

GRAND RAPIDS PUBLIC SCHOOLS FOUNDATION

FINANCIAL STATEMENTS

For the years ended
June 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

November 10, 2022

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 statement of financial position as of June 30, 2022, and the related statements of activities, functional expense, and cash flows for the year 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, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Prior Period Financial Statements

The financial statements of Grand Rapids Public Schools Foundation as of June 30, 2021 were audited by audited by Ferris, Busscher & Zwiers P.C., who merged with Hungerford Nichols CPAs + Advisors as of May 1, 2022. Their report dated April 19, 2022 expressed an unmodified opinion on those financial statements.

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.

Hungerford Nichols

Certified Public Accountants
Holland, Michigan

FINANCIAL STATEMENTS

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STATEMENTS OF FINANCIAL POSITION

GRAND RAPIDS PUBLIC SCHOOLS FOUNDATION

June 30, 2022 and 2021

ASSETS

	2022	2021
Current assets		
Cash and cash equivalents	\$ 3,581,622	\$ 2,227,364
Contributions receivable, current portion	549,177	584,516
Accounts receivable	151,380	93,995
Prepaid expenses	30,245	177
Total Current Assets	4,312,424	2,906,052
Property and equipment, net	4,063	880
Investments	623,160	825,666
Contributions receivable, net of current portion and discount	1,696,000	653,520
Assets with donor restrictions in perpetuity:		
Investments	550,000	500,000
Total Assets	\$ 7,185,647	\$ 4,886,118
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 1,221,335	\$ 1,335,954
Accrued wages and related expenses	16,204	7,729
Total Liabilities	1,237,539	1,343,683
Net Assets		
Without donor restrictions:		
Undesignated	213,776	103,043
Board designated	623,160	825,666
With donor restrictions:		
Program restrictions	4,561,172	2,113,726
Endowment assets	550,000	500,000
Total net assets	5,948,108	3,542,435
Total Liabilities and Net Assets	\$ 7,185,647	\$ 4,886,118

STATEMENTS OF ACTIVITIES

GRAND RAPIDS PUBLIC SCHOOLS FOUNDATION

For the year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues			
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 disposition of assets	(512)	-	(512)
Net assets released from restrictions	75,618	(75,618)	-
Total Public Support and Revenues	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 ACTIVITIES (Continued)

GRAND RAPIDS PUBLIC SCHOOLS FOUNDATION
For the year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue			
Contributions	\$ 1,817,757	\$ 1,766,124	\$ 3,583,881
Special fundraising events, net of direct expenses of \$27,077	60,635	-	60,635
Program service fees	75,000	-	75,000
Investment gain, net of expense of \$8,592	167,860	-	167,860
Gain on extinguishment of debt	112,715	-	112,715
Net assets released from restrictions	1,868,221	(1,868,221)	-
Total Public Support and Revenue	4,102,188	(102,097)	4,000,091
Expenses			
Program services	4,221,758	-	4,221,758
Management and general	146,050	-	146,050
Fundraising	228,517	-	228,517
Total Expenses	4,596,325	-	4,596,325
Change in Net Assets	(494,137)	(102,097)	(596,234)
Net assets - beginning of year	1,422,846	2,715,823	4,138,669
Net assets - end of year	\$ 928,709	\$ 2,613,726	\$ 3,542,435

STATEMENTS OF FUNCTIONAL EXPENSES

GRAND RAPIDS PUBLIC SCHOOLS FOUNDATION

For the year ended June 30, 2022

	Program Services	Supporting Services		Total Expenses
	Program	Management and General	Fundraising	
Wages	\$ -	\$ 62,179	\$ 124,358	\$ 186,537
Payroll taxes	-	11,498	-	11,498
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 FUNCTIONAL EXPENSES (Continued)

GRAND RAPIDS PUBLIC SCHOOLS FOUNDATION

For the year ended June 30, 2021

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total Expenses</u>
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	
Wages	\$ -	\$ 85,899	\$ 190,626	\$ 276,525
Payroll taxes	-	6,658	13,958	20,616
Fringe benefits	-	2,664	5,095	7,759
Advertising and promotion	-	-	8,085	8,085
Bank and credit card fees	-	4,548	-	4,548
Contract labor	-	4,225	452	4,677
Dues and subscriptions	-	3,740	-	3,740
Education and seminars	2,557	-	-	2,557
Insurance	-	3,605	-	3,605
License and fees	-	1,944	-	1,944
Miscellaneous	-	3,087	-	3,087
Occupancy expense	-	1,172	4,688	5,860
Office supplies	-	1,135	2,623	3,758
Professional fees	-	27,199	-	27,199
Grants to others	4,184,604	-	-	4,184,604
Supplies	3,118	-	-	3,118
Technology	30,649	-	2,834	33,483
Total Expenses Before Depreciation	4,220,928	145,876	228,361	4,595,165
Depreciation	830	174	156	1,160
Total Expenses	\$ 4,221,758	\$ 146,050	\$ 228,517	\$ 4,596,325

STATEMENTS OF CASH FLOWS

GRAND RAPIDS PUBLIC SCHOOLS FOUNDATION

For the years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 2,405,673	\$ (596,234)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	368	1,160
Loss on disposition of assets	512	-
Contributed investments	(30,133)	(52,146)
Unrealized gain (loss) on investment	201,276	(146,109)
Reinvested investment income	(44,519)	(13,232)
Gain on extinguishment of debt	-	(112,715)
Change in operating assets and liabilities which provided (used) cash:		
Contribution receivable	(1,007,141)	82,768
Accounts receivable	(57,385)	(63,995)
Prepaid expenses	(30,068)	5,888
Accounts payable	(114,619)	717,533
Accrued expenses	8,475	(5,990)
Net Cash Provided (Used) by Operating Activities	1,332,439	(183,072)
Cash Flows from Investing Activities		
Purchase of property and equipment	(4,063)	-
Proceeds from sale of investments	25,882	52,634
Net Cash Provided by Investing Activities	21,819	52,634
Cash Flows from Financing Activities		
Proceeds from long-term borrowing	-	59,100
Net increase (decrease) in cash and cash equivalents	1,354,258	(71,338)
Cash and equivalents - beginning of year	2,227,364	2,298,702
Cash and equivalents - end of year	<u>\$ 3,581,622</u>	<u>\$ 2,227,364</u>
Schedule of Noncash Transactions		
Donation of securities	<u>\$ 30,133</u>	<u>\$ 52,146</u>

NOTES TO FINANCIAL STATEMENTS

GRAND RAPIDS PUBLIC SCHOOLS FOUNDATION

For the years ended June 30, 2022 and 2021

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, 2022 and 2021 was \$2,317,321 and \$2,171,879, respectively. The grant revenue is 51% and 61% of total contribution revenue for years ended June 30, 2022 and 2021, 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, 2022 and 2021

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

Cash and Cash Equivalents

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.

Investments

Investments held by the Organization consist of cash and cash equivalents, fixed income, and common stock. 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.

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 current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges receivable. No allowance for uncollectible accounts was deemed to be necessary as of June 30, 2022 and 2021.

NOTES TO FINANCIAL STATEMENTS

GRAND RAPIDS PUBLIC SCHOOLS FOUNDATION

For the years ended June 30, 2022 and 2021

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

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.

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.

NOTES TO FINANCIAL STATEMENTS

GRAND RAPIDS PUBLIC SCHOOLS FOUNDATION

For the years ended June 30, 2022 and 2021

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

Revenue Recognition (Continued)

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.

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, 2022 and 2021.

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 program 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.

NOTES TO FINANCIAL STATEMENTS

GRAND RAPIDS PUBLIC SCHOOLS FOUNDATION

For the years ended June 30, 2022 and 2021

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

Advertising

The Organization expenses advertising costs as incurred. Advertising costs for the years ended June 30, 2022 and 2021 were \$35,333 and \$8,085, 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).

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

During 2022, the Organization adopted Accounting Standards Update (ASU) No. 2020-07: *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. As a result of the adoption of this ASU, the Organization increased transparency in its reporting of contributed nonfinancial assets. The standard was adopted retrospectively, and the adoption of the ASU did not impact on the Organization's net assets.

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 November 10, 2022, which is the date the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS

GRAND RAPIDS PUBLIC SCHOOLS FOUNDATION

For the years ended June 30, 2022 and 2021

Note B – Liquidity and Availability

The following represents the Organization's financial assets at June 30, 2022 and 2021:

Financial assets:	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 3,581,622	\$ 2,227,364
Contributions receivable, current	549,177	584,516
Accounts receivable	151,380	93,995
Investments	623,160	825,666
Contributions receivable, long term	1,696,000	653,520
Endowment	550,000	500,000
Total financial assets	<u>7,151,339</u>	<u>4,885,061</u>
Less amounts not available to be used within one year:		
Purpose restricted assets	(4,561,172)	(2,113,726)
Board designated investment	(592,210)	(794,369)
Endowment	<u>(550,000)</u>	<u>(500,000)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,447,957</u>	<u>\$ 1,476,966</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, 2022 and 2021 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>2022</u>	<u>2021</u>
Receivable in less than one year	\$ 549,177	\$ 587,913
Receivable in one to five years	1,920,000	662,400
Discounted to present value on a discount rate of 3%	<u>(224,000)</u>	<u>(12,277)</u>
Net unconditional promises to give	<u>\$ 2,245,177</u>	<u>\$ 1,238,036</u>

NOTES TO FINANCIAL STATEMENTS

GRAND RAPIDS PUBLIC SCHOOLS FOUNDATION

For the years ended June 30, 2022 and 2021

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>2022</u>	<u>2021</u>
Office equipment	\$ -	\$ 11,631
Software	4,063	-
Accumulated depreciation	-	(10,751)
Property and equipment, net	<u>\$ 4,063</u>	<u>\$ 880</u>

Depreciation expense for the years ended June 30, 2022 and 2021 was \$368 and \$1,160, 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, 2022 and 2021.

NOTES TO FINANCIAL STATEMENTS

GRAND RAPIDS PUBLIC SCHOOLS FOUNDATION

For the years ended June 30, 2022 and 2021

Note E – Fair Value Measurement (Continued)

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.

Common stock: Valued at the closing price reported on the active market on which the individual securities are traded.

	Fair Value	Fair Value Measurements Using:		
		Quoted Prices (Level 1)	Significant (Level 2)	Significant (Level 3)
June 30, 2022				
Cash & cash equivalents	\$ 213,435	\$ 213,435	\$ -	\$ -
Fixed income	575,860	575,860	-	-
Common stock	383,865	383,865	-	-
Total	\$ 1,173,160	\$ 1,173,160	\$ -	\$ -
June 30, 2021				
Cash & cash equivalents	\$ 129,183	\$ 129,183	\$ -	\$ -
Fixed income	676,073	676,073	-	-
Common stock	520,410	520,410	-	-
Total	\$ 1,325,666	\$ 1,325,666	\$ -	\$ -

Note F – Concentrations

The contributions receivable balance includes contributions from three donors that totals 92% and 89% of the contribution receivable balance for years ended June 30, 2022 and 2021, respectively. The Organization believes these are collectable and no allowance has been recorded for contribution receivables.

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. Endowment net assets consist of the following at June 30, 2022 and 2021:

NOTES TO FINANCIAL STATEMENTS

GRAND RAPIDS PUBLIC SCHOOLS FOUNDATION

For the years ended June 30, 2022 and 2021

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, 2022 or 2021.

Changes in the endowment net assets were as follows for the years ended June 30, 2022 and 2021:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowed net assets, July 1, 2020	\$ -	\$ 500,000	\$ 500,000
Contributions	-	-	-
Appropriations of net assets	-	-	-
Endowed net assets, June 30, 2021	-	500,000	500,000
Contributions	-	50,000	50,000
Appropriations of net assets	-	-	-
Endowed net assets, June 30, 2022	<u>\$ -</u>	<u>\$ 550,000</u>	<u>\$ 550,000</u>

Note H – Gain on Extinguishment of Debt

The Organization received loan proceeds in the amounts of \$53,615 and \$59,100, which totaled \$112,715, under the Paycheck Protection Program (PPP). Established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), the PPP provides loans to qualifying organizations in amounts up to 2.5 times the organization's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "cover period" (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The Organization initially recorded a notes payable and subsequently recorded forgiveness for both loans when the loan obligations were legally released. The Organization recognized \$112,715 of loan forgiveness income for the year ended June 30, 2021.

NOTES TO FINANCIAL STATEMENTS

GRAND RAPIDS PUBLIC SCHOOLS FOUNDATION

For the years ended June 30, 2022 and 2021

Note I – 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 2023. 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, 2022 and 2021, respectively.

The future minimum rental expense is expected to be as follows:

2023	\$	6,828
2024		6,010
2025		1,920
2026		1,920
2027		1,120

Note J – Net Assets Unrestricted, Board Designated

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

	2022	2021
Endowment earnings	\$ 26,697	\$ 196,346
Long-term investments for future operating reserves	596,463	629,320
Total board designated	<u>\$ 623,160</u>	<u>\$ 825,666</u>

NOTES TO FINANCIAL STATEMENTS

GRAND RAPIDS PUBLIC SCHOOLS FOUNDATION

For the years ended June 30, 2022 and 2021

Note K – Net Assets With Donor Restrictions

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

	2022	2021
Time restrictions:		
Endowment, perpetual in nature	\$ 550,000	\$ 500,000
Purpose restrictions:		
Endowment receivable	401,000	-
Employee bonuses (over 20 years)	78,800	-
GR8 Sports Great Kids	1,065,514	978,594
Building Together Campaign	1,664,180	310,560
XQ Grant	1,054,595	519,183
Entrepreneurial partnership	8,822	8,822
Principal's student support	149,172	149,172
Coit/Civic	20,730	20,730
GO Campaign	56,361	59,042
Return to Learning Campaign	10,000	10,000
Violins & strings fund	32,118	32,118
UHS BC	-	5,625
High school and middle school PTSA	14,586	14,586
Back to school	5,294	5,294
Total Net Assets with Purpose Restrictions	<u>4,561,172</u>	<u>2,113,726</u>
Total Net Assets with Donor Restrictions	<u>\$ 5,111,172</u>	<u>\$ 2,613,726</u>