Revenues</b>						
Contributions	\$ 29,474	\$ 6,345	\$ 35,819	\$ 66,466	\$ -	\$ 66,466
Net investment return	2,245	-	2,245	5,038	-	5,038
Administrative fee interfund transfer	372,136	-	372,136	311,675	-	311,675
Other income	68,071	-	68,071	67,452	-	67,452
Total revenues	471,926	6,345	478,271	450,631	-	450,631
<b>Expenses</b>						
Salaries	203,884	-	203,884	194,173	-	194,173
Employee benefits	20,196	-	20,196	21,048	-	21,048
Payroll taxes	17,687	-	17,687	14,597	-	14,597
Computer maintenance and software	29,072	-	29,072	36,467	-	36,467
Professional service fees	19,741	-	19,741	18,048	-	18,048
Supplies and office expense	2,138	100	2,238	3,033	-	3,033
Telephone	2,313	-	2,313	2,266	-	2,266
Postage and shipping	2,068	-	2,068	3,480	-	3,480
Insurance	5,516	-	5,516	4,883	-	4,883
Utilities	9,941	-	9,941	9,590	-	9,590
Equipment rental and maintenance	2,326	4,016	6,342	1,291	360	1,651
Printing and publicity	2,104	-	2,104	6,644	-	6,644
Annual report/newsletter	9,288	-	9,288	8,806	-	8,806
Sponsored events and development	21,739	-	21,739	6,515	-	6,515
Travel expenses	852	-	852	250	-	250
Dues and subscriptions	8,147	-	8,147	8,462	-	8,462
Trustee development	6,440	-	6,440	862	-	862
Professional development	2,807	-	2,807	335	-	335
Total expenses before depreciation	366,259	4,116	370,375	340,750	360	341,110
Depreciation	-	16,138	16,138	-	18,007	18,007
Total expenses	366,259	20,254	386,513	340,750	18,367	359,117
Change in net assets without donor restrictions - administrative fund	105,667	(13,909)	91,758	109,881	(18,367)	91,514
Net assets without donor restrictions - beginning of the year - administrative fund	441,013	460,685	901,698	331,132	479,052	810,184
Net assets without donor restrictions - end of the year - administrative fund	\$ 546,680	\$ 446,776	\$ 993,456	\$ 441,013	\$ 460,685	\$ 901,698

**Mt. Pleasant Area Community Foundation**  
**Pass Through and Endowment Funds**  
**Schedule of Changes in Net Assets**  
**Year Ended December 31, 2021**

	January 1, 2021	Reclassifications & Transfers In (Out)	Contributions	Net Investment Return	Expenses		December 31, 2021
					Program Grants	Other Expenses	
Pass Through Fund	\$ 371,511	\$ -	\$ 98,525	\$ 16	\$ 173,461	\$ 2,057	\$ 294,534
Endowment Fund							
Community Impact Funds	\$ 3,593,424	\$ -	\$ 76,235	\$ 556,102	\$ 134,856	\$ 39,171	\$ 4,051,734
Agency Endowment Funds	4,965,118	-	15,928	769,099	135,463	51,779	5,562,903
Field of Interest Funds	2,672,957	82,972	106,055	426,803	86,683	62,839	3,139,265
Donor Advised Funds	3,208,575	-	79,077	513,652	39,659	70,765	3,690,880
Designated Funds	5,828,072	(20,580)	609,710	878,642	166,201	61,089	7,068,554
Scholarship Funds	4,407,892	-	909,469	662,904	127,100	97,407	5,755,758
	24,676,038	62,392	1,796,474	3,807,202	689,962	383,050	29,269,094
Less donor designations for specific organizations	4,965,118	-	15,928	769,099	135,463	51,779	5,562,903
	<u>\$ 19,710,920</u>	<u>\$ 62,392</u>	<u>\$ 1,780,546</u>	<u>\$ 3,038,103</u>	<u>\$ 554,499</u>	<u>\$ 331,271</u>	<u>\$ 23,706,191</u>