



BERRIEN
COMMUNITY FOUNDATION
For Good. For Ever.SM

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

December 31, 2020 and 2019

BERRIEN COMMUNITY FOUNDATION, INC.
ST. JOSEPH, MICHIGAN
FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Berrien Community Foundation, Inc.
St. Joseph, Michigan

We have audited the accompanying financial statements of Berrien Community Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit 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 financial statements are free of material misstatement.

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

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

Opinion

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

INDEPENDENT AUDITOR'S REPORT, CONCLUDED

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information that is identified in the table of contents is presented for the 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.

Respectfully submitted,

A handwritten signature in blue ink that reads "Kruegel, Lawton & Company, LLC". The signature is written in a cursive style.

Certified Public Accountants

St. Joseph, Michigan
April 7, 2021

BERRIEN COMMUNITY FOUNDATION, INC.
ST. JOSEPH, MICHIGAN

STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,602,205	\$ 3,068,465
Accounts receivable	23,500	-
Promissory note receivable, current portion	161,532	-
Other current assets	76,779	74,318
Investments	64,096,920	53,143,029
Total Current Assets	\$ 68,960,936	\$ 56,285,812
Non-current assets:		
Charitable remainder trusts receivable	\$ 1,031,360	\$ 1,031,360
Promissory note receivable, non-current portion	1,728,129	-
Property and equipment, net	4,861	6,085
Total Non-Current Assets	\$ 2,764,350	\$ 1,037,445
Total Assets	\$ 71,725,286	\$ 57,323,257
Liabilities and Net Assets		
Liabilities:		
Grants payable	\$ 11,000	\$ 50,000
Accounts payable	2,893	110
Funds held as agency funds	15,215,333	14,251,729
Unearned discount	315,237	339,486
Total Liabilities	\$ 15,544,463	\$ 14,641,325
Net Assets:		
Without donor restriction	\$ 55,464,700	\$ 41,990,058
With donor restriction	716,123	691,874
Total Net Assets	\$ 56,180,823	\$ 42,681,932
Total Liabilities and Net Assets	\$ 71,725,286	\$ 57,323,257

The Notes to Financial Statements are an integral part of this statement.

BERRIEN COMMUNITY FOUNDATION, INC.
ST. JOSEPH, MICHIGAN

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020</u>
Public Support and Other			
Undesignated contributions	\$ 20,452	\$ -	\$ 20,452
Designated contributions	15,913,332	24,249	15,937,581
<i>Less: Amounts received for agency funds</i>	(8,923)	-	(8,923)
Net investment income	6,081,895	-	6,081,895
<i>Less: Investment income for agency funds</i>	(1,414,039)	-	(1,414,039)
Miscellaneous revenues	222,546	-	222,546
Total Public Support and Other	<u>\$ 20,815,263</u>	<u>\$ 24,249</u>	<u>\$ 20,839,512</u>
Expenses			
Program Services:			
Grants & Scholarships	\$ 7,080,256	\$ -	\$ 7,080,256
<i>Less: Grants made for agency funds</i>	(325,843)	-	(325,843)
Other program expenses	304,082	-	304,082
Management and general expenses	201,657	-	201,657
Development and marketing expenses	80,469	-	80,469
Total Expenses	<u>\$ 7,340,621</u>	<u>\$ -</u>	<u>\$ 7,340,621</u>
Change in Net Assets	\$ 13,474,642	\$ 24,249	\$ 13,498,891
Net Assets - beginning of year	<u>41,990,058</u>	<u>691,874</u>	<u>42,681,932</u>
Net Assets - end of year	<u>\$ 55,464,700</u>	<u>\$ 716,123</u>	<u>\$ 56,180,823</u>

The Notes to Financial Statements are an integral part of this statement.

BERRIEN COMMUNITY FOUNDATION, INC.
ST. JOSEPH, MICHIGAN

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019</u>
Public Support and Other			
Undesignated contributions	\$ 23,956	\$ -	\$ 23,956
Designated contributions	10,125,424	24,249	10,149,673
<i>Less: Amounts received for agency funds</i>	(167,925)	-	(167,925)
Net investment income	7,977,434	-	7,977,434
<i>Less: Investment income for agency funds</i>	(2,210,997)	-	(2,210,997)
Miscellaneous revenues	143,263	-	143,263
Total Public Support and Other	<u>\$ 15,891,155</u>	<u>\$ 24,249</u>	<u>\$ 15,915,404</u>
Expenses			
Program Services:			
Grants & Scholarships	\$ 7,368,834	\$ -	\$ 7,368,834
<i>Less: Grants made for agency funds</i>	(408,602)	-	(408,602)
Other program expenses	288,788	-	288,788
Management and general expenses	195,249	-	195,249
Development and marketing expenses	59,597	-	59,597
Total Expenses	<u>\$ 7,503,866</u>	<u>\$ -</u>	<u>\$ 7,503,866</u>
Change in Net Assets	\$ 8,387,289	\$ 24,249	\$ 8,411,538
Net Assets - beginning of year	<u>33,602,769</u>	<u>667,625</u>	<u>37,136,428</u>
Net Assets - end of year	<u>\$ 41,990,058</u>	<u>\$ 691,874</u>	<u>\$ 42,681,932</u>

The Notes to Financial Statements are an integral part of this statement.

BERRIEN COMMUNITY FOUNDATION, INC.
ST. JOSEPH, MICHIGAN

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Grants	\$ 6,519,813	\$ -	\$ -	\$ 6,519,813
Scholarships	234,600	-	-	234,600
Foundation Administrative Fees	-	3,243	-	3,243
Salaries	175,851	138,652	23,672	338,175
Payroll Expenses	1,034	815	139	1,988
Payroll Taxes	13,974	11,018	1,881	26,873
Workers' Compensation	324	255	44	623
Development/Community Events	6,557	-	-	6,557
Development/Volunteer Events	-	-	31,792	31,792
Development/Events	8,716	-	-	8,716
Development/Recognition	459	-	-	459
Marketing/Printing	335	67	268	670
Marketing/Give Aways	3,563	-	5,344	8,907
Marketing/Advertising	7,035	-	10,552	17,587
Memberships	993	596	217	1,806
Dues & Subscriptions	232	139	51	422
Office Supplies & Expenses	3,941	2,489	484	6,914
Computer Supplies	473	298	58	829
Non Cap Office Furniture	1,124	710	138	1,972
Postage	2,645	1,670	325	4,640
Copier Lease/Maintenance	2,383	1,505	293	4,181
D & O Insurance	1,517	958	186	2,661
Registration	-	405	-	405
Community Meetings and Workshops	55	-	-	55
Board & Committee Meetings	-	601	-	601
Professional Development Mileage	-	324	-	324
Program Mileage	946	-	946	1,892
Professional Development Meals	-	26	-	26
Audit Fees	-	8,500	-	8,500
Professional Services	21,010	5,926	-	26,936
Computer Support	330	208	41	579
Software support	9,311	5,881	1,143	16,335
Office Insurance	1,002	622	104	1,728
Rent	21,618	13,418	2,236	37,272
Utilities	1,460	906	151	2,517
Telephone/Internet/Security	2,675	1,661	277	4,613
Depreciation Expense	1,231	764	127	2,122
Misc. Fund Expenses	13,288	-	-	13,288
Total Functional Expenses	\$ 7,058,495	\$ 201,657	\$ 80,469	\$ 7,340,621

The Notes to Financial Statements are an integral part of this statement.

BERRIEN COMMUNITY FOUNDATION, INC.
ST. JOSEPH, MICHIGAN

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	Program Services	Supporting Services		Total Support Services	Total
		Management and General	Fundraising		
Grants	\$ 6,783,655	\$ -	\$ -	\$ -	\$ 6,783,655
Scholarships	178,101	-	-	-	178,101
Foundation Administrative Fees	-	4,052	-	4,052	4,052
Salaries	162,716	128,296	21,904	150,200	312,916
Payroll Expenses	958	756	129	885	1,843
Payroll Taxes	13,368	10,541	1,800	12,341	25,709
Workers' Compensation	338	266	45	311	649
Development/Community Events	5,016	-	-	-	5,016
Development/Volunteer Events	-	-	14,013	14,013	14,013
Development/Events	7,354	-	-	-	7,354
Development/Recognition	705	-	-	-	705
Marketing/Printing	3,394	679	2,716	3,395	6,789
Marketing/Consultant	1,450	-	7,350	7,350	8,800
Marketing/Give Aways	2,408	-	3,612	3,612	6,020
Marketing/Advertising	9,049	290	1,429	1,719	10,768
Memberships	967	580	211	791	1,758
Dues & Subscriptions	204	123	45	168	372
Office Supplies & Expenses	3,787	870	463	1,333	5,120
Computer Supplies	960	607	118	725	1,685
Non-Capital Office Supplies	239	152	30	182	421
Postage	2,509	1,585	308	1,893	4,402
Copier Lease/Maintenance	1,925	1,217	237	1,454	3,379
D & O Insurance	1,502	948	184	1,132	2,634
Registration	2,889	1,825	355	2,180	5,069
Lodging	923	583	113	696	1,619
Community Meetings & Workshops	2,207	-	-	-	2,207
Board & Committee Meetings	-	1,755	-	1,755	1,755
Professional Development Mileage	-	1,519	-	1,519	1,519
Program Mileage	1,452	871	317	1,188	2,640
Professional Development Meals	-	70	-	70	70
Miscellaneous Travel	-	25	-	25	25
Audit Fees	-	8,500	-	8,500	8,500
Professional Services	17,560	4,953	-	4,953	22,513
Computer Support	661	418	81	499	1,160
Software Support	10,001	6,316	1,228	7,544	17,545
Office Insurance	794	493	82	575	1,369
Rent	21,583	13,397	2,233	15,630	37,213
Utilities	1,544	959	160	1,119	2,663
Telephone/Internet/Security	3,028	1,879	313	2,192	5,220
Depreciation Expense	1,165	724	121	845	2,010
Miscellaneous	4,608	-	-	-	4,608
Total Functional Expenses	\$ 7,249,020	\$ 195,249	\$ 59,597	\$ 254,846	\$ 7,503,866

The Notes to Financial Statements are an integral part of this statement.

BERRIEN COMMUNITY FOUNDATION, INC.
ST. JOSEPH, MICHIGAN

STATEMENTS OF CASH FLOWS
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 13,498,891	\$ 8,411,538
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized (gains) losses	(5,172,216)	(6,816,478)
Depreciation	2,122	2,010
Change in charitable remainder trust	(24,249)	(24,249)
<i>Changes in current assets and liabilities:</i>		
Accounts receivable	(23,500)	-
Other current assets	(2,461)	(45,792)
Grants payable	(39,000)	50,000
Accounts payable	2,783	110
Funds held as agency funds	963,604	1,970,321
Net cash provided by operating activities	<u>\$ 9,205,974</u>	<u>\$ 3,547,460</u>
Cash Flows from Investing Activities		
Purchases of investments	\$ (23,502,105)	\$ (22,049,262)
Proceeds from the sale of investments	15,830,771	18,482,369
Purchases of property and equipment	(900)	(831)
Net cash used in investing activities	<u>\$ (7,672,234)</u>	<u>\$ (3,567,724)</u>
Change in Cash and Cash Equivalents	\$ 1,533,740	\$ (20,264)
Cash and Cash Equivalents, Beginning of Year	<u>3,068,465</u>	<u>3,088,729</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 4,602,205</u></u>	<u><u>\$ 3,068,465</u></u>
Supplemental disclosure of noncash operating activities		
Promissory note receivable	<u>\$ 1,942,000</u>	<u>\$ -</u>

The Notes to Financial Statements are an integral part of this statement.

NOTE 1. NATURE OF BUSINESS

Berrien Community Foundation Inc.'s (the "Foundation") purpose is to promote philanthropy by connecting the power of people who care with the causes and organizations that strengthen our communities. The vision is to build strong, vibrant, and sustainable communities.

The Foundation accomplishes this mission by:

- Building endowments and other funds and providing a broad range of flexible and cost-effective donor services
- Investing and managing funds prudently and professionally
- Providing grants to support a broad range of projects and programs that address community needs
- Serving as a leader, catalyst, and resource in our communities

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis.

The Foundation adheres to Financial Accounting Standards ("FASB") Accounting Standards Codification ("ASC") 958-205, which sets the standards for reporting on financial statements of nonprofit organizations. ASC 958-205 requires the classification and presentation of net assets in two categories: net assets with donor restrictions and net assets without donor restrictions.

Net assets without donor restrictions are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Foundation's management and board of directors.

Net assets with donor restrictions are subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires the use of management estimates and assumptions regarding certain types of assets, liabilities, support, revenues, and expenses.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Cash and Cash Equivalents

Included in cash are all highly liquid investments purchased with an original maturity of three months or less, which the Foundation considers to be cash equivalents.

Investments

In accordance with the requirements of *Accounting for Certain Investments Held by Not-for-Profit Organizations* Topic of FASB ASC 958-320, the Foundation reports investments in equity securities with readily determinable fair values and all investments in debt securities at fair value in the Statement of Financial Position. Gains and losses are reflected as increases or decreases in the unrestricted class of net assets unless the donor or relevant laws place temporary or permanent restrictions on the gains and losses.

Donated securities are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of the sales proceeds received.

Property and Equipment

Property and equipment are stated at their estimated market value at the date donated or at cost, if purchased. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The Foundation has established a capitalization policy for all expenditures in excess of \$750 and an estimated useful life of greater than one year.

Revenue Recognition

The Foundation records contributions, including promises to give, when the contribution is deemed unconditional. Contributions are reflected in the financial statements at the earlier of the transfer of the assets or at the time an unconditional promise to give is made.

Contributions received are considered to be available for current use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support that increases net assets with donor restrictions. A donor restriction expires when a stipulated time restriction ends or when a purpose restriction is accomplished. Upon expiration, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restrictions are met in the fiscal year in which the contributions are received.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include dues and subscriptions, equipment rental and maintenance, liability insurance, office supplies, payroll taxes, postage, printing, rent, utilities, salaries and payroll expenses, mileage and travel, training and conferences, software and computer support, telephone, security, memberships and depreciation, all of which are allocated on the basis of estimates of time and effort, square footage or other reasonable basis.

Giving Company

In 2016, the Foundation formed BCF Giving, LLC (the “Giving Company”), a single-member limited liability company engaged in activity within the purpose for which a limited liability company may be formed under the Limited Liability Company Act of Michigan. The Giving Company is a disregarded entity in accordance with the 501(c)(3) organizational test, that “*The organization is organized exclusively for exempt purposes under 501(c)(3) of the Internal Revenue Code,*” and “*The organization may not carry on activities not permitted to be carried on by an organization described in section 501(c)(3).*” The purpose of the Giving Company is for the receipting and granting of hard to value assets.

NOTE 3. INCOME TAXES

The Internal Revenue Service has ruled that the Foundation is a publicly supported organization, as described in Section 509(a)(1), 509(a)(3), and 170(b)(1)(A)(iv) of the Internal Revenue Code. Consequently, the Foundation is exempt from federal income tax through Section 501(c)(3) and certain excise taxes imposed on private foundations.

Management has elected to apply the provisions of FASB ASC 740-10, *Income Taxes*. Under FASB ASC 740-10 an entity must determine whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any appeals or litigation processes, based on technical merits of the position. As of December 31, 2020 and 2018, the Foundation had no known liability due to the uncertainty of income taxes. The Foundation is no longer subject to U.S. federal income tax examinations by tax authorities for years before the year ended December 31, 2017.

NOTE 4. LIQUIDITY AND AVAILABILITY

The Foundation has working capital of \$53,231,441 and \$41,644,487 and average days of cash on hand of 229 and 149 as of December 31, 2020 and 2019, respectively.

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

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 4,657,266	\$ 3,121,600
Accounts receivable	23,500	-
Promissory note receivable, current portion	161,532	-
Investments	<u>64,096,920</u>	<u>53,143,029</u>
Total financial assets	<u>\$ 68,939,218</u>	<u>\$ 56,264,629</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	\$ 716,123	\$ 691,874
Contributions receivable (unearned discount)	315,237	339,486
Donor and organization endowments less spend-rate distributions	23,564,506	23,564,506
Quasi endowment established by the board	<u>1,333,455</u>	<u>1,333,455</u>
	<u>\$ 25,929,321</u>	<u>\$ 25,929,321</u>
Financial assets available to meet general expenditures within one year	<u>\$ 43,009,897</u>	<u>\$ 30,335,308</u>

The Foundation has certain board designated and donor restricted assets limited to use which are available for general expenditure within one year in the normal course of operations (Notes 10 and 11). The Foundation generally uses these assets for grant making based on donor recommendations.

Our endowment funds consist of donor and organization endowments and funds designated by the board as endowments. These endowments are subject to an annual spending rate of 4.5% that can accumulate year to year if not used for grants. Although the donor and organization endowments' non spendable amounts are not available for general expenditure, these amounts could be made available, if necessary, if the circumstances adhere to the specific requirements for invoking variance power of the board.

Our board designated endowment is subject to the 4.5% annual spending rate. Although we do not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of our Board's annual budget approval and appropriation), these amounts could be made available if necessary.

As part of our liquidity management plan, we assess our immediate liquidity needs weekly. This timeframe is used to accommodate timely payments for unpredictable donor grant recommendations as well as our regularly scheduled general expenses and grant programs. The Foundation invests cash in excess of daily requirements in an interest bearing checking account and money market funds.

NOTE 5. FAIR VALUE MEASUREMENTS

The three levels of the fair value hierarchy under ASC 820 are described below:

- Level 1: Unadjusted quoted process in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2: Quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;
- Level 3: Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As required by ASC 820, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The following table summarizes the valuation of the Foundation's financial instruments by the above pricing categories as of December 31, 2020:

Assets at Fair Value as of December 31, 2020				
	Total	(Level 1)	(Level 2)	(Level 3)
Investments:				
Money market funds	\$ 2,702,777	\$ 2,702,777	\$ -	\$ -
Equities and mutual funds	47,670,885	47,670,885	-	-
Bonds and government securities	12,429,850	12,429,850		
Alternative Investments	1,293,408	1,293,408	-	-
	<u>\$ 64,096,920</u>	<u>\$ 64,096,920</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities:				
Funds held as agency funds	<u>\$ 15,215,333</u>	<u>\$ 15,215,333</u>	<u>\$ -</u>	<u>\$ -</u>

The following table summarizes the valuation of the Foundation's financial instruments by the above pricing categories as of December 31, 2019:

Assets at Fair Value as of December 31, 2019				
	Total	(Level 1)	(Level 2)	(Level 3)
Investments:				
Money market funds	\$ 3,075,377	\$ 3,075,377	\$ -	\$ -
Equities and mutual funds	46,194,493	46,194,493	-	-
Bonds and government securities	3,054,460	3,054,460		
Alternative Investments	818,699	707,705	-	-
	<u>\$ 53,143,029</u>	<u>\$ 53,032,035</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities:				
Funds held as agency funds	<u>\$ 14,251,729</u>	<u>\$ 14,251,729</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 6. GRANTS FOR CHARITABLE, EDUCATIONAL, AND OTHER AUTHORIZED PURPOSES

Unconditional grants are recognized as an expense at the time of formal approval by the grant committee or full Board of Directors. Conditional grants, if any, are recognized when such conditions are substantially met. The following summarizes the changes in grants payable for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Grants payable - beginning of year	\$ 50,000	\$ -
Grants awarded	6,480,813	6,833,655
Payments made	<u>(6,519,813)</u>	<u>(6,783,655)</u>
Grants payable - end of year	<u>\$ 11,000</u>	<u>\$ 50,000</u>

NOTE 7. DONATED SERVICES

The Foundation receives a significant amount of donated services from unpaid volunteers who assist in various activities. No amounts have been recognized in the statement of activities as of December 31, 2020 and 2019, because the criteria for recognition under FASB ASC 958-605, *Accounting for Contributions Received and Contributions Made*, have not been satisfied.

NOTE 8. CHARITABLE REMAINDER TRUSTS

The Foundation has been named as the remainder beneficiary of certain charitable remainder trusts at the bequest of the various donors. Accordingly, the contributions to be received in the future have been discounted to their present value as of December 31, 2020 and 2019 as follows:

	<u>2020</u>	<u>2019</u>
Charitable remainder trusts receivable	\$ 1,031,360	\$ 1,031,360
<i>Less: Unearned discount</i>	<u>(315,237)</u>	<u>(339,486)</u>
Net charitable remainder trusts receivable	<u>\$ 716,123</u>	<u>\$ 691,874</u>

A discount rate of 8% had been used to reflect the present value, with the discount being accreted over the straight-line basis for the life expectancy of the respective donors at the time the gift was made and known to the Foundation.

NOTE 9. CONCENTRATION OF CREDIT RISK

The Foundation maintains a noninterest bearing checking account with one financial institution. The balance in this account is insured up to \$250,000 by the Federal Deposit Insurance Corporation as of December 31, 2020 and 2019.

NOTE 10. BOARD DESIGNATED NET ASSETS

Included in net assets without donor restrictions are assets that have been board designated.

The Foundation's Board of Directors has designated net assets for the following at December 31st:

	<u>2020</u>	<u>2019</u>
Donor advised	\$ 15,580,407	\$ 12,896,929
Designated	17,873,487	13,228,716
Field-of-interest	10,779,847	7,848,951
Scholarship funds	5,410,012	2,567,638
Total	<u>\$ 49,643,753</u>	<u>\$ 36,542,234</u>

NOTE 11. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Charitable remainder trusts	<u>\$ 716,123</u>	<u>\$ 691,874</u>

NOTE 12. OPERATING LEASES

The Foundation has a lease agreement for office space through June 30, 2021. This lease calls for \$3,106 in monthly payments (\$37,273 annually) through June 30, 2021, plus utilities and maintenance. Total rent expense for the years ended December 31, 2020 and 2019 was \$37,273 and \$37,213, respectively.

Future minimum office space rental obligations are as follows:

<u>Year</u>	<u>Amount</u>
2021	<u>\$ 37,273</u>
	<u>\$ 37,273</u>

The Foundation leases a copier/scanner for \$392 a month under a five-year lease agreement starting in 2020. Total copier expense for the year (partial year) was \$3,920. Future minimum lease obligations are as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 4,704
2022	4,704
2023	4,704
2024	4,704
2025	1,960
	<u>\$ 20,776</u>

NOTE 12. OPERATING LEASES, CONCLUDED

The Foundation leased a postage machine for \$204 a quarter under a lease agreement starting in 2013. Total postage machine expense for the year was \$816. Future minimum lease obligations are as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 816
2022	816
	<u>\$ 1,632</u>

NOTE 13. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31st:

	<u>Estimated Asset Life</u>	<u>2020</u>	<u>2019</u>
Leasehold improvements	15 years	\$ 20,636	\$ 20,636
Furniture and fixtures	5-7 years	26,646	26,646
Computer hardware	5 years	8,229	7,330
Computer software	5 years	4,480	4,480
Total cost		<u>\$ 59,991</u>	<u>\$ 59,092</u>
Less: allowance for depreciation		(55,130)	(53,007)
Net carrying amount		<u>\$ 4,861</u>	<u>\$ 6,085</u>

Total depreciation expense for the years ended December 31, 2020 and 2019 was \$2,122 and \$2,010, respectively.

NOTE 14. FUNDS HELD AS AGENCY FUNDS

The Foundation follows the provisions of FASB ASC 958-605, *Accounting for Contributions Received and Contributions Made*. This statement establishes standards 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 another entity that is specified by the donor. FASB ASC 958-605 specifically requires that if a Not-for-Profit Organization (“NPO”) establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as agency funds.

The Foundation maintains variance power and legal ownership of agency funds and as such continues to report the funds as assets of the Foundation. However, in accordance with FASB ASC 958-605, a liability has been established for the fair value of the funds, which is generally equivalent to the present value of future payments which could possibly be made to the NPOs under certain conditions.

At December 31, 2020 and 2019, the Foundation was the owner of several agency funds with a combined fair value market value of \$15,215,333 and \$14,251,729, respectively. All financial activity for the years then ended related to these funds is segregated on the Statement of Activities and has been reclassified to the agency fund liability.

NOTE 15. STATE PRUDENT MANAGEMENT INVESTMENT FIDUCIARY ACT (“SPMIFA”)

The State of Michigan adopted SPMIFA effective September 1, 2009. The Board of Directors, on the advice of legal counsel, has determined that SPMIFA does not apply to the majority of the Foundation’s net assets. The Foundation is governed subject to the Foundation’s articles and by-laws and most contributions are subject to its terms. Certain contributions are received subject to other trust instruments or are subject to specific agreements with the Foundation.

Under the terms of the articles and by-laws, the Board of Directors has the ability to distribute so much of the corpus of any trust or separate gift, devise, bequest, or fund as the Board in its sole discretion shall determine. As a result of the ability to distribute corpus, all contributions not specifically restricted by the gift instrument, are classified as unrestricted net assets for financial statement purposes. Contributions that are subject to other gift instruments may be recorded as permanently restricted, temporarily restricted or unrestricted, depending on the specific terms of the agreement. Generally, if the corpus of a contribution will at some future time become available for spending, it is recorded as temporarily restricted. If the corpus never becomes available for spending, it will be reported as permanently restricted. In addition, contributions that are promised to be given in a future period are presented as temporarily restricted until the payments are due.

NOTE 16. RELATED PARTY

During the year, the Foundation had investments through Charles Schwab, administered by Plante Moran. The Treasurer of the Foundation’s Board of Directors is a partner at Plante Moran. As of December 31, 2020, the Foundation had \$2,255,115 in investments through Charles Schwab, administered by Plante Moran. All transactions were conducted at arms-length.

NOTE 17. PPP LOAN

In 2020, the Foundation entered into a loan (the “PPP Loan”) with a local banking institution (the “Lender”) evidencing an unsecured promissory note in the amount of \$65,305 (the “PPP Note”) pursuant to the Paycheck Protection Program (the “PPP”) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Subject to the terms of the PPP Note, the PPP Loan bears interest at a fixed rate of 1% per year, with the first ten months of interest deferred, and payable over a term of two to five years. The PPP Loan is unsecured and guaranteed by the Small Business Administration (“SBA”).

NOTE 17. PPP LOAN, CONCLUDED

The PPP Loan may be used for payroll costs, costs related to certain group health care benefits and insurance premiums, rent payments, utility payments, and also interest payments on any debt obligations that were entered into before February 15, 2020. PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loan granted under the PPP, with such forgiveness to be determined, subject to limitations, based on the use of the loan proceeds for payment of payroll costs and any payments of mortgage interest, rent, and utilities.

Pursuant to the guidance under the *Debt Topic of the Financial Accounting Standards Board Accounting Standards Codification (ASC) 470*, the Company has recorded the loan as a government grant by analogy to *International Accounting Standard (IAS) 20, Accounting for Government Grants and Disclosure of Government Assistance*. This treatment allowed for the PPP loan proceeds to be recorded as a deferred income liability. In 2020, the Company submitted the PPP loan forgiveness application which was subsequently approved by the Lender and the SBA. As a result, the Company reduced the deferred income liability, in full, and recognized an equivalent amount as “other income” in the income statement.

NOTE 18. PROMISSORY NOTE RECEIVABLE

The Foundation received a \$1,942,000 contribution in the form of a promissory note from a private donor and \$52,359 was collected against the note during 2020. The note matures in August 2030. The current and long-term portions of the receivable as of December 31st are as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 161,532
2022	168,533
2023	175,837
2024	183,457
2025	191,407
Thereafter	<u>1,008,895</u>
	<u>\$ 1,889,661</u>

NOTE 19. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through April 7, 2021 the date the financial statements were available to be issued. Except as noted below, no events or transactions occurred during this period which requires recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

CONTRIBUTIONS BY FUND TYPE
For the Year Ended December 31, 2020

<u>Fund Type</u>	<u>2020</u>
Donor Advised	\$ 4,729,539
Designated	7,285,892
Field-of-Interest	1,293,635
Planned Gifts	24,249
Scholarship	2,530,038
Agency	8,923
Undesignated	85,757
Total	\$ 15,958,033

<u>Reconciliation to Contributions on Statements of Activities</u>	<u>2020</u>
Undesignated	\$ 20,452
Designated	15,937,581
Total	\$ 15,958,033

	<u>2020</u>
<u>Organizations Receiving Grants Totaling \$5,000 and over</u>	
100 Women Strong Total	\$ 19,550
Acorn Center for the Performing Arts Total	35,241
Amazon Biodiversity Center Total	40,000
American Council on Germany Total	5,000
American Diabetes Association Total	16,500
American Lung Association Total	5,000
Andrews University Total	7,000
Arkansas Foodbank Network Total	5,000
ARS Arts & Culture Center Total	18,303
Art Institute of Chicago Total	10,000
Benton Harbor Education Foundation Total	176,000
Benton Harbor Public Library Total	7,000
Benton Harbor Street Ministry Total	5,864
Berrien Community Foundation Total	5,000
Berrien County Cancer Service, Inc. Total	23,512
Berrien County Health Department Total	6,500
Berrien County Mental Health Court Total	20,000
Berrien County Youth Fair Association Total	6,000
Birthright, Inc. Total	62,800
Black Swamp Bird Observatory Total	54,500
Bloomingtondale Christian Fellowship Total	5,000
Box Factory for the Arts Total	25,500
Boys & Girls Club of Benton Harbor Michigan Total	283,400
Brookview Montessori School Total	10,000
Calvary Chapel Church Inc. Total	10,000
Calvin University Total	7,000
Camp Victory Ministries Total	40,000
Campus Crusade for Christ Inc. Total	5,000
Caring Circle Total	106,600
CASA of SW Michigan Total	11,100
CBN, Inc. Total	30,000
Children's Advocacy Center of Southwest Michigan Total	72,600
Children's Music Workshop Total	26,323
Citadel Dance & Music Center, Inc. Total	64,064
Citizens Mediation Service Total	16,000
CJE SeniorLife Total	10,000
Clements Library Total	6,827
Coloma Watervliet Area Economic Development Coporations Total	7,500
Community Healing Centers Total	40,200
Cornerstone Alliance Total	77,535
Curious Kids' Museum Total	46,500
Denison University Total	5,000
Disability Network Southwest Michigan Total	19,500
Dominican Republic Mission Team Total	18,306
Ele's Place, Inc. Total	12,122
Emergency Shelter Services Total	22,500
Feeding America West Michigan Food Bank Total	39,750

For the Year Ended December 31, 2020

<u>Organizations Receiving Grants Totaling \$5,000 and over, continued</u>	<u>2020</u>
Fellowship of Christian Farmers International Total	\$ 5,000
Fernwood, Inc. Total	19,133
Ferry Street Resource Center, Inc. Total	48,000
First Church of God Total	135,950
First Congregational Church of St. Joseph Total	48,225
First Tee of Benton Harbor Total	38,400
Fischhoff National Chamber Music Association Total	6,500
Five Pines Ministries Total	5,000
Friends of the Earth US Total	10,000
Gateway, Inc. Total	15,325
Ghostlight Productions Inc Total	22,573
Girls on the Run Southwest Michigan Total	5,350
Grace Christian School Total	7,000
Grand Haven Christian School Total	10,000
Grand Valley State University Total	17,600
Greenhouse Scholars Total	5,500
Harbert Community Church Total	43,067
Harbor Country Food Pantry Total	10,000
Hartford Public Library Total	752,674
Hartford Public Schools Foundation for Quality Education Total	6,531
Heritage Museum and Cultural Center Total	128,919
Historical Society of Michigan Total	10,000
Holy Name Cathedral Total	11,000
Homes for Our Troops Total	8,000
Hope College Total	6,000
Hope Worldwide, Ltd. Total	9,000
Humane Society of Southwestern Michigan Total	74,291
Huron River Watershed Council Total	15,000
In Focus Church Total	10,000
Indiana University Total	250,500
Indiana University Foundation Total	10,000
InterCare Community Health Network Total	5,004
International Messengers Total	10,000
Isha Care Clinic Incorporated Total	9,000
Israel Cancer Research Fund Total	6,000
JDRF Michigan Great Lakes West Chapter Total	10,000
Jews for Jesus Total	10,000
Joyce Meyer Ministries Total	25,000
Kalamazoo College Total	10,000
Kinexus Total	18,500
Krasl Art Center, Inc. Total	102,760
LA Church of Christ Total	10,000
Lake Michigan Catholic Schools Total	37,572
Lake Michigan College Total	31,800
Lake Michigan College Foundation Total	220,925
Lakeshore Excellence Foundation Total	152,803
Leading the Way Ministries Total	25,000

<u>Organizations Receiving Grants Totaling \$5,000 and over, continued</u>	<u>2020</u>
Logan Community Resources, Inc. Total	\$ 10,750
Love Creek County Park Total	10,000
Loyola University Chicago Total	10,000
Maud Preston Palenske Memorial Library Total	23,650
Mayo Clinic Total	10,000
Michiana Public Broadcasting Corporation/WNIT Total	10,615
Michigan State University Total	11,750
Michigan's Great Southwest Strategic Leadership Council Total	36,000
Missionary Church World Partners Total	8,000
Monday Musical Club Total	13,000
Morton House Museum Total	6,147
Mosaic Christian Community Development Association Total	102,915
National Audubon Society Corkscrew Swamp Sanctuary Total	5,000
National Cowboy & Western Heritage Museum Total	25,000
National Pediatric Cancer Foundation Total	5,000
Neem Karoli Baba Ashram Total	8,000
Neighbor to Neighbor Total	15,000
New Heights Christian Community Development Association Total	60,500
Niles Community Schools Total	21,010
Niles District Library Total	7,000
North Point Ministries Total	5,000
Northwestern University Total	39,387
OutCenter Total	33,500
Partnerships for Change Total	22,000
Performing Arts Workshops - PAW Inc Total	20,203
PGA REACH Total	50,000
Pilgrim Congregational United Church of Christ Total	7,481
PKD Foundation Total	6,000
Prison Fellowship Ministries Total	5,000
Purdue Foundation Total	6,000
Purdue Research Foundation Total	10,000
Quality Services for the Autism Community Total	14,000
RBM Ministries Total	5,000
Readiness Center, Inc. Total	39,352
Region IV Area Agency on Aging Total	80,000
Renaissance Enterprises Company Total	10,000
River Valley Senior Center Total	12,500
Ronald McDonald House of Western Michigan Total	5,000
Saint Mary's College Total	6,000
Salvation Army - Niles Total	67,276
Salvation Army of Benton Harbor Total	46,552
Samaritan's Purse Total	26,000
San Miguel Community Foundation Total	10,250
Sarett Nature Center Total	23,006
Senior Nutrition Services Region IV, Inc. Total	30,900

<u>Organizations Receiving Grants Totaling \$5,000 and over, concluded</u>	<u>2020</u>
Siena Heights University Total	\$ 5,000
Silver Beach Carousel Society, Inc. Total	26,000
Soup Kitchen, Inc. Total	25,240
Southwest Michigan Community Action Agency Total	162,758
Southwest Michigan Symphony Orchestra Total	137,750
Spectrum Health Lakeland Foundations Total	58,798
Spring Arbor University Total	5,700
SS. John & Bernard Parish Total	18,884
St. Augustine of Canterbury Episcopal Church Total	8,750
St. Joseph Catholic Church Total	15,200
St. Joseph First United Methodist Church Total	58,000
St. Joseph Junior Foundation, Inc. Total	9,200
St. Joseph Public Schools Foundation Total	314,162
St. Joseph Today Total	28,000
St. Joseph-Lincoln Senior Citizen Center Total	13,678
St. Jude's Children's Research Hospital Total	18,000
St. Paul's Lutheran Church Total	6,000
Stevensville United Methodist Church Total	6,000
Storyline Church Total	15,133
The Avenue Family Network, Inc. Total	46,575
The Chapel Total	11,000
The Southwest Heritage Foundation Total	5,000
The University of Michigan Total	10,000
Theos Village The TBCK Foundation Total	12,000
Therapeutic Equestrian Center Total	25,650
Toledo Museum of Art Total	9,000
Twin City Area Catholic School Fund, Inc. Total	28,549
Twin City Players Total	29,923
United Way of Southwest Michigan Total	212,800
United Way Worldwide Total	50,000
University of Michigan Total	40,100
University of Michigan - Flint Total	9,751
University of Notre Dame Total	11,500
Warrior Princess House of Benton Harbor Total	15,000
Water Street Glassworks Total	63,314
Watervliet District Library Total	7,600
Watervliet Free Methodist Church Total	10,000
We Care, I.N.C. Total	5,000
Well of GRACE Ministries Total	17,000
Western Michigan Christian School Total	10,000
Western Michigan University Total	39,510
Whirlpool Collective Impact Fund Total	24,000
Wycliffe Bible Translators, Inc. Total	10,000
YMCA of Greater Michiana Total	50,000
YMCA of Greater Michiana, Inc. Total	54,000
Young Life-Southwest Michigan Total	21,000
Youth Development Company Total	20,000
Total for Organizations receiving Grants totaling \$5,000 and over	\$ 6,736,267
Total for Organizations receiving Grants under \$5,000	343,989
Total Grants	\$ 7,080,256

<u>Grants by Program Area</u>	<u>2020</u>
Arts & Culture, including Community Development	\$ 1,149,361
Education	1,513,663
Human Services, including Housing	2,301,177
Nurturing Our Children, Youth Leadership, and Development	535,250
Religious	668,129
Scholarships	234,600
Health, Seniors including Environment	678,076
Total Grants	<u><u>\$ 7,080,256</u></u>