THREE RIVERS AREA COMMUNITY FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2019

DANA F. COLE & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

THREE RIVERS AREA COMMUNITY FOUNDATION
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THREE RIVERS AREA COMMUNITY FOUNDATION
BOARD OF TRUSTEES
DECEMBER 31, 2019

DANA F. COLE & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Three Rivers Area Community Foundation
Three Rivers, Michigan

We have audited the accompanying financial statements of Three Rivers Area Community Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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.

Accountants' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from 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 auditors' 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 Three Rivers Area Community Foundation as of December 31, 2019, the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative information

We previously audited the Three Rivers Area Community Foundation's 2018 financial statements and, in our report dated October 22, 2019, expressed an unmodified opinion on those audited statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Dana F. Cole + Company, LLP

Niles, Michigan
September 12, 2020

THREE RIVERS AREA COMMUNITY FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
(WITH COMPARATIVE AUDITED TOTALS FOR 2018)

	2019 Total	2018 Total
ASSETS		
ASSETS		
Cash	10,483	9,397
Money market funds	547,743	554,372
Investments	4,167,763	3,689,306
Prepaid insurance	294	294
Charitable remainder interest	36,479	31,172
Interfund receivables and other assets	12,824	12,207
TOTAL ASSETS	4,775,586	4,296,748
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	5,987	6,705
Administrative fees payable	12,824	12,207
Agency funds	729,245	725,104
Total liabilities	748,056	744,016
NET ASSETS		
Without donor restrictions	1,303,267	1,234,339
With donor restrictions		
Available for grant making	83,491	68,905
Restricted by purpose or time	2,640,772	2,249,488
Total net assets	4,027,530	3,552,732
TOTAL LIABILITIES AND NET ASSETS	4,775,586	4,296,748

See accompanying notes to financial statements.

THREE RIVERS AREA COMMUNITY FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE AUDITED TOTALS FOR 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
PUBLIC SUPPORT AND REVENUES				
Public Support				
Contributions	24,959	53,353	78,312	436,067
In-kind contributions		4,108	4,108	10,277
Total public support	24,959	57,461	82,420	446,344
Revenues				
Administrative fee revenue	52,440		52,440	51,243
Dividend and interest income	54,507	111,787	166,294	196,405
Realized gain on investments	20,386	45,482	65,868	71,190
Unrealized gain (loss) on investments	134,376	248,786	383,162	(399,877)
Other income	191	258	449	
Net assets released from restriction	57,904	(57,904)		
Total revenues	319,804	348,409	668,213	(81,039)
Total public support and revenues	344,763	405,870	750,633	365,305
EXPENDITURES				
Program services	225,373		225,373	375,463
Management and general	40,207		40,207	44,370
Fundraising	10,255		10,255	6,053
Total expenditures	275,835		275,835	425,886
CHANGE IN NET ASSETS	68,928	405,870	474,798	(60,581)
NET ASSETS, beginning of year	1,234,339	2,318,393	3,552,732	3,613,313
NET ASSETS, end of year	1,303,267	2,724,263	4,027,530	3,552,732

See accompanying notes to financial statements.

THREE RIVERS AREA COMMUNITY FOUNDATION
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE AUDITED TOTALS FOR 2018)

	2019				2018
	Program Services	Management and General	Fund-raising	Total	Total
Scholarships and grants	160,746			160,746	313,594
Administrative fee	44,152			44,152	42,400
Investment management fee	20,475			20,475	19,469
Administrative services		25,216		25,216	25,228
Advertising and promotion		55	10,255	10,310	6,512
Accounting services		11,750		11,750	10,700
Dues and memberships		240		240	2,853
Fees and licenses		20		20	20
Insurance		1,406		1,406	1,409
Meetings expense		56		56	559
Miscellaneous		570		570	630
Office supplies		(25)		(25)	481
Postage		37		37	
Training expense					(192)
Travel expense		127		127	1,683
Website expenses		755		755	540
Total expenses	225,373	40,207	10,255	275,835	425,886

See accompanying notes to financial statements.

THREE RIVERS AREA COMMUNITY FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	474,798	(60,581)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized (gains) losses on investments	(383,162)	399,877
Realized gains from sale of investments	(65,868)	(71,190)
(Increase) decrease in operating assets:		
Prepaid expenses		11
Other assets	(5,924)	(972)
Increase (decrease) in operating liabilities:		
Accounts payable	(718)	(87)
Interfund payables	617	(323)
Total adjustments	(455,055)	327,316
Net cash provided by operating activities	19,743	266,735
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(857,085)	(1,203,253)
Proceeds from the sale of investments	831,799	789,961
Net cash used in investing activities	(25,286)	(413,292)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,543)	(146,557)
CASH AND CASH EQUIVALENTS, beginning of year	563,769	710,326
CASH AND CASH EQUIVALENTS, end of year	558,226	563,769
COMPONENTS OF CASH AND CASH EQUIVALENTS		
Cash - general checking account	10,483	9,397
Money market pool	547,743	554,372
	558,226	563,769

See accompanying notes to financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization and Statement of Purpose

The Three Rivers Area Community Foundation is a community foundation created by the community, supported by the community, and for the benefit of the community. The Foundation was established in 1974 and serves the City of Three Rivers, Michigan, and surrounding townships. The Three Rivers Area Community Foundation is dedicated to the growth and stewardship of donor funds, while improving the quality of life in the community through proactive problem solving, partnerships with others of similar goals, and responsible grant making. The Foundation's support is derived from both individual and corporate donors.

Basis of Accounting

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

New Accounting Pronouncements

Effective January 1, 2019, the Foundation adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. ASU 2018-08 clarifies how an organization determines whether a resource provider is receiving commensurate value in return for a grant. If the resource provider does receive commensurate value from the grant recipient, the transaction is an exchange transaction and would follow the guidance under ASU 2014-09 (ASC Topic 606 - *Revenue Recognition*). If no commensurate value is received by the grant maker, the transfer is a contribution. ASU 2018-08 stresses that the value received by the general public as a result of the grant is not considered to be commensurate value received by the provider of the grant. ASU 2018-08 was implemented on a modified prospective basis. Therefore, on January 1, 2019, the new standard was applied to agreements that were either not completed as of January 1, 2019, or entered into after January 1, 2019. The December 31, 2018, financial statements were not restated and continue to be reported under the accounting standards in effect in that period. There was no material impact to the financial statements as a result of adoption. Accordingly, no adjustment to opening net assets was recorded.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). The provisions of ASU 2014-09 apply to exchange transactions with customers that are bound by contracts or similar arrangements and establish a performance obligation approach to revenue recognition. The new standard also requires expanded disclosures regarding the qualitative and quantitative information about the

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for annual reporting periods beginning after December 15, 2018, and permits the use of either a full retrospective or a modified retrospective approach.

The Foundation adopted the new standard on January 1, 2019, using the modified retrospective method. Based on the Foundation's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. The adoption of the ASU 2014-09 did not have an impact on the Foundation's financial statements. Therefore, no cumulative adjustment was recognized in net assets upon adoption.

Financial Statement Presentation

The financial statements report amounts by class of net assets, as required by ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets, revenues, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions.

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are subject to donor-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, and are reported in the statements of activities as net assets released from restrictions.

Contributions

The Foundation utilizes FASB ASC 958-605, *Accounting for Contributions Received and Made*. FASB ASC 958-605 requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the Foundation to distinguish between

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions (Continued)

contributions received for each net asset category in accordance with donor-imposed restrictions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Donor-Imposed Restrictions

All contributions are considered to be available for unrestricted 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 donor restricted. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports that support as unrestricted.

Contributed Materials and Services

The Foundation records various types of in-kind contributions. Contributed services are recognized at fair market value if the services received create or enhance long-lived assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are either offset by like amounts included in expenses, converted to cash and reinvested, or in rare instances, additions to property and equipment.

Volunteers

Many individuals volunteer their time and perform a variety of tasks to assist the Foundation with its operations. The volunteer hours have not been recorded in the financial statements as those services do not meet the criteria for recognition.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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 results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were cash equivalents for the year ended December 31, 2019, amounting to $558,226.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The Foundation utilizes FASB ASC 958-320, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under FASB ASC 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities.

Property and Equipment

Property and equipment are stated at cost, if purchased, or fair value, if donated. Major expenditures for property and those which substantially increase useful lives are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. As of December 31, 2019, the Foundation carried no property and equipment as assets. The City of Three Rivers, Michigan, provides furnished office space for a monthly fee.

Income Taxes

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2) by a determination letter received from the Internal Revenue Service in 1977.

The Foundation has adopted the provisions of FASB ASC 740-10, *Accounting for Uncertain Tax Positions*. The Foundation continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings. Management does not expect the interpretation will have a material impact (if any) on its results from operations or financial position.

Advertising

Advertising costs are expensed as incurred. The Foundation had advertising, fundraising, and website expenses of $11,065 for the year ended December 31, 2019.

Comparative Totals

The financial statements include certain prior year summarized comparative information. Some amounts may have been reclassified for the prior year to make them comparable to the current year. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions Receivable

Funds received but not deposited as of December 31, 2019, have been classified in this category. They have been recorded at their fair value and no allowance for doubtful accounts is considered necessary.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The allocation is based on usage studies conducted periodically by the Foundation.

NOTE 2. NET ASSET CLASSIFICATIONS

Net Asset Classifications

In August 2008, the Financial Accounting Standards Board issued Staff Position FASB ASC 958-210, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. FASB ASC 958-210 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA).

FASB ASC 958-210 also improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The state of Michigan adopted UPMIFA effective September 10, 2009, as Public Act 87 of 2009 (introduced as Senate Bill 0411). As of December 31, 2019, the Foundation had not amended restricted fund agreements to allow for the spending of the corpus.

The Board of Trustees has determined that the majority of the Foundation's contributions meet the definition of endowment funds under UPMIFA. The Foundation is governed subject to the Governing Documents for the Foundation, and all contributions are received subject to the terms of these Governing Documents.

Under the terms of the Governing Documents, the Board of Trustees considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the funds.
2. The purposes of the Foundation and the donor-restricted endowment funds.

NOTE 2. NET ASSET CLASSIFICATIONS (Continued)

Net Asset Classifications (Continued)

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.

All contributions not classified as donor restricted are classified as unrestricted net assets for financial statement purposes.

When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, donor-restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donor-restricted endowed net assets represent the fair value of the original gift as of the gift date plus the original value of subsequent gifts to the donor-restricted endowment funds.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to preserve and over time increase the inflation-adjusted value of the assets, while assuming a level of risk consistent with prudent investment practices for such funds. A secondary focus is to generate income to assist in providing for Foundation grants. The Foundation expects its growth stock assets, over time, to achieve annual returns which equal or exceed the U.S. Government Consumer Price Index (CPI), net of investment management fees by five or more percent. The expectation for income stable funds is to exceed the CPI by three or more percent, whereas the goal for liquid funds is to match inflation as measured by the CPI.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that invests in both domestic and global equities and fixed income mutual bond funds.

NOTE 2. NET ASSET CLASSIFICATIONS (Continued)

Spending Policy

The spending policy calculates the dollar amount of grants annually distributed from the Foundation's various endowed funds and unrestricted fund. The current spending policy is to distribute an amount equal to 4% of the market value of the funds calculated on a moving 3-year (12-quarter) average through September 30th proceeding the calendar year in which the distribution is planned. The "income" that may be spent may be drawn from both ordinary income earned, i.e., dividends and interest, and realized and unrealized appreciation. The Foundation anticipates an additional 1% of each fund will be allocated to cover administrative expenses.

Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment assets to grow annually. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment returns.

Changes in endowment net assets for the year ended December 31, 2019, are as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets, December 31, 2018		2,352,776	2,352,776
Contributions		6,247	6,247
Net investment earnings		399,750	399,750
Administrative fees		(13,234)	(13,234)
Investment fees		(31,967)	(31,967)
Grants		(72,800)	(72,800)
Endowment net assets, December 31, 2019		2,640,772	2,640,772

NOTE 3. INVESTMENT SECURITIES

Investments consist of equity, fixed income, and other mutual funds. All are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

NOTE 3. INVESTMENT SECURITIES (Continued)

As defined in FASB ASC 820-10, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses various methods including market, income, and cost approaches.

Based on these approaches, the Foundation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market-corroborated, or generally unobservable inputs. The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

Based on the observability of the inputs used in the valuation techniques, the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities and contain observable inputs.

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models, and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities using unobservable inputs.

For the year ended December 31, 2019, the application of valuation techniques applied to similar assets has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Equity mutual funds are open-ended SEC registered investment funds with daily Net Asset Values (NAV) from which the fair value is the closing price on the date of the financial statements. Funds that contain investments from U.S. and international large-cap companies are categorized in Level 1 of the fair value hierarchy. Funds that contain mostly small-cap and mid-cap investments are categorized in Level 2.

NOTE 3. INVESTMENT SECURITIES (Continued)

Fixed income mutual funds are corporate and U.S. government bond funds. Fair value is estimated using recent transactions on active markets, market price quotations (where observable), or bond spreads. Funds that contain mostly large-cap corporate and U.S. government bonds are generally categorized in Level 1 of the hierarchy. U.S. government agencies along with small-cap and mid-cap corporate funds are categorized in Level 2.

Blended mutual funds contain combinations of equities with bonds and are categorized using the same criterion as equity and fixed income funds for Levels 1 and 2.

Asset-backed mutual funds are secured by real estate or commodities. Fair value is estimated from less active markets or third party pricing. Funds are categorized in Level 2 of the hierarchy for domestic funds and Level 3 for international.

Charitable remainder interest is valued at the estimated present value of future cash flows using the fair value of the assets as of the date of the financial statements and is categorized in Level 3 of the hierarchy as the Foundation has no control over the investments.

Accounts payable are valued at their estimated fair value and are categorized in Level 2 of the hierarchy.

Fair Value on a Recurring Basis

The tables below present the balances of assets measured at December 31, 2019 and 2018, at fair value on a recurring basis for the investments of the Foundation:

	Fair Value Measurements at December 31, 2019			
Asset Class	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	547,743	547,743		
Equity mutual funds	1,378,561	1,378,561		
Fixed income mutual funds	902,674	902,674		
Blended mutual funds	406,166	406,166		
Asset-backed mutual funds	151,325	151,325		
International equity funds	801,518	801,518		
International fixed income funds	206,432	206,432		
International asset-backed funds	321,087	321,087		
Total investments	4,715,506	4,715,506		

NOTE 3. INVESTMENT SECURITIES (Continued)

Fair Value on a Recurring Basis (Continued)

		Fair Value Measurements at December 31, 2018		
Asset Class	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	554,372	554,372		
Equity mutual funds	1,162,455	1,162,455		
Fixed income mutual funds	865,874	865,874		
Blended mutual funds	404,121	404,121		
Asset-backed mutual funds	139,674	139,674		
International equity funds	635,152	635,152		
International fixed income funds	190,973	190,973		
International asset-backed funds	291,057	291,057		
Total investments	4,243,678	4,243,678		

The carrying amounts, market value, unrealized gains, and unrealized losses of the Level 1, 2, and 3 marketable securities for all investments at December 31, 2019 and 2018, are as follows:

	December 31, 2019			
Asset Class	Total Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Money market funds	547,743			547,743
Equities	1,806,365	373,714		2,180,079
Bond funds	1,234,179		(10,418)	1,223,761
Blended funds	418,331		(12,165)	406,166
Asset-backed funds	349,556	8,201		357,757
Total investments	4,356,174	381,915	(22,583)	4,715,506

NOTE 3. INVESTMENT SECURITIES (Continued)

	Fair Value Measurements at December 31, 2018			
Asset Class	Total Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Money market funds	554,372			554,372
Equities	1,734,882	62,725		1,797,607
Bond funds	1,239,590		(82,659)	1,156,931
Blended funds	425,644		(21,523)	404,121
Asset-backed funds	348,296		(17,649)	330,647
Total investments	4,302,784	62,725	(121,831)	4,243,678

Management evaluates securities for other than temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial conditions and near-term prospects of the issuer, and (3) the intent and ability of the Foundation to retain its investments in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. As management has the ability to hold securities for the foreseeable future, no declines are deemed to be other than temporary.

The Foundation has authorized the following firm to manage the investment activity of the Foundation along with their related fees:

Investment Manager	2019 Fees Charged
Stifel Advantage Financial Advisors	20,475

NOTE 4. INTERFUND RECEIVABLES/PAYABLES

During 2015, the Foundation transitioned to a policy of accruing for and paying the administrative fee from each of the affected funds quarterly instead of at year end. As a result, the Foundation showed just one quarter (three months) of fees that had not been collected as of the fiscal year end. As of December 31, 2019, the balance was $12,824. In previous periods, funds were transferred from unrestricted funds to temporarily and permanently restricted funds to cover grants and administrative expenses. As investment securities were subsequently sold within investment accounts for repayment, entries were recorded in multiple receivable and payable accounts. This form of internal accounting is no longer being dealt with.

NOTE 5. CONCENTRATIONS OF CREDIT RISK

The Foundation maintains a general checking account and money market funds account at Southern Michigan Bank and Trust and a general checking account and money market funds account at Stifel Financial Advisors which holds these funds at three affiliated banks. Balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per institution and the funds are allocated systematically at Stifel to accommodate $250,000 per bank. The balances in the checking accounts as of December 31, 2019, at Southern Michigan Bank and Trust and Stifel Financial Advisors, respectively, were $765 and $11,148. The money market funds accounts are also classified as depository accounts by the financial institutions where they are maintained. The balances in these accounts as of December 31, 2019, totaled $681,513. At December 31, 2019, all deposits were covered by the FDIC.

NOTE 6. TOTAL NET ASSET COMPOSITION BY FUND TYPE

The Foundation manages both endowed and nonendowed funds. The following table summarizes all of the net assets of the Foundation by type of fund as of December 31, 2019:

	Without Donor Restrictions	Available for Grant Making With Donor Restrictions	Donor Restricted For Purpose Or Time	Total
Donor-restricted endowed funds			2,640,772	2,640,772
Nonendowed funds	1,303,267	83,491		1,386,758
	1,303,267	83,491	2,640,772	4,027,530

NOTE 7. CHARITABLE REMAINDER INTERESTS

The Foundation has been named a beneficiary of a charitable remainder trust established by the estate of Robert A. McLellan. This gift has been recorded at its net present value of $36,479, based on a discount rate of 5% and an actuarial assumption of 20.9 years. For 2019, the value of the remainder interest increased by $5,307.

The Foundation has been named a beneficiary of a charitable remainder trust established by the estate of Geraldine Tase. The Foundation shares ownership of the trust with six other nonprofit entities. The trust was established to provide revenue streams to all of these entities in perpetuity. However, if the trust is terminated at the discretion of the trustee, or dissolved by operation of law or for any other reason, the trust property would be distributed equally among the beneficiary entities. At December 31, 2019, the trust had property with a fair value of approximately $606,242. For 2019, the Foundation's share of the income from the trust was recorded as an unrestricted contribution and amounted to $8,569.

NOTE 8. PURPOSE OF FUNDS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following as of December 31, 2019:

Specific projects, organizations, or fields of interest	817,523
Scholarships	1,906,740
	2,724,263

Net assets with donor restrictions are restricted endowments for organizations, fields of interest, or scholarships in which the principal is invested in perpetuity. Net assets with donor restrictions were $2,640,772 as of December 31, 2019.

NOTE 9. RELATED PARTY TRANSACTIONS

The Foundation pays the City of Three Rivers, Michigan, a monthly fee for the use of furnished office space and includes an allowance for a portion of the salary of a full-time employee of the City who provides part-time duties as the Foundation Administrator. Office supplies and miscellaneous office expenses are paid for by the Foundation as they occur. The total cost of administrative services for the year ended December 31, 2019, was $25,216.

NOTE 10. AGENCY FUNDS

The Foundation utilizes FASB ASC 958-20 and FASB ASC 958-605, *Transfers of Assets to a Not-for-Profit Organization (NPO) or Charitable Trust that Raises or Holds Contributions for Others*. These statements establish standards for transactions in which a community foundation accepts contributions from donors and agrees to transfer those assets, the return on investment of those assets, or both to another entity that is specified by the donor. The statements specifically require that if a 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 958-20 and 958-605, a liability has been established for the fair value of the funds which had a balance as of December 31, 2019, of $729,245.

NOTE 11. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation has $558,226 of financial assets available within one year of December 31, 2019, to meet cash needs for general expenditure consisting of cash of $10,483, and money market funds of $547,743. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year

NOTE 11. LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

of December 31, 2019. The Foundation has a goal to maintain financial assets, which consist of cash and money market funds, on hand to meet 60 days of normal operating expenses, which are, on average including scholarships and grants, approximately $45,972.

The Foundation has a policy to structure its financial asset to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Foundation invests cash in excess of daily requirements in various short-term investments, including certificates of deposit and short-term treasury instruments.

NOTE 12. SUBSEQUENT EVENTS

Due to the recent spread of the Coronavirus (COVID-19) and anticipated slowing of business activity in services that the Foundation provides, a decline in revenue for part of the year ending December 31, 2021, is possible. The dollar amount of any decline in revenue related to COVID-19 is not known at the time of issuance of the financial statements.

In preparing the financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through September 12, 2020, the date the financial statements were available to be issued.