Manistee County Community Foundation

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

December 31, 2025 and 2024

Dennis, Gartland & Niergarth

C O N T E N T S

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Manistee County Community Foundation

Opinion

We have audited the accompanying financial statements of the Manistee County Community Foundation, (the "Foundation") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Manistee County Community Foundation as of December 31, 2025 and 2024, 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 the Foundation 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 financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Dennis, Gartland & Niergarth

Certified Public Accountants
Traverse City, Michigan

June 3, 2026

Manistee County Community Foundation

STATEMENTS OF FINANCIAL POSITION

December 31,

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,446,896	$ 1,184,183
Investments	6,278,699	5,826,321
Employee receivable	1,285	-
Prepaid expenses	4,179	4,188
Total current assets	7,731,059	7,014,692
OTHER ASSETS		
Endowment investments (Note H)	39,468,494	31,987,753
Endowment impact investment bonds (Note D)	500,000	700,000
Property and equipment, net (Note F)	74,005	81,113
Operating lease, right-of-use asset	426,549	446,977
Total assets	$ 48,200,107	$ 40,230,535
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 18,577	$ 21,341
Accrued liabilities	21,494	17,950
Grants payable	315,198	615,734
Current portion of operating lease liability (Note I)	18,321	17,736
Total current liabilities	373,590	672,761
LONG-TERM LIABILITIES		
Operating lease liability, net (Note I)	418,998	437,319
NET ASSETS		
Without donor restrictions	1,268,996	1,162,845
With donor restrictions (Note G)		
Purpose and time restrictions	20,040,942	15,255,507
Perpetual in nature	26,097,581	22,702,103
Total with donor restrictions	46,138,523	37,957,610
Total net assets	47,407,519	39,120,455
Total liabilities and net assets	$ 48,200,107	$ 40,230,535

Manistee County Community Foundation

STATEMENTS OF ACTIVITIES

For the years ended December 31,

	2025 Without Donor Restrictions	2025 With Donor Restrictions	2025 Total	2024 Without Donor Restrictions	2024 With Donor Restrictions	2024 Total
REVENUE AND SUPPORT						
Contributions	$ -	$ 3,493,614	$ 3,493,614	$ -	$ 217,388	$ 217,388
Grants	-	182,500	182,500	-	-	-
Investment return, net of investment fees of $47,091 and $43,879, respectively (Note D)	-	6,085,865	6,085,865	-	4,638,944	4,638,944
Grant cancellation revenue	-	-	-	-	4,180	4,180
Other income	674	-	674	11	-	11
Net assets released from restrictions	1,581,066	(1,581,066)	-	1,578,302	(1,578,302)	-
Total revenue and support	1,581,740	8,180,913	9,762,653	1,578,313	3,282,210	4,860,523
EXPENSES						
Program services	1,293,630	-	1,293,630	1,250,772	-	1,250,772
General and administrative	105,545	-	105,545	111,674	-	111,674
Fundraising	76,414	-	76,414	50,614	-	50,614
Total expenses	1,475,589	-	1,475,589	1,413,060	-	1,413,060
CHANGE IN NET ASSETS	106,151	8,180,913	8,287,064	165,253	3,282,210	3,447,463
NET ASSETS, beginning of year	1,162,845	37,957,610	39,120,455	997,592	34,675,400	35,672,992
NET ASSETS, end of year	$ 1,268,996	$ 46,138,523	$47,407,519	$ 1,162,845	$37,957,610	$39,120,455

The accompanying notes are an integral part of these financial statements.

Manistee County Community Foundation

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2025

	Program Services	General and Administrative	Fundraising	Total
Grants and scholarship expense	$ 785,322	$ -	$ -	$ 785,322
Salaries and wages	259,371	58,450	47,490	365,311
Employee benefits	30,973	6,980	5,671	43,624
Payroll taxes	21,023	4,737	3,849	29,609
Office rent	24,755	5,579	4,533	34,867
Insurance	-	4,045	-	4,045
Printing and publishing	1,814	409	332	2,555
Telephone	2,342	528	429	3,299
Postage	277	93	93	463
Supplies	4,807	1,051	854	6,712
Office expenses	34,159	276	224	34,659
Travel expenses	5,084	940	763	6,787
Training and education	3,902	879	714	5,495
Advertising and promotion	16,488	1,099	4,397	21,984
Outside services	98,265	18,424	6,141	122,830
Credit card fees	-	918	-	918
Depreciation expense	5,048	1,137	924	7,109
Total	$ 1,293,630	$ 105,545	$ 76,414	$ 1,475,589

The accompanying notes are an integral part of these financial statements.

Manistee County Community Foundation

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2024

	Program Services	General and Administrative	Fundraising	Total
Grants and scholarship expense	$ 878,852	$ -	$ -	$ 878,852
Salaries and wages	224,309	56,077	31,154	311,540
Employee benefits	11,102	2,775	1,542	15,419
Payroll taxes	17,479	4,369	2,427	24,275
Office rent	25,104	6,276	3,487	34,867
Insurance	-	4,038	-	4,038
Printing and publishing	1,461	365	203	2,029
Telephone	2,463	616	342	3,421
Postage	409	136	136	681
Supplies	7,137	1,601	889	9,627
Office expenses	8,837	162	90	9,089
Travel expenses	4,086	829	460	5,375
Training and education	5,670	1,417	788	7,875
Advertising and promotion	17,319	1,155	4,619	23,093
Outside services	41,426	30,129	3,766	75,321
Credit card fees	-	449	-	449
Depreciation expense	5,118	1,280	711	7,109
Total	$ 1,250,772	$ 111,674	$ 50,614	$ 1,413,060

Manistee County Community Foundation

STATEMENTS OF CASH FLOWS

For the years ended December 31,

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 8,287,064	$ 3,447,463
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	7,109	7,109
Amortization of right-of-use asset	20,428	19,862
Net realized gain on sales of investments	(659,245)	(841,828)
Net unrealized loss (gain) on investments	(4,131,509)	(2,651,515)
Endowment gifts	(3,406,048)	(130,862)
Changes in operating assets and liabilities which provided (used) cash		
Prepaid expenses	9	10,328
Accounts receivable	(1,285)	-
Accounts payable	(2,765)	(61,286)
Grant payables	(300,536)	103,800
Accrued liabilities	3,544	4,795
Operating lease liability	(17,736)	(17,168)
Net cash flows from operating activities	(200,970)	(109,302)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(5,948,326)	(3,299,536)
Proceeds from sale of investments	3,005,961	2,322,082
Net cash flows from investing activities	(2,942,365)	(977,454)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash donations restricted for endowment	3,406,048	130,862
NET CHANGE IN CASH AND CASH EQUIVALENTS	262,713	(955,894)
Cash and cash equivalents, beginning of year	1,184,183	2,140,077
Cash and cash equivalents, end of year	$ 1,446,896	$ 1,184,183

NOTE A - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Manistee County Community Foundation (the "Foundation") was incorporated in the State of Michigan on January 1, 1987.

The Foundation has been organized and at all times shall be operated exclusively for charitable, scientific, literary or educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or comparable provisions of subsequent legislation (the "Code"). In particular, the Foundation has been organized to receive, hold and administer gifts, bequests and devices of property, and the income and proceeds thereof, for charitable support or benefit of the communities that the Foundation serves, principally the residents of Manistee County, Michigan.

Description of Funds

The Foundation administers approximately 100 funds under fund agreements established between original donors and the Foundation. Fund distributions are approved by the Board of Directors of the Foundation according to the purpose of the fund.

Basis of Accounting and Financial Statement Presentation

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.

The Foundation reports information regarding its financial position and activities according to two classes of net assets depending on the existence or absence of donor-imposed restrictions and are as follows:

> **Net Assets Without Donor Restrictions –** Net assets available for use in general operations and not subject to donor restrictions.
>
> **Net Assets With Donor Restrictions** – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of twelve months or less to be cash equivalents. The Foundation maintains demand deposits in banks, and in the normal course of business, amounts may exceed Federally insured limits. Management believes the Foundation is not exposed to any significant interest rate or other financial risk on these deposits.

Cash and cash equivalents of brokerage accounts are included as investments.

Investments

Investment securities purchased are initially recorded at cost and investment securities received by gift are recorded at fair value at the date of donation. Thereafter, the carrying value of such investments are adjusted to fair value, which is determined using published exchange market quotations where applicable or estimated fair values provided by external investment managers or other sources. Realized and unrealized gains and losses are reflected as investment return, net in the accompanying statements of activities.

The Foundation authorizes the investment of up to $1,500,000 of the investment pool in impact investments that have a stated social return objective in conjunction with a financial return objective. Impact investments have a minimum five year time horizon. Endowment impact bonds are evaluated annually for impairment.

Contributions

Contributions, including unconditional promises to give, are recorded at fair value in the period in which the Foundation is notified by the donor of his or her commitment to make a contribution. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using low-risk interest rates applicable to the years in which the promises are to be received, except in those cases where management considers the discount to be immaterial. The Foundation uses the direct-write off method of accounting for uncollectible pledges. A bad debt expense is recorded within the statement of functional expenses when a pledge is deemed to be not collectible.

The Foundation records contributions of real estate or other non-cash assets at their appraisal or market value at the date of the gift.

Grants awarded to the Foundation are classified as revenue with donor restrictions and reclassified to net assets without donor restrictions when the purpose restriction stipulated in the grant award is met.

Property and Equipment

Fixed assets, consisting primarily of the Foundation's furniture, fixtures, leasehold improvements and land, are recorded at cost if purchased or, if donated, at fair value at the time of receipt for items over the $2,500 capitalization policy. Major improvements and renewals are capitalized, while ordinary maintenance and repairs are expensed. Management annually reviews these assets to determine whether carrying values have been impaired. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from 5 to 30 years. Land is not depreciated.

Grants Payable

The Foundation approves assets for distribution and reduces grants payable upon payment to local nonprofit organizations or individual scholarship recipients.

Fair Value Measurements

The Foundation follows FASB ASC 820, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements. FASB ASC 820, applies whenever other financial reporting standards require or permit assets or liabilities to be measured at fair value on a recurring basis and, therefore, does not expand the use of fair value in any new circumstances. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or more advantageous market for the asset or liability in an orderly transaction (i.e., not a forced transaction, such as a liquidation or distressed sale) between market participants at the measurement date. FASB ASC 820, clarifies that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. For assets and liabilities recorded at fair value, it is the Foundation's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements for those financial instruments for which there is an active market.

Tax Status

The Internal Revenue Service has determined that the Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Also, the Foundation has been certified as a community foundation by the State of Michigan and has received determination of the Foundation as an "other than private a foundation" under section 170(b)(1)(A)(vi) of the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

The Foundation files information returns in the U.S. Federal jurisdiction. With few exceptions, the Foundation is no longer subject to U.S. Federal examinations by tax authorities for years before December 31, 2022.

Leases

The Foundation determines whether an arrangement is a lease at contract inception by establishing if the contract conveys the right to control the use (right-of-use) of identified property, plant, or equipment for a period of time in exchange for consideration. Financing leases transfer ownership of the right-of-use asset whereas operating leases do not.

The Foundation uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments, when the implicit rate is not readily determinable. Lease terms may include options to extend or terminate the lease. These options are included in the lease term when it is reasonably certain that the Foundation will exercise that option.

Operating lease expense is recognized on a straight-line basis over the lease term and operating lease right-of-use assets are amortized on the straight-line basis over the lease term. The Foundation has elected the following policy elections on adoption: exclusion of short-term leases of 12 months or less on the balance sheet and not separating lease and non-lease components in right-of-use assets.

Endowment Funds

The Foundation maintains variance power and legal ownership of endowed funds and as such reports the funds as assets of the Foundation.

Grants

Grants awarded by the Foundation are charged to operations and recognized as liabilities when authorized by the Board of Directors, regardless of the year in which they are paid.

Functional Allocation of Expenses

The costs of program and supporting service activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and benefits are allocated based on estimates of time and effort and certain other costs are allocated based on specific benefits received.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Reclassifications

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

Subsequent Events

The Foundation has evaluated subsequent events and transactions for potential recognition and disclosure through June 3, 2026, the date the financial statements were available to be issued.

NOTE B - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following at December 31:

	2025	2024
Cash and cash equivalents	$ 1,446,896	$ 1,184,183
Investments	6,278,699	5,826,321
Less donor restricted non-endowed funds	(6,170,029)	(5,269,857)
Total current assets available for general operations	$ 1,555,566	$ 1,740,647

Endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes. Donor-restricted endowment funds are not available for general expenditure.

NOTE C - CASH AND CASH EQUIVALENTS

The Foundation maintains its cash in a bank checking account and operating investment accounts with various financial institutions. The balances, at times, may exceed Federally insured limits. The Foundation's cash deposits were fully insured at December 31, 2025 and 2024, respectively.

NOTE D - INVESTMENTS

Marketable Securities

The Foundation's investments are held at a financial institution and consisted of the following at December 31:

	2025		2024	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	$ 1,173,788	$ 1,173,788	$ 611,691	$ 611,691
Debt mutual funds	9,161,925	9,950,220	7,074,418	8,043,536
Exchange traded funds	3,478,547	2,808,996	454,204	368,752
Equity mutual funds	26,799,125	12,746,710	25,094,317	14,263,939
Alternative investments	5,133,808	4,285,123	4,579,444	3,875,296
Impact investment bonds	500,000	500,000	700,000	700,000
Total investments	$46,247,193	$31,464,837	$38,514,074	$27,863,214

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Endowment Impact Investment Bonds

The Foundation holds endowment impact investment bonds as follows at December 31:

	2025	2024
$100,000 bond, 2% interest only payments quarterly for ten years, matures September 30, 2033	$ 100,000	$ 100,000
$100,000 bond, 2% interest only payments quarterly for ten years, matures September 30, 2033	100,000	100,000
$150,000 bond, 2% interest only payments quarterly for ten years, matures September 30, 2034	150,000	150,000
$150,000 bond, 2% interest only payments quarterly for ten years, matures March 31, 2034	150,000	150,000
$200,000 bond, 2% interest received annually, matured December 4, 2025	-	200,000
Total endowment impact investment bonds	$ 500,000	$ 700,000

Financial statement presentation	2025	2024
Investments - current	$ 6,278,699	$ 5,826,321
Endowment investments	39,468,494	31,987,753
Endowment impact investment bonds	500,000	700,000
	$ 46,247,193	$ 38,514,074

Investment returns consisted of the following for the years ended December 31:

	2025	2024
Interest and dividends	$ 1,342,202	$ 1,189,480
Net realized gains (losses)	659,245	841,828
Unrealized gains (losses)	4,131,509	2,651,515
Investment fees	(47,091)	(43,879)
Net investment returns	$ 6,085,865	$ 4,638,944

Concentration of Credit Risk - Investments

Brokerage accounts have insurance of $500,000 per broker, provided by the Securities Investor Protection Corporation. The balance of investments exceeded insured limits by $44.57 and $37.40 million at December 31, 2025 and 2024, respectively.

NOTE E - FAIR VALUE

The Foundation utilizes fair value measurements to record fair value adjustments to investments and to determine fair value disclosures. These assets are recorded at fair value on a recurring basis.

Fair Value Hierarchy

Under FASB ASC 820, the Foundation groups its investments at fair value into three levels, based on the markets in which the investments are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets and money market funds valued at net asset value of shares held by the Foundation at year-end.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates that market participants would use in pricing the asset or liability.

Fair value measurement for the Foundation's investments is based upon quoted prices. Level 1 investments include equity securities (primarily mutual funds), debt mutual funds and exchange traded funds. Level 3 investments includes private equities, real estate income trust funds, and impact investment bonds.

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets and liabilities at fair value:

Assets at Fair Value as of December 31, 2025

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 1,173,788	$ -	$ -	$ 1,173,788
Debt mutual funds	9,161,925	-	-	9,161,925
Exchange traded funds	3,478,547	-	-	3,478,547
Equity mutual funds	26,799,125	-	-	26,799,125
Alternative investments	-	-	5,133,808	5,133,808
Impact investment bonds	-	-	500,000	500,000
	$40,613,385	$ -	$ 5,633,808	$46,247,193

Assets at Fair Value as of December 31, 2024

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 611,691	$ -	$ -	$ 611,691
Debt mutual funds	7,074,418	-	-	7,074,418
Exchange traded funds	454,204	-	-	454,204
Equity mutual funds	25,094,317	-	-	25,094,317
Alternative investments	-	-	4,579,444	4,579,444
Impact investment bonds	-	-	700,000	700,000
	$33,234,630	$ -	$ 5,279,444	$38,514,074

The following table sets forth a summary of changes in fair value of the Foundation's Level 3 investment securities for the years ended December 31:

	2025	2024
Balance, beginning year	$ 5,279,444	$ 3,775,277
Purchases	83,716	754,743
Issuance of investment bonds	-	500,000
Management fees	(5,735)	(6,112)
Interest and dividends	131,846	111,695
Unrealized gains	144,537	143,841
Total	$ 5,633,808	$ 5,279,444

NOTE F - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2025	2024
Furniture and fixtures	$ 17,147	$ 17,147
Leasehold improvements	69,885	69,885
Total	87,032	87,032
Less accumulated depreciation	(29,027)	(21,919)
Total property and equipment, net of accumulated depreciation	$ 58,005	$ 65,113
Land	$ 16,000	$ 16,000

Depreciation expense for the years ended December 31, 2025 and 2024 totaled $7,109.

NOTE G - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following amounts at December 31:

	2025	2024
Subject to expenditure for specific purpose		
Endowments	$39,468,494	$31,987,753
Endowment impact bonds	500,000	700,000
Grant making	6,170,029	5,269,857
	$46,138,523	$37,957,610

NOTE H - ENDOWMENT FUNDS

Fund agreements have been established by donors for a variety of purposes. The fund agreements determine whether the assets are endowed or unendowed. The endowed principal is defined as the fund's opening contribution plus all subsequent contributions. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has determined that the Foundation's contributions are subject to the terms of its governing documents. Certain contributions are received subject to other gift instruments or are subject to specific agreements with the Foundation. Fund agreements contain a provision granting variance power to the Board of Directors.

The Foundation is subject to the Michigan Uniform Prudent Management of Institutional Funds Act (UPMIFA) (Act 87 of 2009), and, thus, classifies amounts in its donor restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Foundation appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Foundation has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund, and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with prudent measures required under law. Additionally, in accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purpose of the organization and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation (depreciation) of investments;
6. Other resources of the organization;
7. The investment policies of the foundation.

The purpose of the Foundation is to accumulate a pool of assets sufficient to build community capital for future use with the corresponding obligation to support current and future community needs. To achieve their purpose, the Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Foundation's spending and investment policies work together to achieve this objective.

The Foundation has adopted an investment policy that requires the assets to be invested in a manner consistent with statutory fiduciary responsibilities. The policy is to be carried out by means of investment strategies that reflect continuous evaluation of changing investment environments, judgment regarding the allocation of the assets among different kinds of investment opportunities, identification of appropriate investment vehicles and the making of specific investment decisions.

The long-term objective of the investment program is to try and preserve the account's purchasing power by producing a total return that equals the Foundation's grantmaking, administrative expenses, investment fees and inflation. Absolute performance shall be more important in evaluating individual investment vehicles. It is anticipated that the account will track the investment policy benchmark closely. Although the account should be structured to preserve principal and minimize the likelihood of incurring a substantial loss, significant volatility is probable over the short-term, as it is anticipated that the account's volatility will approximate the investment policy benchmark. Subject to the established parameters, structuring the account to generate the targeted level of return over the long-term should take precedence over minimizing risk and volatility over the short-term.

It is the Investment Committee's responsibility to set long-term asset allocation ranges, which are approved by the Board, and to review them from time to time. The Investment Committee recognizes that these decisions are expected to be the single most important factor determining account risk and return. In discharging this responsibility, the Investment Committee has determined that a multi-asset class approach, using a number of different investment vehicles, is an appropriate strategy for the investment account. Thus, the investment account will be diversified across asset classes and investment vehicles. The purpose of dividing the account this way is to try and ensure: 1) that the account will be diversified both by asset class and within each asset class; 2) that the account will achieve its optimal long-term return.

The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds, for grant-making and administration, determined by a total return system. The current spending policy calculates the maximum amount to be spent only once each year, based on market values as of September 30th of each year, for the coming year. The spending policy applies to endowment funds only. The amount available for spending is calculated using a twelve-quarter (or in the case of new funds, since inception) rolling average of the market value. The available amount for spending from the fund's market value, for distribution and administration, will be up to 3.5% for granting purposes not including administrative fees. The fund's endowed principal will not be invaded for distribution except as allowed by the fund agreement. This spending rate may be modified by the Investment Committee subject to board approval. Grants are determined by various grant committees based on the provisions of the respective fund agreements.

Composition of and changes in endowment net assets are as follows:

	December 31, 2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 32,687,753	$ 32,687,753
Contributions	-	3,406,048	3,406,048
Net appreciation and investment income	-	5,334,689	5,334,689
Fees	-	(650,248)	(650,248)
Amounts appropriated for expenditure	809,748	(809,748)	-
Expenditure of endowment assets	(809,748)	-	(809,748)
Endowment net assets, end of year	$ -	$ 39,968,494	$ 39,968,494

	December 31, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 29,915,070	$ 29,915,070
Contributions	-	130,862	130,862
Net appreciation and investment income	-	4,077,921	4,077,921
Other income	-	4,155	4,155
Fees	-	(600,174)	(600,174)
Amounts appropriated for expenditure	840,081	(840,081)	-
Expenditure of endowment assets	(840,081)	-	(840,081)
Endowment net assets, end of year	$ -	$ 32,687,753	$ 32,687,753

NOTE I - LEASES

The Foundation entered into a ten-year operating lease agreement for its office space with an expiration date of March 2031 which may be extended for two five-year terms, through March 2041. Rent payments range from $2,681 to $3,277. The lease agreement may be cancelled with six months notice, however, the Foundation is reasonably certain it will not exercise this option.

The operating lease does not include a stated interest rate and, therefore, the prime rate at inception was used to determine the present value of lease payments.

Quantitative information concerning the Foundation's leases consisted of the following as of and for the years ended December 31:

	2025	2024
Lease Cost		
Operating lease expense	$ 34,867	$ 34,867
Other Information		
Cash paid for amounts included in the measurement of the lease liability:		
Operating cash flows from operating leases	$ 32,175	$ 32,175
Remaining lease term (in years)	15.92	16.92
Discount rate applied (%)	3.25 %	3.25 %

Maturities of the operating lease liability is as follows:

Years Ending December 31,	
2026	$ 32,175
2027	32,175
2028	32,175
2029	32,175
2030	32,175
Thereafter	404,869
Total lease payments	565,744
Less: present value discount	(128,425)
Present value of lease liabilities	437,319
Current portion	18,321
Long-term portion	$ 418,998

NOTE J - RETIREMENT PLAN

The Foundation offers participation in a SIMPLE Individual Retirement Account (IRA) to all employees expected to earn a minimum of $5,000 during a fiscal year. Participant contributions are matched up to 3% of the employee's total wages. The Foundation also made an additional non-elective contribution of 2% of employee compensation for the calendar year. The Foundation contributed matching funds of $17,918 and $14,907 during the years ended December 31, 2025 and 2024, respectively.