

GRAND RAPIDS PUBLIC SCHOOLS FOUNDATION

FINANCIAL STATEMENTS

For the years ended
June 30, 2023 and 2022

TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position.....	5
Statements of Activities.....	6
Statements of Functional Expenses	8
Statements of Cash Flows	10
Notes to Financial Statements	11



INDEPENDENT AUDITOR'S REPORT

January 18, 2024

To the Board of Directors
Grand Rapids Public Schools Foundation
Grand Rapids, Michigan

Opinion

We have audited the accompanying financial statements of Grand Rapids Public Schools Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, 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 Grand Rapids Public Schools Foundation as of June 30, 2023 and 2022, and the changes in 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 Grand Rapids Public Schools 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 opinion.

Responsibilities of Management 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; 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 Grand Rapids Public Schools Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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 Grand Rapids Public Schools 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 Grand Rapids Public Schools 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.



Certified Public Accountants
Holland, Michigan

FINANCIAL STATEMENTS

This Page Intentionally Left Blank

STATEMENTS OF FINANCIAL POSITION

GRAND RAPIDS PUBLIC SCHOOLS FOUNDATION

June 30, 2023 and 2022

ASSETS

	2023	2022
Current assets		
Cash and cash equivalents	\$ 1,324,286	\$ 1,237,692
Restricted cash	482,308	2,343,930
Contributions receivable, current portion	457,601	549,177
Accounts receivable	193,562	151,380
Prepaid expenses	9,500	30,245
Total Current Assets	2,467,257	4,312,424
Property and equipment, net	15,232	4,063
Right-of-use asset - operating leases	42,790	-
Investments	724,279	623,160
Contributions receivable, net of current portion and discounts	1,312,000	1,696,000
Assets with donor restrictions in perpetuity:		
Investments	550,000	550,000
Total Assets	\$ 5,111,558	\$ 7,185,647
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 416,104	\$ 1,221,335
Accrued wages and related expenses	16,243	16,204
Current portion of lease liability - operating leases	25,952	-
Total Current Liabilities	458,299	1,237,539
Lease Liability, net of current portion - operating leases	16,970	-
Total Liabilities	475,269	1,237,539
Net Assets		
Without donor restrictions:		
Undesignated	249,859	213,776
Board designated	724,279	623,160
With donor restrictions:		
Program restrictions	3,112,151	4,561,172
Endowment assets	550,000	550,000
Total net assets	4,636,289	5,948,108
Total Liabilities and Net Assets	\$ 5,111,558	\$ 7,185,647

STATEMENTS OF ACTIVITIES

GRAND RAPIDS PUBLIC SCHOOLS FOUNDATION

For the year ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues			
Contributions	\$ 55,880	\$ 435,811	\$ 491,691
Special fundraising events, net of direct expenses of \$57,372	311,506	-	311,506
Program service fees	42,182	-	42,182
Investment gain, net of expense of \$8,444	94,559	-	94,559
Net assets released from restrictions	1,884,832	(1,884,832)	-
Total Public Support and Revenues	2,388,959	(1,449,021)	939,938
Expenses			
Program services	1,803,893	-	1,803,893
Management and general	238,993	-	238,993
Fundraising	208,871	-	208,871
Total Expenses	2,251,757	-	2,251,757
Change in Net Assets	137,202	(1,449,021)	(1,311,819)
Net assets - beginning of year	836,936	5,111,172	5,948,108
Net assets - end of year	\$ 974,138	\$ 3,662,151	\$ 4,636,289

STATEMENTS OF ACTIVITIES (CONTINUED)

GRAND RAPIDS PUBLIC SCHOOLS FOUNDATION
For the year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue			
Contributions	\$ 1,959,792	\$ 2,573,064	\$ 4,532,856
Special fundraising events, net of direct expenses of \$49,524	239,968	-	239,968
Program service fees	76,378	-	76,378
Investment loss, net of expense of \$4,839	(145,109)	-	(145,109)
Loss on disposal of assets	(512)	-	(512)
Net assets released from restrictions	75,618	(75,618)	-
Total Public Support and Revenue	2,206,135	2,497,446	4,703,581
Expenses			
Program services	1,959,985	-	1,959,985
Management and general	205,124	-	205,124
Fundraising	132,799	-	132,799
Total Expenses	2,297,908	-	2,297,908
Change in Net Assets	(91,773)	2,497,446	2,405,673
Net assets - beginning of year	928,709	2,613,726	3,542,435
Net assets - end of year	\$ 836,936	\$ 5,111,172	\$ 5,948,108

STATEMENTS OF FUNCTIONAL EXPENSES

GRAND RAPIDS PUBLIC SCHOOLS FOUNDATION

For the year ended June 30, 2023

	Program Services		Supporting Services	
	Program	Management and General	Fundraising	Total Expenses
Wages	\$ 61,458	\$ 69,897	\$ 139,795	\$ 271,150
Payroll taxes	4,790	5,447	10,895	21,132
Fringe benefits	6,174	7,022	14,043	27,239
Total Wages and Related Expenses	72,422	82,366	164,733	319,521
Advertising and promotion	1,392	37,195	10,294	48,881
Bad debt	25,021	309	400	25,730
Bank and credit card fees	-	5,254	1,135	6,389
Contract labor	37,315	26,875	1,500	65,690
Dues and subscriptions	-	3,087	21,750	24,837
Insurance	-	3,789	-	3,789
License and fees	25	70	25	120
Miscellaneous	6,203	4,342	72	10,617
Occupancy expense	-	22,105	-	22,105
Office supplies	733	6,983	8,623	16,339
Professional fees	-	22,260	-	22,260
Grants to others	1,650,312	3,763	250	1,654,325
Supplies	8,013	4,829	89	12,931
Technology	-	14,000	-	14,000
Travel	2,457	107	-	2,564
Total Expenses Before Depreciation	1,803,893	237,334	208,871	2,250,098
Depreciation	-	1,659	-	1,659
Total Expenses	\$ 1,803,893	\$ 238,993	\$ 208,871	\$ 2,251,757

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

GRAND RAPIDS PUBLIC SCHOOLS FOUNDATION

For the year ended June 30, 2022

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total Expenses</u>
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	
Wages	\$ -	\$ 62,179	\$ 124,358	\$ 186,537
Payroll taxes	-	11,498	-	11,498
Total Wages and Related Expenses	-	73,677	124,358	198,035
Advertising and promotion	10,584	23,239	1,510	35,333
Bank and credit card fees	71	2,534	383	2,988
Contract labor	6,220	18,411	1,070	25,701
Dues and subscriptions	-	825	-	825
Insurance	-	4,057	-	4,057
License and fees	-	-	642	642
Miscellaneous	-	1,179	-	1,179
Occupancy expense	-	10,837	-	10,837
Office supplies	324	6,141	3,436	9,901
Professional fees	-	31,304	-	31,304
Grants to others	1,938,971	-	500	1,939,471
Supplies	593	3,522	-	4,115
Technology	3,222	29,030	900	33,152
Total Expenses Before Depreciation	1,959,985	204,756	132,799	2,297,540
Depreciation	-	368	-	368
Total Expenses	\$ 1,959,985	\$ 205,124	\$ 132,799	\$ 2,297,908

STATEMENTS OF CASH FLOWS

GRAND RAPIDS PUBLIC SCHOOLS FOUNDATION

For the years ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ (1,311,819)	\$ 2,405,673
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	1,659	368
Loss on disposition of assets	-	512
Contributed investments	-	(30,133)
Unrealized gain (loss) on investment	(54,541)	201,276
Realized loss on investment	70,353	-
Increase in right of use assets - operating leases	(14,892)	-
Change in operating assets and liabilities which provided (used) cash:		
Contribution receivable	475,576	(1,007,141)
Accounts receivable	(42,182)	(57,385)
Prepaid expenses	20,745	(30,068)
Accounts payable	(805,231)	(114,619)
Accrued expenses	39	8,475
Lease liability	15,024	-
Net Cash Provided by (Used for) Operating Activities	(1,645,269)	1,376,958
Cash Flows from Investing Activities		
Purchase of property and equipment	(12,828)	(4,063)
Purchase of investments	(111,835)	(44,519)
Proceeds from sale of investments	(5,096)	25,882
Net Cash Provided by (Used for) Investing Activities	(129,759)	(22,700)
Net increase (decrease) in cash and cash equivalents and restricted cash	(1,775,028)	1,354,258
Cash and equivalents and restricted cash - beginning of year	3,581,622	2,227,364
Cash and equivalents and restricted cash - end of year	\$ 1,806,594	\$ 3,581,622
Cash and cash equivalents	\$ 1,324,286	\$ 1,237,692
Restricted cash	482,308	2,343,930
Total cash and cash equivalents and restricted cash	<u>\$ 1,806,594</u>	<u>\$ 3,581,622</u>
Supplemental Disclosure of Cash Flow Information		
Donation of securities	\$ -	\$ 30,133
ROU asset obtained in exchange for lease obligations upon the implementation of ASC 842	\$ 16,238	\$ -
ROU asset obtained in exchange for lease obligations subsequent to the implementation of ASC 842	\$ 41,444	\$ -

NOTES TO FINANCIAL STATEMENTS

GRAND RAPIDS PUBLIC SCHOOLS FOUNDATION

For the years ended June 30, 2023 and 2022

Note A – Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

The accompanying financial statements present the financial position, results of operations and cash flows of Grand Rapids Public School Foundation (the “Organization”). The Organization is a nonprofit organization serving as a strategic fundraising partner of the Grand Rapids Public Schools. The purpose is to raise, grow, and steward funds and other community resources to support the Grand Rapids Public Schools for the benefit of its students.

The Organization will provide resources needed for the students of the Grand Rapids Public Schools to learn, develop, and thrive and for the Grand Rapids Public Schools to meet its own goals of education excellence.

The significant accounting policies of the Organization are described below.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting, recording revenue when earned rather than when received, and recording expenses when incurred rather than when paid.

Fiscal Sponsor

The Organization is the recipient of the XQ Super School grant that is for the benefit of the Grand Rapids Public Museum High School. The Grand Rapids Public Schools Foundation acts as an intermediary for these funds and has no variance power or discretion on these payments. Using the guidance in FASB ASC 958-605-25, the Organization recognizes revenue when the grant is received and expenses as the Organization makes payments to Grand Rapids Public Museum High School. The total amount of revenue recognized for years ended June 30, 2023 and 2022 was \$100,000 and \$2,317,321, respectively. The grant revenue is 17% and 51% of total contribution revenue for years ended June 30, 2023 and 2022, respectively. This is a multi-year grant, but as noted in the grant document, no receivable has been recorded for any outstanding amounts remaining on the grant.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

NOTES TO FINANCIAL STATEMENTS

GRAND RAPIDS PUBLIC SCHOOLS FOUNDATION

For the years ended June 30, 2023 and 2022

Note A – Nature of Activities and Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents consist of demand deposits in banks and cash on hand. For purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents, except that such assets held in endowment are generally classified as noncurrent. The Organization maintains cash balances in checking and savings accounts. The checking and savings accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution. From time to time during the year, the Organization may have cash in a bank checking or savings account in excess of the federally insured limit. The Organization is required to maintain separate bank accounts for two grants. These accounts are used to deposit the grant funds and release funds as the grants are spent.

Restricted cash for the years ended:

	<u>2023</u>	<u>2022</u>
XQ grant	\$ 169,048	\$ 1,071,618
Build Together Campaign	313,260	1,272,312
Total restricted cash	<u>\$ 482,308</u>	<u>\$ 2,343,930</u>

Investments

Investments held by the Organization consist of cash and cash equivalents, mutual funds, government agency obligations and US Treasury notes. Such investments are carried at fair value, based on quoted market prices. Investments received as donations are initially recorded at fair value on the date of receipt. Thereafter, the carrying value of such investments are adjusted to fair value, which is determined by published market quotations. Realized gains and losses on the sale of investments are determined based on the first-in, first-out method. Unrealized gains and losses are included in nonoperating items on the statement of activities.

Fair Value Measurement

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3). For a further discussion on Fair Value Measurement, refer to Note E of the financial statements.

Note A – Nature of Activities and Summary of Significant Accounting Policies (Continued)

Pledges Receivable

Pledges receivable represent unconditional promises to give. The pledges are payable over a donor-specified period and have been discounted to a present value using a risk-free interest rate applicable for the periods in which the pledge was received. The Organization evaluates pledges receivable for uncollectible pledges based upon historical loss experience and current economic conditions. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges receivable. Bad debt expense for the years ended June 30, 2023 and 2022 was \$25,730 and \$-, respectively. The donors pledged funds for a specific purpose that the Organization would no longer be able to fulfill. This is unlikely to occur in the future, no allowance for uncollectible accounts was deemed to be necessary as of June 30, 2023 and 2022.

Net Assets

The Organization reports information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – net assets that 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 Organization’s management and the board of directors.

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

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

When a donor’s restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

NOTES TO FINANCIAL STATEMENTS

GRAND RAPIDS PUBLIC SCHOOLS FOUNDATION

For the years ended June 30, 2023 and 2022

Note A – Nature of Activities and Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions with donor-imposed stipulations that are met in the same year as received or earned are reported as unrestricted revenue.

The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, such as gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how these long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Contributions of donated noncash assets are recorded at their fair values in the period received.

The Organization provides administrative services to Grand Rapids Public Schools and records the income as program services fees. Revenue from these services is recognized as the services are performed.

The Organization receives revenue from various sources and uses FASB ASU 2018-08 Not-for-Profit entities (Topic 958) *Clarifying the Scope and the Accounting Guidance for Contributions received and Contributions Made* to determine when to recognize revenue. The timing of the revenue recognition does not always match the expenditures. In fiscal year 2022, the Organization recognized \$2,100,000 of contribution revenue that will be paid out over 10-20 years for various purposes. Also, as noted earlier, the Organization is a fiscal sponsor for the XQ Super School Grant, \$10,000,000 was recognized in prior years as the funds were received, but not all of the funds were transferred. In the current year, less revenue was recognized due to the payment schedule, but remaining funds from prior years were expensed. Due to these factors, the change in net assets reported on statements of activities can vary significantly from year to year.

Donated Services and Goods

Volunteers have donated time to the Organization's operations during the year; however, these donated services are not reflected in the financial statements to the extent that the services do not require specialized skills.

Donated goods are recorded as revenue on the date of the receipt at estimated fair market value. The Organization did not receive any donated goods for the years ended June 30, 2023 and 2022.

NOTES TO FINANCIAL STATEMENTS

GRAND RAPIDS PUBLIC SCHOOLS FOUNDATION

For the years ended June 30, 2023 and 2022

Note A – Nature of Activities and Summary of Significant Accounting Policies (Continued)

Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statements of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses are reported as decreases in net assets without donor restrictions.

Functional Expense Allocation

The cost of providing programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program services. Such allocations are determined by management on an equitable basis.

Wages and related expenses are allocated based on activity reports generated by the Organization's management. Advertising and promotion, contract labor, professional fees, office supplies, technology, and other expenses are based on the time and effort allocated to each function. Occupancy and depreciation are allocated on a square foot basis dependent on the programs and supporting activities occupying the space.

Program expenses are expenses that have been determined to be related specifically to program functions.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization generally does not conduct its fundraising activities in conjunction with its other activities.

Advertising

The Organization expenses advertising costs as incurred. Advertising costs for the years ended June 30, 2023 and 2022 were \$48,881 and \$35,333, respectively.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Note A – Nature of Activities and Summary of Significant Accounting Policies (Continued)

The Organization evaluates tax positions taken on its federal Exempt Organization Business Income Tax Returns in accordance with accounting principles generally accepted in the United States of America, which require that tax positions taken be more-likely-than-not to be sustained. Management believes that the Organization has no significant unrecognized tax benefits under that criterion. Penalties and interest, if any, assessed by income taxing authorities are included in operating expenses. The Organization's federal Exempt Organization Business Income Tax Returns are generally subject to examination by taxing authorities for three years after they were filed.

New Accounting Pronouncement

Effective July 1, 2022, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842), as amended. This guidance is intended to improve financial reporting of lease transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than twelve months. Key provisions in this guidance include additional disclosures regarding the amount, timing, and uncertainty of cash flows arising from leases. The Organizations elected the effective date transition method and the package of practical expedients that permits no reassessment of whether any expired or existing contracts are or contain a lease, the lease classification for any expired or existing leases, and any initial direct costs for any existing leases as of the effective date. The disclosures for the year ended June 30, 2022 are made under the prior lease guidance in FSB ASC 840.

As of July 1, 2022, the Organization recognized (a) an operating lease liability of \$16,238, which represents the present value of the remaining lease payments of approximately \$17,631, discounted using a discount rate of 3.0% and (b) an operating right-of-use asset of \$16,238. See Note H for additional lease information.

Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through January 18, 2024, which is the date the financial statements were available to be issued.

Reclassification

Certain amounts in the prior period financial statements have been reclassified to match current year reporting.

NOTES TO FINANCIAL STATEMENTS

GRAND RAPIDS PUBLIC SCHOOLS FOUNDATION

For the years ended June 30, 2023 and 2022

Note B – Liquidity and Availability

The following represents the Organization's financial assets at June 30, 2023 and 2022:

Financial assets:	<u>2023</u>	<u>2022</u>
Cash and cash equivalents and restricted cash	\$ 1,806,594	\$ 3,581,622
Contributions receivable, current	457,601	549,177
Accounts receivable	193,562	151,380
Investments	724,279	623,160
Contributions receivable, long term	1,312,000	1,696,000
Endowment	550,000	550,000
Total financial assets	5,044,036	7,151,339
Less amounts not available to be used within one year:		
Purpose restricted assets	(3,112,151)	(4,561,172)
Board designated investment	(694,172)	(592,210)
Endowment	(550,000)	(550,000)
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 687,713</u>	<u>\$ 1,447,957</u>

Certain donor-restricted net assets are available for general expenditures within one year of the applicable year-end because the restrictions on the net assets are expected to be met by conducting the normal activities related to programs of the Organization in the coming year. Accordingly, the related resources have been included in the financial assets available to meet general expenditures within one year.

The above table reflects the Organization's financial assets as of June 30, 2023 and 2022 reduced by amounts not available for general use because of contractual, donor-imposed or time restrictions within one year. The Organization is allowed to withdraw 5% of a three-year rolling average of the three most recent June 30 fund balances.

Note C – Unconditional Promises to Give

The following is a schedule of unconditional promises to give as of June 30:

	<u>2023</u>	<u>2022</u>
Receivable in less than one year	\$ 457,601	\$ 549,177
Receivable in one to five years	1,485,000	1,920,000
Discounted to present value on a discount rate of 3%	(173,000)	(224,000)
Net unconditional promises to give	<u>\$ 1,769,601</u>	<u>\$ 2,245,177</u>

NOTES TO FINANCIAL STATEMENTS

GRAND RAPIDS PUBLIC SCHOOLS FOUNDATION

For the years ended June 30, 2023 and 2022

Note D – Property and Equipment

Property and equipment are stated at cost, or in the case of donated property, at estimated fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which range from 3 to 7 years. The Organization follows a capitalization policy of \$5,000 in determining assets to be depreciated.

The capitalized value of property and equipment, and related accumulated depreciation, at June 30 are as follows:

	<u>2023</u>	<u>2022</u>
Office equipment	\$ 8,765	\$ -
Software	8,126	4,063
Accumulated depreciation	(1,659)	-
Property and equipment, net	<u>\$ 15,232</u>	<u>\$ 4,063</u>

Depreciation expense for the years ended June 30, 2023 and 2022 was \$1,659 and \$368, respectively.

Note E – Fair Value Measurement

Accounting principles generally accepted in the United States of America establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Quoted prices in markets that are not considered active or financial instruments for which significant inputs include quoted prices for similar assets or liabilities, interest rates, credit risk, etc.

Level 3 – Significant unobservable inputs, which may include the Organization's own assumption in determining fair value.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used at June 30, 2023 and 2022.

Mutual funds and money market funds: Valued based on quoted net asset values of the shares held by the Organization on the last business day of the year.

NOTES TO FINANCIAL STATEMENTS

GRAND RAPIDS PUBLIC SCHOOLS FOUNDATION

For the years ended June 30, 2023 and 2022

Note E – Fair Value Measurement (Continued)

Governmental agency and US treasury securities: Valued based on quoted market prices in active markets that are held by the Organization on the last business day of the year.

	Fair Value	Fair Value Measurements Using:		
		Quoted Prices (Level 1)	Significant (Level 2)	Significant (Level 3)
June 30, 2023				
Cash & cash equivalents	\$ 38,521	\$ 38,521	\$ -	\$ -
Governmental agencies and US Treasury Securities	1,274,279	1,274,279	-	-
Mutual funds	522,670	522,670	-	-
Total	\$ 1,835,470	\$ 1,835,470	\$ -	\$ -
June 30, 2022				
Cash & cash equivalents	\$ 213,435	\$ 213,435	\$ -	\$ -
Governmental agencies and US Treasury Securities	575,860	575,860	-	-
Mutual funds	383,865	383,865	-	-
Total	\$ 1,173,160	\$ 1,173,160	\$ -	\$ -

Note F – Concentrations

The contributions receivable balance includes contributions from three donors that totals 82% and 92% of the contribution receivable balance for years ended June 30, 2023 and 2022, respectively. The Organization believes these are collectable and no allowance has been recorded for contribution receivable.

Note G – Endowment Fund

The Organization has adopted the accounting and disclosure guidance provided by the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Michigan's version of UPMIFA became effective on September 10, 2009. As such, the Organization has adopted the required provisions of the Act.

NOTES TO FINANCIAL STATEMENTS

GRAND RAPIDS PUBLIC SCHOOLS FOUNDATION

For the years ended June 30, 2023 and 2022

Note G – Endowment Fund (Continued)

The management of the Organization has interpreted current law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts to the perpetual endowment and (b) the original value of subsequent gifts to the perpetual endowment. From time to time, the fair value of the assets associated with the endowment funds fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in net assets with donor restrictions. These deficiencies result from unfavorable market fluctuations that occur occasionally. There was no deficiency as of June 30, 2023 or 2022.

Changes in the endowment net assets were as follows for the years ended June 30, 2023 and 2022:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowed net assets, July 1, 2021	\$ -	\$ 500,000	\$ 500,000
Contributions	-	50,000	50,000
Appropriations of net assets	-	-	-
Endowed net assets, June 30, 2022	-	550,000	550,000
Contributions	-	-	-
Appropriations of net assets	-	-	-
Endowed net assets, June 30, 2023	<u>\$ -</u>	<u>\$ 550,000</u>	<u>\$ 550,000</u>

Note H – Operating Leases

The Organization leases technology under a five-year lease that commenced on May 6, 2019. The lease requires payments of \$409 per month.

The Organization leases technology under a five-year lease that commenced in February 2022. The lease requires payments of \$160 per month.

The Organization conducts a portion of its operations with leased facilities. The leases are accounted for as operating leases and have expiration dates through February 2025. The Organization leases from unrelated parties for approximately \$1,700 per month. Net rental expense on operating leases was \$10,837 and \$5,860 for the years ended June 30, 2023 and 2022, respectively.

NOTES TO FINANCIAL STATEMENTS

GRAND RAPIDS PUBLIC SCHOOLS FOUNDATION

For the years ended June 30, 2023 and 2022

Note H – Operating Leases (Continued)

The right-of-use asset and corresponding liability associated with future payments at June 30, 2023 are shown as follows:

Right-of-use assets	\$ 42,790
Lease liability	\$ 42,922
Weighted average:	
Discount rate	3.00%
Remaining lease term (years)	4 years

For the year ended June 30, 2023, total operating lease cost was \$13,933 and is classified as a portion of occupancy expense and a portion of equipment maintenance. As of June 30, 2023, the weighted average remaining lease term was 4 years.

Future minimum lease payments under operating leases are as follows:

Years ending June 30, 2024	\$ 27,229
2025	16,348
2026	1,920
2027	<u>960</u>
Total lease payments	46,457
Less: present value discount	<u>(3,535)</u>
Present value of lease liabilities	<u>\$ 42,922</u>

The following table summarizes the lease amounts included in the statements of financial position as of June 30, 2023:

	Statement of Financial Position Classification	2023
Assets		
Operating	Operating lease right-of-use assets	<u>\$ 42,790</u>
Total Lease Assets		
<u>\$ 42,790</u>		
Liabilities		
Current		
Operating	Current portion of operating lease liabilities	\$ 25,952
Long-term		
Operating	Operating lease liabilities, net of current portion	<u>16,970</u>
Total Lease Liabilities		
<u>\$ 42,922</u>		

NOTES TO FINANCIAL STATEMENTS

GRAND RAPIDS PUBLIC SCHOOLS FOUNDATION

For the years ended June 30, 2023 and 2022

Note I – Employee Retirement Plan

The Organization adopted a Simple IRA retirement plan for all employees. The Organization's retirement plan requires a match of up to 3% of an eligible employee's salary. Total retirement plan expense was \$16,159 and \$- for the years ended June 30, 2023 and 2022.

Note J – Net Assets Unrestricted, Board Designated

At June 30, net assets without donor restriction are designated for the following purpose:

	2023	2022
Endowment earnings	\$ 143,613	\$ 26,697
Long-term investments for future operating reserves	580,666	596,463
Total board designated	<u>\$ 724,279</u>	<u>\$ 623,160</u>

Note K – Net Assets With Donor Restrictions

At June 30, net assets with donor restrictions are available for the following purposes or periods:

	2023	2022
Time restrictions:		
Endowment, perpetual in nature	\$ 550,000	\$ 550,000
Purpose restrictions:		
Endowment receivable	361,500	401,000
Employee bonuses (over 20 years)	71,000	78,800
GR8 Sports Great Kids	838,447	1,065,514
Building Together Campaign	1,384,580	1,664,180
XQ Grant	147,801	1,054,595
Entrepreneurial partnership	8,821	8,822
Principal's student support	150,683	149,172
Coit/Civic	20,730	20,730
GO Campaign	56,361	56,361
Return to Learning Campaign	10,000	10,000
Violins & strings fund	33,368	32,118
High school and middle school PTSA	14,586	14,586
Back to school	5,294	5,294
OHS BCC	8,980	-
Total Net Assets with Purpose Restrictions	<u>3,112,151</u>	<u>4,561,172</u>
Total Net Assets with Donor Restrictions	<u>\$ 3,662,151</u>	<u>\$ 5,111,172</u>