

**CAPITAL REGION COMMUNITY FOUNDATION  
AND SUPPORTING ORGANIZATION**

**REPORT ON CONSOLIDATED FINANCIAL STATEMENTS  
(with supplementary information)**

**YEARS ENDED DECEMBER 31, 2021 AND 2020**

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2425 E. Grand River Ave.,  
Suite 1, Lansing, MI 48912  
☎ 517.323.7500  
📠 517.323.6346

## **INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Capital Region Community Foundation  
and Supporting Organization

### **Opinion**

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Capital Region Community Foundation and Supporting Organization as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Responsibilities of Management for the 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 Capital Region Community Foundation and Supporting Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the 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 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 consolidated 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 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 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 Capital Region Community Foundation and Supporting Organization'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 Capital Region Community Foundation and Supporting Organization'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.

## Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

*Maner Costeian PC*

May 26, 2022

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2021 AND 2020**

	2021	2020
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,042,486	\$ 1,605,548
Investments	148,337,595	126,864,857
Promises to give, net of allowance for doubtful accounts and discount	594,657	197,420
Loan receivable, net of discount	-	17,714
Deposits	14,511	14,079
Property donation - cemetery lots	57,843	57,843
Furniture and equipment, less accumulated depreciation of \$178,955 and \$175,761 in 2021 and 2020, respectively	13,038	11,796
<b>TOTAL ASSETS</b>	<b>\$ 150,060,130</b>	<b>\$ 128,769,257</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 13,702	\$ 19,516
Accrued salaries and related	35,173	29,962
Deferred revenue	-	823
Grants payable	328,100	158,320
Funds held in agency endowments	14,522,263	12,720,888
Liabilities associated with gift annuities	74,534	83,933
<b>TOTAL LIABILITIES</b>	<b>14,973,772</b>	<b>13,013,442</b>
<b>NET ASSETS</b>		
Without donor restrictions	134,114,148	115,558,395
With donor restrictions	972,210	197,420
<b>TOTAL NET ASSETS</b>	<b>135,086,358</b>	<b>115,755,815</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 150,060,130</b>	<b>\$ 128,769,257</b>

See notes to consolidated financial statements.

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021			2020		
	Without Restrictions	With Restrictions	Total	Without Restrictions	With Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT						
Contributions	\$ 7,293,707	\$ 1,025,605	\$ 8,319,312	\$ 6,417,817	\$ -	\$ 6,417,817
In-kind contributions	-	-	-	10,978	-	10,978
Investment return, net	17,470,261	-	17,470,261	12,265,188	-	12,265,188
Revenue from agency contributions to endowments	79,505	-	79,505	72,189	-	72,189
Event revenue	25,000	-	25,000	25,933	-	25,933
Change in value of gift annuities	(1,867)	-	(1,867)	818	-	818
Paycheck protection program	-	-	-	142,500	-	142,500
Net assets released from restrictions	250,815	(250,815)	-	509,691	(509,691)	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	25,117,421	774,790	25,892,211	19,445,114	(509,691)	18,935,423
EXPENSES						
Program expenses						
Grant awards	5,090,603	-	5,090,603	4,483,654	-	4,483,654
Other program expenses	769,917	-	769,917	603,309	-	603,309
Supporting services						
Management and general	533,673	-	533,673	491,065	-	491,065
Fundraising	167,475	-	167,475	161,423	-	161,423
TOTAL EXPENSES	6,561,668	-	6,561,668	5,739,451	-	5,739,451
CHANGE IN NET ASSETS	18,555,753	774,790	19,330,543	13,705,663	(509,691)	13,195,972
NET ASSETS						
Beginning of year	115,558,395	197,420	115,755,815	101,852,732	707,111	102,559,843
End of year	\$ 134,114,148	\$ 972,210	\$ 135,086,358	\$ 115,558,395	\$ 197,420	\$ 115,755,815

See notes to consolidated financial statements.

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2021**

	Program Services			Management and General	Fundraising	Total
	Grant Awards	Other Program Expenses	Total			
Salaries and benefits	\$ -	\$ 257,315	\$ 257,315	\$ 401,139	\$ 125,884	\$ 784,338
Payroll taxes	-	15,841	15,841	24,694	7,749	48,284
Legal	-	44,550	44,550	-	-	44,550
Accounting and financial	-	6,264	6,264	9,765	3,064	19,093
Contracted services	-	181,405	181,405	1,964	616	183,985
Occupancy	-	21,675	21,675	33,381	10,475	65,531
Armory expenses	-	-	-	2,811	882	3,693
Insurance	-	3,815	3,815	5,847	1,835	11,497
Dues and subscriptions	-	1,994	1,994	3,071	964	6,029
Postage	-	447	447	696	218	1,361
Supplies and office printing	-	2,433	2,433	2,965	930	6,328
Telephone	-	744	744	555	174	1,473
Travel and parking	-	747	747	1,138	357	2,242
Computer and technology	-	18,602	18,602	19,621	6,157	44,380
Office equipment	-	2,309	2,309	3,600	1,130	7,039
Professional development	-	823	823	906	284	2,013
Meetings	-	470	470	416	131	1,017
Marketing	-	5,202	5,202	6,161	1,933	13,296
Fund development	-	1,055	1,055	1,645	516	3,216
Event expense	-	111,882	111,882	8,491	2,665	123,038
Depreciation	-	1,536	1,536	2,395	751	4,682
Grants	4,796,438	-	4,796,438	-	-	4,796,438
Leadership grants	294,165	-	294,165	-	-	294,165
Miscellaneous	-	90,808	90,808	2,412	760	93,980
	<u>\$ 5,090,603</u>	<u>\$ 769,917</u>	<u>\$ 5,860,520</u>	<u>\$ 533,673</u>	<u>\$ 167,475</u>	<u>\$ 6,561,668</u>
Percentage of total expenses:			<u>89.31%</u>	<u>8.14%</u>	<u>2.55%</u>	<u>100.00%</u>

See notes to consolidated financial statements.



**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2020**

	Program Services			Management and General	Fundraising	Total
	Grant Awards	Other Program Expenses	Total			
Salaries and benefits	\$ -	\$ 243,083	\$ 243,083	\$ 363,970	\$ 114,164	\$ 721,217
Payroll taxes	-	15,281	15,281	22,880	7,177	45,338
Legal	-	8,366	8,366	1,619	508	10,493
Accounting and financial	-	675	675	17,977	-	18,652
Contracted services	-	154,263	154,263	2,764	867	157,894
Occupancy	-	26,426	26,426	32,082	10,063	68,571
Armory expenses	-	1,266	1,266	1,897	595	3,758
Insurance	-	3,215	3,215	5,077	1,592	9,884
Dues and subscriptions	-	2,509	2,509	2,174	688	5,371
Postage	-	217	217	230	72	519
Supplies and office printing	-	1,615	1,615	1,536	482	3,633
Telephone	-	557	557	834	262	1,653
Travel and parking	-	8,372	8,372	437	437	9,246
Computer and technology	-	16,136	16,136	22,761	7,139	46,036
Office equipment	-	1,730	1,730	2,590	813	5,133
Professional development	-	396	396	1,604	339	2,339
Meetings	-	520	520	618	97	1,235
Marketing	-	-	-	-	10,338	10,338
Fund development	-	-	-	-	1,665	1,665
Event expense	-	9,102	9,102	-	1,779	10,881
Depreciation	-	2,818	2,818	4,887	1,533	9,238
Grants	4,416,635	-	4,416,635	-	-	4,416,635
Leadership grants	67,019	-	67,019	-	-	67,019
Miscellaneous	-	106,762	106,762	5,128	813	112,703
	<u>\$ 4,483,654</u>	<u>\$ 603,309</u>	<u>\$ 5,086,963</u>	<u>\$ 491,065</u>	<u>\$ 161,423</u>	<u>\$ 5,739,451</u>
Percentage of total expenses:			<u>88.63%</u>	<u>8.56%</u>	<u>2.81%</u>	<u>100.00%</u>

See notes to consolidated financial statements.

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash flows from operating activities		
Change in net assets	\$ 19,330,543	\$ 13,195,972
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	4,682	9,238
Change in allowance for doubtful accounts	12,584	(2,267)
Change in discount	4,266	(6,324)
Investment gains (losses)		
Realized gain	558,667	(19,817,200)
Unrealized (gain) loss	(15,663,356)	8,758,534
In-kind contributions - cemetery lots	-	(10,978)
Contributions receivable	-	501,087
Promises to give	(419,444)	75,556
Deposits	(432)	(243)
Accounts payable	(5,814)	1,859
Accrued salaries and related	5,211	7,188
Deferred revenue	(823)	61
Grants payable	169,780	(231,326)
Funds held in agency endowments	1,801,375	1,069,724
Annuity payable	(9,399)	(14,443)
Total adjustments	(13,542,703)	(9,659,534)
Net cash provided by operating activities	5,787,840	3,536,438
Cash flows from investing activities		
Purchase of equipment	(5,924)	(2,716)
Proceeds from sales of investment securities	3,660,877	58,091,680
Purchases of investment securities	(10,028,926)	(62,896,472)
Principal receipts on loan receivable	23,071	1,658
Net cash used by investing activities	(6,350,902)	(4,805,850)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(563,062)	(1,269,412)
CASH AND CASH EQUIVALENTS		
Beginning of year	1,605,548	2,874,960
End of year	\$ 1,042,486	\$ 1,605,548

See notes to consolidated financial statements.

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting and Presentation

The consolidated financial statements include the accounts of the Foundation and its supporting organization. All significant intercompany accounts and transactions have been eliminated in consolidation. The Foundation is required to report information regarding its financial position and activities according to two classes of net assets. The bylaws of the Foundation include a variance provision that allows the Board of Trustees of the Foundation to vary the use of substantially all contributions received. The Board of Trustees strives to honor a donor's charitable intent, unless in their sole judgment that intent becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community, or area served by the Foundation. Based on this variance provision, substantially all net assets of the Foundation have been classified as without donor restrictions. The following is a summary of the Foundation's internal classification of total net assets without donor restrictions.

	2021	2020
Undesignated funds	\$ 11,891,760	\$ 11,675,330
Field of interest funds	31,086,049	25,910,845
Designated funds	13,823,110	11,701,422
Donor advised funds	14,053,191	11,434,258
Scholarship funds	14,970,077	12,829,202
Agency funds	48,289,961	42,007,338
Net assets without donor restrictions	<u>\$ 134,114,148</u>	<u>\$ 115,558,395</u>

Basis Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash deposits held in various checking and savings accounts. Cash amounts included in the investment portfolio (see Note 4) are not considered cash and cash equivalents for purposes of the statements of cash flows.

Investments

The Foundation carries investments at their fair values in the statements of financial position. Net investment return or loss included in the statement of activities and consist of interest and dividend income, realized and unrealized gains and loss, less investment expense.

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Promises to Give

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 with donor-imposed time or purpose restrictions are reported as with donor restrictions. Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as without donor restrictions.

Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At December 31, 2021 and 2020, the allowance for doubtful accounts was \$19,917 and \$7,333, respectively.

Furniture and Equipment

Furniture and equipment in excess of \$750 are stated at cost, if purchased, or at estimated fair value at date of donation. Depreciation is computed on the straight-line method and is based on expected useful lives ranging from three to seven years.

Funds Held in Agency Endowments

A liability has been established for amounts received from other not-for-profit organizations that specify the donor organization or a related organization as the beneficiary. Investment earnings or losses allocated to the funds and distributions paid to the beneficiary organization are recorded as increases and decreases, respectively, to the liability. Distributions from restricted organizational funds are subject to the current spending policies of the Foundation.

Annuity Payable

From time to time, the Foundation receives charitable gift annuities. Charitable gift annuities provide for periodic payments during the donor's lifetime. Upon the donor's death, the remaining assets are to be available to the Foundation. Liabilities are recorded for the present value of the amounts expected to be paid to the donor or specified beneficiary over the term of the agreement. The interest rates used to calculate the present value of this liability range from 1.2% to 7.6%, based on the year the annuity was established.

Contribution Revenue

Contributions of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Contribution Revenue (continued)

Unconditional contributions expected to be collected within one year are reported at their net realizable value. Unconditional contributions expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional contributions depend on the occurrence of a specified future and uncertain event to bind the donor and are recognized as assets and revenue when the conditions are substantially met, and the gift becomes unconditional.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions of land, buildings, equipment, and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Functional Classification of Expenses

The Foundation reports its expenses on the statement of activities into functional classifications based on direct identification, time (for salaries) and floor space studies. Each category is defined as follows:

Grant Awards

Grant awards (contributions to others) are recorded as expenses when they are approved by the Board of Trustees or their designates. Grant awards are presented in the financial statements net of grant refunds.

Program Expenses

Program expenses include grant awards as well as administrative expenses for awarding and monitoring grant expense and for charitable purposes that are not classified as grant awards, including education of the community. Program expenses include the in-kind and other expenses incurred by such programs as the Youth Action Committee, placemaking projects, and nonprofit consulting on capacity building.

Management and General

Management and general expenses include those expenses associated with the administration and management of the Foundation.

Fundraising

Fundraising expenses include expenses incurred by raising funds to operate the Foundation and work with donors.

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2 - NATURE OF ORGANIZATION, RISKS, AND UNCERTAINTIES**

Capital Region Community Foundation (the Foundation) is a nonprofit corporation classified by the Internal Revenue Service as tax-exempt under Section 501(c)(3) and as a nonprivate foundation under Section 509(a)(1) of the Internal Revenue Code of 1986. Therefore, the Foundation is currently exempt from federal income tax on related activities. The Foundation is responsible for charitable funds and the income generated by funds of many donors. In June 2018, Vibrant Communities LLC was formed as a wholly owned subsidiary of the Foundation to manage riverfront development projects or any similar projects in the future.

The Foundation is committed to serve the region's broad educational, scientific, literary, cultural, and charitable needs as well as enhance the quality of life in the capital region.

The Foundation is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments which potentially subject the Foundation to credit risk consist principally of cash and investments. The Foundation's cash is deposited with FDIC insured financial institutions. Although such cash balances exceeded the federally insured limits at certain times during the year and at year-end, they are, in the opinion of management, subject to minimal risk. Credit risk with respect to investments is limited because of the wide variety of companies and industries.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

In the preparation of tax returns, tax positions are taken based on interpretations of federal, state, and local income tax laws. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been identified, or recorded, as uncertain tax positions. Federal, state, and local tax returns generally remain open for examination by various taxing authorities for a period of three to four years.

The Foundation evaluates events and transactions that occur after year end for potential recognition or disclosure in the financial statements. These subsequent events have been considered through May 26, 2022, which is the date the financial statements were available to be issued.

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 such changes could materially affect the amounts reported in the financial statements.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of many businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Due to the State of Michigan's mandatory work-from-home orders, some of the Foundation's operating expenses were under budget. However, because the Foundation's operating budget depends on fees from its invested funds, and there was uncertainty about the impact COVID-19 could have on the investment markets, and during 2020, the Foundation applied for and received a \$142,500 loan under the CARES Act through the Paycheck Protection Program. The loan had the potential to be forgiven following federal guidelines. Federal guidelines dictate use of the funds on eligible expenses over the 24-week period following the date of the loan. Eligible expenses included payroll, lease payments and utility payments. The Foundation received full loan forgiveness by having expended the funds only on eligible expenses and, therefore, has been deemed revenue for the year ended December 31, 2020. The Foundation did not apply for a second Paycheck Protection Program loan.

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 3 - LIQUIDITY AND AVAILABILITY**

The Foundation's primary source of revenue is derived from contributions without donor restrictions. The remainder of revenue is funded by other miscellaneous income without donor restrictions. The Foundation considers all revenue earned to be available to meet cash needs for general expenditures. General expenditures include grant and contribution commitments to service the Foundation's program and administrative and general expenses necessary to facilitate the Foundation's objectives.

The Foundation's board meets every other month to review and approve grant requests and board investment committee strives to maximize the investment of its available funds. The general investment objective for the Foundation is to generate sufficient long-term growth of capital without undue exposure to risk, to provide a sustainable level of spending distributions, as well as enhance the purchasing power of the investments. The Foundation strives to maintain financial assets available to meet general expenditures at a level that represents 100% of annual expenses for administrative, general, and fundraising expenses plus an amount that represents expected grant commitments.

The table below presents financial assets available for general expenditures within one year at December 31:

	2021	2020
Cash and cash equivalents	\$ 1,042,486	\$ 1,605,548
Investments	148,337,595	126,864,857
Promises to give	594,657	197,420
	<hr/>	<hr/>
Total financial assets at year-end	149,974,738	128,667,825
Less donor-imposed restricted resources	(972,210)	(197,420)
Less board designated net assets	(4,668,477)	(3,221,615)
Less board designated endowment funds	(128,966,952)	(111,858,061)
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Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 15,367,099</u>	<u>\$ 13,390,729</u>

**NOTE 4 - INVESTMENTS**

The following table summarizes the cost basis and fair value (carrying value) of investments as of December 31.

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 545,924	\$ 545,924	\$ 193,508	\$ 193,508
Certificate of deposits	811,973	811,973	802,281	802,281
Mutual funds - equities	79,335,351	107,526,123	78,995,181	92,689,934
Mutual funds - fixed income	35,444,428	36,460,782	30,337,324	31,512,755
Real estate investment trust	-	2,992,793	-	1,666,379
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>\$ 116,137,676</u>	<u>\$ 148,337,595</u>	<u>\$ 110,328,294</u>	<u>\$ 126,864,857</u>

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 4 - INVESTMENTS (continued)**

At December 31, individual investments representing more than 5% of total investments were as follows:

	2021	2020
Vanguard Total Stock Market Fund	\$ 65,047,104	\$ 51,734,241
Doubleline Core Fixed	8,879,574	8,508,198
Vanguard FTSE All-World Ex-US Index Fund	9,472,879	8,759,157
Vanguard Total Bond Market Index Fund	8,926,845	8,283,997
T Rowe Price Overseas	9,493,292	8,373,965

Included in the above investment amounts are \$14,522,263 and \$12,720,888 as of December 31, 2021 and 2020, respectively, of funds held as agency endowments.

Investment income for the years ended December 31 consists of the following:

	2021	2020
Interest, dividends and distributions	\$ 4,300,792	\$ 2,605,354
Investment fees	(42,037)	(41,305)
Realized gain (loss) on sales of investments	(558,667)	19,817,200
Unrealized gain (loss) on investments	15,663,356	(8,758,534)
Investment income, net	19,363,444	13,622,715
Allocated to agency endowments	(1,893,183)	(1,357,527)
	<u>\$ 17,470,261</u>	<u>\$ 12,265,188</u>

**NOTE 5 - FAIR VALUE MEASUREMENTS**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Foundation's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.



**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 5 - FAIR VALUE MEASUREMENTS (continued)**

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2021 and 2020.

- *Mutual Funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the plan are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the plan are deemed to be actively traded.
- *Real Estate Investment Trust:* Valued using the market approach based primarily on current appraised values and other market information for similar property.

The following is a market value summary by the level of the inputs used, as of December 31, 2021 and 2020, in evaluating the Foundation's assets carried at fair value. The inputs or methodology used for valuing securities may not be an indication of the risk associated with investing in those securities.

December 31, 2021	Level 1	Level 2	Level 3	Total
Assets				
Mutual funds				
Equities	\$ 107,526,123	\$ -	\$ -	\$ 107,526,123
Fixed income	36,460,782	-	-	36,460,782
Real estate investment trust	-	2,992,793	-	2,992,793
Total assets in the fair value hierarchy	<u>\$ 143,986,905</u>	<u>\$ 2,992,793</u>	<u>\$ -</u>	146,979,698
Money market funds (recorded at cost)				545,924
Certificates of deposit (recorded at cost)				<u>811,973</u>
Total investments				<u>\$ 148,337,595</u>
December 31, 2020	Level 1	Level 2	Level 3	Total
Assets				
Mutual funds				
Equities	\$ 92,689,934	\$ -	\$ -	\$ 92,689,934
Fixed income	31,512,755	-	-	31,512,755
Real estate investment trust	-	1,666,379	-	1,666,379
Total assets in the fair value hierarchy	<u>\$ 124,202,689</u>	<u>\$ 1,666,379</u>	<u>\$ -</u>	125,869,068
Money market funds (recorded at cost)				193,508
Certificates of deposit (recorded at cost)				<u>802,281</u>
Total investments				<u>\$ 126,864,857</u>

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 6 - PROMISES TO GIVE**

Unconditional promises to give consist of the following at December 31:

	2021	2020
Unconditional promises to give before unamortized discounts and allowance for uncollectibles	\$ 663,888	\$ 244,444
Less allowance for doubtful accounts	(19,917)	(7,333)
Less unamortized discount	<u>(49,314)</u>	<u>(39,691)</u>
Net unconditional promises to give	<u>\$ 594,657</u>	<u>\$ 197,420</u>
Amounts due in:		
Less than one year	\$ 385,556	\$ 63,899
One to five years	<u>278,332</u>	<u>180,545</u>
Total	<u>\$ 663,888</u>	<u>\$ 244,444</u>

Discount rate was 5% in 2021 and 2020.

**NOTE 7 - LOAN RECEIVABLE**

During 2017, the Foundation established a loan totaling \$40,000 to the Southside Community Coalition of Lansing, Michigan. The loan includes interest at a rate of 1% and is to be repaid in monthly installments of \$573 with the remaining balance due and payable on August 28, 2023. As of December 31, 2021, the loan was paid in full. Beginning and ending balances for loan receivable, net of discount, is reported as follows for the year end December 31:

	2021	2020
Loan receivable, net of discount, beginning of year	<u>\$ 17,714</u>	<u>\$ 19,664</u>
Loan receivable, net of discount, end of year	<u>\$ -</u>	<u>\$ 17,714</u>

**NOTE 8 - RETIREMENT PLAN**

The Foundation has established a Simplified Employee Pension (SEP) Plan. All full-time employees with one year of service are eligible to participate in the plan. During 2021 and 2020, the Foundation contributed approximately \$40,000 and \$35,000, respectively, to the plan.

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 9 - OPERATING LEASES**

The Foundation has entered into lease agreements for office space, including a Community Meeting Room.

The Community Room rental payments will be made through a grant from the Foundation and will be used as a meeting place that may be utilized by other like-minded nonprofit organizations.

Rent expense for 2021 and 2020 amounted to approximately \$110,600 and \$108,900, respectively.

Future lease payments under the lease agreements are as follows:

<u>Year Ending December 31,</u>	<u>Office Space</u>	<u>Community Meeting Room</u>	<u>Total Commitment</u>
2022	\$ 66,070	\$ 41,849	\$ 107,919
2023	66,070	41,849	107,919
2024	66,070	41,849	107,919
2025	66,070	41,849	107,919
2026	55,060	34,874	89,934
	<u>\$ 319,340</u>	<u>\$ 202,270</u>	<u>\$ 521,610</u>

**NOTE 10 - BOARD DESIGNATED ENDOWMENTS**

The Foundation's unrestricted net assets include designated endowments that would be classified as donor-restricted endowments except that the Foundation has variance power over these assets. Therefore, the Foundation treats these funds as designated endowments and they are classified and reported based on the existence or absence of donor-restrictions.

Interpretation of Relevant Law

The Foundation has interpreted the principles of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as: (a) assets will be invested prudently in diversified investments that seek growth, as well as income; and (b) appreciation of assets could prudently be spent for the purposes of any endowment fund held by the charitable institution. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate designated endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the Foundation and the designated 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 Foundation.
7. The investment policies of the Foundation.

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 10 - BOARD DESIGNATED ENDOWMENTS (continued)**

Endowment Funds and Changes Therein

The Foundation maintained the following endowment funds as of December 31:

	2021	2020
Board designated endowments		
Unrestricted funds	\$ 11,413,041	\$ 11,196,611
Field of interest funds	31,086,049	25,910,845
Designated funds	13,823,110	11,701,422
Donor advised funds	9,384,714	8,212,643
Scholarship funds	14,970,077	12,829,202
Agency funds	48,289,961	42,007,338
	<hr/>	<hr/>
Total endowment funds	128,966,952	111,858,061
Board designated net assets	4,668,477	3,221,615
Undesignated net assets	478,719	478,719
	<hr/>	<hr/>
	5,147,196	3,700,334
Net assets without donor restrictions	<u>\$ 134,114,148</u>	<u>\$ 115,558,395</u>

The annual changes in the endowment funds is not significantly different from the statements of activities for the years ended December 31, 2021 and 2020.

Return Objectives and Risk Parameters

The Foundation's investment and spending policies for endowment assets attempt to provide a predictable stream of funding to programs supported. The spending policy should allow for predictability of spendable fund for budgeting purposes and for steady growth in distributions in support of operations at least equal to the rate of inflation, without endangering the capital value of the fund.

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 of equity securities, fixed income funds, and alternative investments with performance benchmarks on each asset class.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a spending policy which shall allow for maximum annual distributions equal to 5% of the rolling average of the preceding 12 quarterly market values. In establishing this policy, the Foundation considered the long-term expected return on its investments. Accordingly, the Foundation expects the current spending policy to allow its net assets to grow over time. This is consistent with the Foundation's objective to maintain the purchasing power of the investments and net assets, as well as to provide additional real growth through new gifts and investment return.

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at December 31 are available for the following:

	<u>2021</u>	<u>2020</u>
Subject to passage of time		
Promises to give	\$ 594,657	\$ 197,420
Subject to expenditure for specific purpose		
Playground	<u>377,553</u>	<u>-</u>
Total net assets with donor restrictions	<u><u>\$ 972,210</u></u>	<u><u>\$ 197,420</u></u>

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

	<u>2021</u>	<u>2020</u>
Subject to the passage of time		
Promises to give	\$ 48,498	\$ 509,691
Subject to expenditure for specific purpose		
Playground	<u>202,317</u>	<u>-</u>
Total net assets released from restriction	<u><u>\$ 250,815</u></u>	<u><u>\$ 509,691</u></u>

**NOTE 12 - RELATED PARTY TRANSACTIONS**

Board members of the Foundation are employed at organizations that provide professional services to the Foundation from time to time. These organizations were paid \$44,550 and \$7,285 for such services in 2021 and 2020.

Furthermore, various board members of the Foundation are employed by organizations that receive support and scholarships from the Foundation. Board members recuse themselves from voting in any instance that involves their organization of employment. Also, board members and their employers make contributions to the Foundation on a regular basis.

## **SUPPLEMENTARY INFORMATION**

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2021**  
**(with comparative totals for December 31, 2020)**

	Capital Region Community Foundation	Vibrant Communities LLC	Eliminations	Total 2021	Total 2020
<b>ASSETS</b>					
Cash and cash equivalents	\$ 932,089	\$ 110,397	\$ -	\$ 1,042,486	\$ 1,605,548
Investments	148,337,595	-	-	148,337,595	126,864,857
Promises to give, net of allowance for doubtful accounts and discount	594,657	-	-	594,657	197,420
Loan receivable, net of discount	-	-	-	-	17,714
Deposits	14,511	-	-	14,511	14,079
Property donation - cemetery lots	57,843	-	-	57,843	57,843
Furniture and equipment, less accumulated depreciation of \$178,955 and \$175,761 in 2021 and 2020, respectively	13,038	-	-	13,038	11,796
<b>TOTAL ASSETS</b>	<b>\$ 149,949,733</b>	<b>\$ 110,397</b>	<b>\$ -</b>	<b>\$ 150,060,130</b>	<b>\$ 128,769,257</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 13,702	\$ -	\$ -	\$ 13,702	\$ 19,516
Accrued salaries and related	35,173	-	-	35,173	29,962
Deferred revenue	-	-	-	-	823
Grants payable	328,100	-	-	328,100	158,320
Funds held in agency endowments	14,522,263	-	-	14,522,263	12,720,888
Liabilities associated with gift annuities	74,534	-	-	74,534	83,933
<b>TOTAL LIABILITIES</b>	<b>14,973,772</b>	<b>-</b>	<b>-</b>	<b>14,973,772</b>	<b>13,013,442</b>
<b>NET ASSETS</b>					
Without donor restrictions	134,003,751	110,397	-	134,114,148	115,558,395
With donor restrictions	972,210	-	-	972,210	197,420
<b>TOTAL NET ASSETS</b>	<b>134,975,961</b>	<b>110,397</b>	<b>-</b>	<b>135,086,358</b>	<b>115,755,815</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 149,949,733</b>	<b>\$ 110,397</b>	<b>\$ -</b>	<b>\$ 150,060,130</b>	<b>\$ 128,769,257</b>

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2021**  
**(with comparative totals for the year ended December 31, 2020)**

	Capital Region Community Foundation	Vibrant Communities LLC	Eliminations	Total 2021	Total 2020
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>					
Contributions	\$ 8,319,312	\$ -	\$ -	\$ 8,319,312	\$ 6,417,817
In-kind contributions	-	-	-	-	10,978
Investment return, net	17,470,235	26	-	17,470,261	12,265,188
Revenue from agency contributions to endowments	79,505	-	-	79,505	72,189
Event revenue	25,000	-	-	25,000	25,933
Change in value of gift annuities	(1,867)	-	-	(1,867)	818
Paycheck protection program	-	-	-	-	142,500
<b>TOTAL REVENUES, GAINS, AND OTHER SUPPORT</b>	<b>25,892,185</b>	<b>26</b>	<b>-</b>	<b>25,892,211</b>	<b>18,935,423</b>
<b>EXPENSES</b>					
Program expenses					
Grant awards	4,756,139	334,464	-	5,090,603	4,483,654
Other program expenses	769,917	-	-	769,917	603,309
Supporting services					
Management and general	532,873	800	-	533,673	491,065
Fundraising	167,475	-	-	167,475	161,423
<b>TOTAL EXPENSES</b>	<b>6,226,404</b>	<b>335,264</b>	<b>-</b>	<b>6,561,668</b>	<b>5,739,451</b>
<b>CHANGE IN NET ASSETS</b>	<b>19,665,781</b>	<b>(335,238)</b>	<b>-</b>	<b>19,330,543</b>	<b>13,195,972</b>
<b>NET ASSETS</b>					
Beginning of year	115,310,180	445,635	-	115,755,815	102,559,843
End of year	<u>\$ 134,975,961</u>	<u>\$ 110,397</u>	<u>\$ -</u>	<u>\$ 135,086,358</u>	<u>\$ 115,755,815</u>