

**CAPITAL REGION COMMUNITY FOUNDATION
AND SUPPORTING ORGANIZATION**

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

YEARS ENDED DECEMBER 31, 2020 AND 2019

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT.....	1-2
CONSOLIDATED FINANCIAL STATEMENTS	
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Functional Expenses	5-6
Statements of Cash Flows.....	7
Notes to Consolidated Financial Statements.....	8-19
SUPPLEMENTARY INFORMATION	20
Consolidating Statement of Financial Position	21
Consolidating Statement of Activities	22

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Capital Region Community Foundation
and Supporting Organization

We have audited the accompanying consolidated financial statements of Capital Region Community Foundation and Supporting Organization, which comprise the consolidated statement of financial position as of December 31, 2020 and 2019, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Capital Region Community Foundation and Supporting Organization as of December 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Supplementary Information

Our audits were 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 of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual entities, 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. The 2019 summarized supplementary information, as identified in the table of contents, is consistent with the consolidated financial statements from which it has been derived.

Maney Costeiran PC

June 10, 2021

CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 1,605,548	\$ 2,874,960
Investments	126,864,857	111,001,399
Contributions receivable	-	501,087
Promises to give, net of allowance for doubtful accounts and discount	197,420	264,093
Loan receivable, net of discount	17,714	19,664
Deposits	14,079	13,836
Property donation - cemetery lots	57,843	46,865
Furniture and equipment, less accumulated depreciation of \$175,761 and \$166,524 in 2020 and 2019, respectively	11,796	18,318
TOTAL ASSETS	\$ 128,769,257	\$ 114,740,222
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 19,516	\$ 17,657
Accrued salaries and related	29,962	22,774
Deferred revenue	823	762
Grants payable	158,320	389,646
Funds held in agency endowments	12,720,888	11,651,164
Liabilities associated with gift annuities	83,933	98,376
TOTAL LIABILITIES	13,013,442	12,180,379
NET ASSETS		
Without donor restrictions	115,558,395	101,852,732
With donor restrictions	197,420	707,111
TOTAL NET ASSETS	115,755,815	102,559,843
TOTAL LIABILITIES AND NET ASSETS	\$ 128,769,257	\$ 114,740,222

See notes to consolidated financial statements.

CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Without Restrictions	With Restrictions	Total	Without Restrictions	With Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT						
Contributions	\$ 6,417,817	\$ -	\$ 6,417,817	\$ 6,002,479	\$ 947,778	\$ 6,950,257
In-kind contributions	10,978	-	10,978	52,918	-	52,918
Investment income, net	12,265,188	-	12,265,188	16,605,302	-	16,605,302
Paycheck protection program	142,500	-	142,500	-	-	-
Administrative revenue from agency endowments	72,189	-	72,189	68,050	-	68,050
Event revenue	25,933	-	25,933	45,000	-	45,000
Net assets released from restrictions	509,691	(509,691)	-	546,072	(546,072)	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	19,444,296	(509,691)	18,934,605	23,319,821	401,706	23,721,527
EXPENSES						
Program expenses						
Grant awards	4,483,654	-	4,483,654	5,216,058	-	5,216,058
Other program expenses	603,309	-	603,309	778,075	-	778,075
Management and general	491,065	-	491,065	518,738	-	518,738
Fundraising	161,423	-	161,423	157,752	-	157,752
Change in value of gift annuities	(818)	-	(818)	11,419	-	11,419
TOTAL EXPENSES	5,738,633	-	5,738,633	6,682,042	-	6,682,042
CHANGE IN NET ASSETS	13,705,663	(509,691)	13,195,972	16,637,779	401,706	17,039,485
NET ASSETS						
Beginning of year	101,852,732	707,111	102,559,843	85,214,953	305,405	85,520,358
End of year	<u>\$ 115,558,395</u>	<u>\$ 197,420</u>	<u>\$ 115,755,815</u>	<u>\$ 101,852,732</u>	<u>\$ 707,111</u>	<u>\$ 102,559,843</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	Change in Value of Annuities	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	(818)	111,885
	<u>\$ 4,483,654</u>	<u>\$ 603,309</u>	<u>\$ 5,086,963</u>	<u>\$ 491,065</u>	<u>\$ 161,423</u>	<u>\$ (818)</u>	<u>\$ 5,738,633</u>

See notes to consolidated financial statements.

CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services			Management and General	Fundraising	Change in	Total
	Grant Awards	Other Program Expenses	Total			Value of Annuities	
Salaries and benefits	\$ -	\$ 243,011	\$ 243,011	\$ 374,934	\$ 106,819	\$ -	\$ 724,764
Payroll taxes	-	15,298	15,298	23,603	6,724	-	45,625
Legal	-	525	525	810	231	-	1,566
Accounting and financial	-	1,175	1,175	19,144	-	-	20,319
Contracted services	-	236,953	236,953	-	-	-	236,953
Occupancy	-	38,826	38,826	32,615	9,292	-	80,733
Armory expenses	-	1,435	1,435	2,214	631	-	4,280
Insurance	-	5,770	5,770	4,789	1,364	-	11,923
Dues and subscriptions	-	33,645	33,645	2,575	-	-	36,220
Postage	-	1,557	1,557	1,092	311	-	2,960
Supplies and office printing	-	17,215	17,215	2,797	797	-	20,809
Telephone	-	573	573	884	252	-	1,709
Travel and parking	-	22,926	22,926	1,595	1,595	-	26,116
Computer and technology	-	10,332	10,332	15,941	4,542	-	30,815
Office equipment	-	1,622	1,622	2,503	713	-	4,838
Professional development	-	6,834	6,834	8,986	-	-	15,820
Meetings	-	3,395	3,395	10,065	-	-	13,460
Marketing	-	9,524	9,524	-	8,314	-	17,838
Fund development	-	750	750	-	5,370	-	6,120
Event expense	-	84,361	84,361	-	8,644	-	93,005
Depreciation	-	4,898	4,898	7,557	2,153	-	14,608
Grants	4,042,161	-	4,042,161	-	-	-	4,042,161
Leadership grants	1,173,897	-	1,173,897	-	-	-	1,173,897
Miscellaneous	-	37,450	37,450	6,634	-	11,419	55,503
	<u>\$ 5,216,058</u>	<u>\$ 778,075</u>	<u>\$ 5,994,133</u>	<u>\$ 518,738</u>	<u>\$ 157,752</u>	<u>\$ 11,419</u>	<u>\$ 6,682,042</u>

See notes to consolidated financial statements.

CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash flows from operating activities		
Change in net assets	\$ 13,195,972	\$ 17,039,485
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	9,238	14,608
Change in allowance for doubtful accounts	(2,267)	(150)
Change in discount	(6,324)	35,240
Investment gains (losses)		
Realized gain	(19,817,200)	(1,898,829)
Unrealized (gain) loss	8,758,534	(12,940,488)
In-kind contributions - cemetery lots	(10,978)	(2,495)
Contributions receivable	501,087	(501,087)
Promises to give	75,556	5,000
Deposits	(243)	1,145
Accounts payable	1,859	(7,768)
Accrued salaries and related	7,188	(7,326)
Deferred revenue	61	283
Grants payable	(231,326)	(236,866)
Funds held in agency endowments	1,069,724	2,770,503
Annuity payable	(14,443)	(5,146)
Total adjustments	(9,659,534)	(12,773,376)
Net cash provided by operating activities	3,536,438	4,266,109
Cash flows from investing activities		
Purchase of equipment	(2,716)	(5,946)
Proceeds from sales of investment securities	58,091,680	4,102,175
Purchases of investment securities	(62,896,472)	(6,151,736)
Principal receipts on loan receivable	1,658	6,588
Net cash used by investing activities	(4,805,850)	(2,048,919)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,269,412)	2,217,190
CASH AND CASH EQUIVALENTS		
Beginning of year	2,874,960	657,770
End of year	\$ 1,605,548	\$ 2,874,960

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.

	2020	2019
Undesignated funds	\$ 11,675,330	\$ 10,181,240
Field of interest funds	25,910,845	23,879,997
Designated funds	11,701,422	7,693,366
Donor advised funds	11,434,258	9,686,379
Scholarship funds	12,829,202	11,693,556
Agency funds	42,007,338	38,718,194
	<u>\$ 115,558,395</u>	<u>\$ 101,852,732</u>
Net assets without donor restrictions	<u>\$ 115,558,395</u>	<u>\$ 101,852,732</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, 2020 and 2019, the allowance for doubtful accounts was \$7,333 and \$9,600, respectively.

Furniture and Equipment

Furniture and equipment in excess of \$750 are stated at cost, if purchased, and 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.

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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contribution Revenue (continued)

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:

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.

Grant Awards

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

**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 June 10, 2021, 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, 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.

**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:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,605,548	\$ 2,874,960
Investments	126,864,857	111,001,399
Contributions receivable	-	501,087
Promises to give	<u>197,420</u>	<u>264,093</u>
 Total financial assets at year-end	 128,667,825	 114,641,539
 Less donor-imposed restricted resources	 <u>(197,420)</u>	 <u>(707,111)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u><u>\$ 128,470,405</u></u>	 <u><u>\$ 113,934,428</u></u>

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

NOTE 4 - INVESTMENTS

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

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 193,508	\$ 193,508	\$ 447,537	\$ 447,537
Certificate of deposits	802,281	802,281	1,324,278	1,324,278
Equities	78,995,181	92,689,934	56,954,859	82,536,037
Fixed income - corporate	30,337,324	31,512,755	26,979,628	26,693,547
Other assets	-	1,666,379	-	-
Total	<u>\$ 110,328,294</u>	<u>\$ 126,864,857</u>	<u>\$ 85,706,302</u>	<u>\$ 111,001,399</u>

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

	2020	2019
Vanguard Institutional Index Fund	\$ -	\$ 32,283,921
Vanguard Extended Market Index Fund	-	10,526,943
Vanguard Total Stock Market Fund	51,734,241	-
Doubleline Core Fixed	8,508,198	8,560,241
Vanguard FTSE All-World Ex-US Index Fund	8,759,157	7,594,378
Vanguard Total Bond Market Index Fund	8,283,997	8,654,710
T Rowe Price Overseas	8,373,965	7,659,860

Included in the above investment amounts are \$12,720,888 and \$11,651,164 as of December 31, 2020 and 2019, respectively, of funds held as agency endowments.

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

	2020	2019
Interest, dividends and distributions	\$ 2,605,354	\$ 3,522,708
Investment fees	(41,305)	(40,255)
Realized gain (loss) on sales of investments	19,817,200	1,898,829
Unrealized gain (loss) on investments	<u>(8,758,534)</u>	<u>12,940,488</u>
Investment income, net	13,622,715	18,321,770
Allocated to agency endowments	<u>(1,357,527)</u>	<u>(1,716,468)</u>
	<u>\$ 12,265,188</u>	<u>\$ 16,605,302</u>

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

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.

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, 2020 and 2019.

- *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.

The following is a market value summary by the level of the inputs used, as of December 31, 2020 and 2019, 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, 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
Other assets	1,666,379	-	-	1,666,379
Total assets in the fair value hierarchy	<u>\$ 125,869,068</u>	<u>\$ -</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 5 - FAIR VALUE MEASUREMENTS (continued)

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
Mutual funds				
Equities	\$ 82,536,037	\$ -	\$ -	\$ 82,536,037
Fixed income	26,693,547	-	-	26,693,547
Total assets in the fair value hierarchy	<u>\$ 109,229,584</u>	<u>\$ -</u>	<u>\$ -</u>	109,229,584
Money market funds (recorded at cost)				447,537
Certificates of deposit (recorded at cost)				<u>1,324,278</u>
Total investments				<u>\$ 111,001,399</u>

NOTE 6 - PROMISES TO GIVE

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

	2020	2019
Unconditional promises to give before unamortized discounts and allowance for uncollectibles	\$ 244,444	\$ 320,000
Less allowance for doubtful accounts	(7,333)	(9,600)
Less unamortized discount	<u>(39,691)</u>	<u>(46,307)</u>
Net unconditional promises to give	<u>\$ 197,420</u>	<u>\$ 264,093</u>
Amounts due in:		
Less than one year	\$ 63,899	\$ 79,375
One to five years	<u>180,545</u>	<u>240,625</u>
Total	<u>\$ 244,444</u>	<u>\$ 320,000</u>

Discount rate was 5% in 2020 and 2019.

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

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. The loan receivable balance has been discounted to an estimated present value of \$32,452, assuming a 7% interest rate over a six-year term. As of December 31, 2020, total principal payments made on the loan totaled \$16,929. Due to the ongoing pandemic, the Foundation allowed Southside Community Coalition to defer 9 payments during 2020. Beginning and ending balances for loan receivable, net of discount, is reported as follows for the year end December 31:

	<u>2020</u>	<u>2019</u>
Loan receivable, net of discount, beginning of year	<u>\$ 19,664</u>	<u>\$ 25,030</u>
Loan receivable, net of discount, end of year	<u>\$ 17,714</u>	<u>\$ 19,664</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 2020 and 2019, the Foundation contributed approximately \$35,000 and \$28,000, respectively, to the plan.

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 2020 and 2019 amounted to approximately \$108,900 and \$98,000, 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>
2021	\$ 66,070	\$ 41,849	\$ 107,919
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	<u>66,070</u>	<u>41,849</u>	<u>107,919</u>
	<u>\$ 396,420</u>	<u>\$ 251,094</u>	<u>\$ 647,514</u>

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

NOTE 10 - 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.

Endowment Funds and Changes Therein

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

	2020	2019
Board designated endowments		
Unrestricted funds	\$ 11,196,611	\$ 9,854,445
Field of interest funds	25,910,845	23,879,997
Designated funds	11,701,422	7,693,366
Donor advised funds	11,434,258	9,686,379
Scholarship funds	12,829,202	11,693,556
Agency funds	42,007,338	38,718,194
	<hr/>	<hr/>
Total endowment funds	115,079,676	101,525,937
Undesignated net assets	<hr/> 478,719	<hr/> 326,795
Net assets without donor restrictions	<hr/> <u>\$ 115,558,395</u>	<hr/> <u>\$ 101,852,732</u>

The annual changes in the endowment funds is not significantly different from the statements of activities for the years ended December 31, 2020 and 2019.

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

NOTE 10 - DESIGNATED ENDOWMENTS (continued)

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.

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Leadership fund	<u>\$ 197,420</u>	<u>\$ 707,111</u>

Net assets were released from time restrictions during the years ended December 31 as follows:

	<u>2020</u>	<u>2019</u>
Subject to the passage of time		
Promises to give	<u>\$ 509,691</u>	<u>\$ 546,072</u>

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

NOTE 12 - RELATED PARTY TRANSACTIONS

Board members of the Foundation are employed at organizations that provide legal services to the Foundation from time to time. These organizations were paid \$0 for such services in 2020 and 2019.

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, 2020
(with comparative totals for December 31, 2019)

	Capital Region Community Foundation	Vibrant Communities LLC	Eliminations	Total 2020	Total 2019
ASSETS					
Cash and cash equivalents	\$ 1,159,913	\$ 445,635	\$ -	\$ 1,605,548	\$ 2,874,960
Investments	126,864,857	-	-	126,864,857	111,001,399
Contributions receivable	-	-	-	-	501,087
Promises to give, net of allowance for doubtful accounts and discount	197,420	-	-	197,420	264,093
Loan receivable, net of discount	17,714	-	-	17,714	19,664
Deposits	14,079	-	-	14,079	13,836
Property donation - cemetery lots	57,843	-	-	57,843	46,865
Furniture and equipment, less accumulated depreciation of \$175,761 and \$166,524 in 2020 and 2019, respectively	11,796	-	-	11,796	18,318
TOTAL ASSETS	\$ 128,323,622	\$ 445,635	\$ -	\$ 128,769,257	\$ 114,740,222
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts payable	\$ 19,516	\$ -	\$ -	\$ 19,516	\$ 17,657
Accrued salaries and related	29,962	-	-	29,962	22,774
Deferred revenue	823	-	-	823	762
Grants payable	158,320	-	-	158,320	389,646
Funds held in agency endowments	12,720,888	-	-	12,720,888	11,651,164
Liabilities associated with gift annuities	83,933	-	-	83,933	98,376
TOTAL LIABILITIES	13,013,442	-	-	13,013,442	12,180,379
NET ASSETS					
Without donor restrictions	115,112,760	445,635	-	115,558,395	101,852,732
With donor restrictions	197,420	-	-	197,420	707,111
TOTAL NET ASSETS	115,310,180	445,635	-	115,755,815	102,559,843
TOTAL LIABILITIES AND NET ASSETS	\$ 128,323,622	\$ 445,635	\$ -	\$ 128,769,257	\$ 114,740,222

CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020
(with comparative totals for the year ended December 31, 2019)

	Capital Region Community Foundation	Vibrant Communities LLC	Eliminations	Total 2020	Total 2019
REVENUES, GAINS, AND OTHER SUPPORT					
Contributions	\$ 6,417,817	\$ -	\$ -	\$ 6,417,817	\$ 6,950,257
In-kind contributions	10,978	-	-	10,978	52,918
Investment income, net	12,265,057	131	-	12,265,188	16,605,302
Administrative revenue from agency endowments	72,189	-	-	72,189	68,050
Event revenue	25,933	-	-	25,933	45,000
Miscellaneous income	142,500	-	-	142,500	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	18,934,474	131	-	18,934,605	23,721,527
EXPENSES					
Program expenses					
Grant awards	4,482,015	1,639	-	4,483,654	5,216,058
Other program expenses	603,309	-	-	603,309	778,075
Management and general	491,065	-	-	491,065	518,738
Fundraising	161,423	-	-	161,423	157,752
Change in value of gift annuities	(818)	-	-	(818)	11,419
TOTAL EXPENSES	5,736,994	1,639	-	5,738,633	6,682,042
CHANGE IN NET ASSETS	13,197,480	(1,508)	-	13,195,972	17,039,485
NET ASSETS					
Beginning of year	102,112,700	447,143	-	102,559,843	85,520,358
End of year	<u>\$ 115,310,180</u>	<u>\$ 445,635</u>	<u>\$ -</u>	<u>\$ 115,755,815</u>	<u>\$ 102,559,843</u>