

THE GERBER FOUNDATION

FINANCIAL STATEMENTS - MODIFIED CASH BASIS

Years Ended December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
The Gerber Foundation
Fremont, Michigan

Opinion

We have audited the accompanying financial statements of The Gerber Foundation, which comprise the statement of assets, liabilities, and net assets – modified cash basis as of December 31, 2022 and 2021, and the related statements of revenues, expenses, and other changes in net assets – modified cash basis and cash flows – modified cash basis for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of The Gerber Foundation as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended, in accordance with the modified cash basis of accounting as described in Note 1.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Gerber 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 audit opinion.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to that matter.

Emphasis

As described in Note 3 to the financial statements, the financial statements include investments valued at \$64,419,362 (76.38% of net assets) at December 31, 2022 whose fair values have been estimated by management in the absence of readily determinable fair values. Management estimates are based on information provided by the fund managers. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Gerber 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 Audits 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 audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Gerber Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Gerber 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 audits.



Beene Garter
A Doeren Mayhew Firm
Grand Rapids, Michigan
June 26, 2023

FINANCIAL STATEMENTS - MODIFIED CASH BASIS

THE GERBER FOUNDATION

STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash	\$ 176,871	\$ 187,666
Investments at fair value	84,160,805	99,666,214
Office equipment and software	88,040	88,848
Accumulated depreciation	<u>(88,040)</u>	<u>(88,848)</u>
TOTAL ASSETS	<u>\$ 84,337,676</u>	<u>\$ 99,853,880</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Amounts withheld from employees	\$ 8,921	\$ 4,887
Net Assets Without Donor Restrictions	<u>84,328,755</u>	<u>99,848,993</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 84,337,676</u>	<u>\$ 99,853,880</u>

See accompanying notes

THE GERBER FOUNDATION

STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenue		
Interest and dividends on investments	\$ 224,480	\$ 4,533
Net (loss) gain on investments	<u>(11,072,093)</u>	<u>22,876,730</u>
TOTAL REVENUE	(10,847,613)	22,881,263
Expenses		
Program services	4,537,436	4,265,833
Support services		
Administrative	<u>135,189</u>	<u>399,377</u>
TOTAL EXPENSES	<u>4,672,625</u>	<u>4,665,210</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(15,520,238)	18,216,053
Net Assets Without Donor Restrictions at Beginning of Year	<u>99,848,993</u>	<u>81,632,940</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS AT END OF YEAR	<u>\$ 84,328,755</u>	<u>\$ 99,848,993</u>

See accompanying notes

THE GERBER FOUNDATION

STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Change in net assets without donor restrictions	\$ (15,520,238)	\$ 18,216,053
Adjustments to reconcile change in net assets without donor restrictions to net cash used by operating activities		
Depreciation and amortization	-	191
Realized gain on sale of investments	(1,850,220)	(9,157,804)
Unrealized loss (gain) on investments	12,626,214	(14,233,632)
Changes in operating liabilities		
Amounts withheld from employees	4,034	2,555
NET CASH USED BY OPERATING ACTIVITIES	(4,740,210)	(5,172,637)
Cash Flows from Investing Activities		
Proceeds from sale and maturities of investments	13,744,587	29,622,469
Purchase of investments	(9,015,172)	(24,379,827)
NET CASH PROVIDED BY INVESTING ACTIVITIES	4,729,415	5,242,642
NET (DECREASE) INCREASE IN CASH	(10,795)	70,005
Cash at Beginning of Year	187,666	117,661
CASH AT END OF YEAR	\$ 176,871	\$ 187,666
Supplemental Information		
Cash paid for federal income and excise taxes	\$ 45,228	\$ 330,000

See accompanying notes

THE GERBER FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations

The Gerber Foundation (Foundation) was established in 1952 as an independent private foundation governed by a Board of Trustees who serve without compensation. Income is derived from a diversified portfolio and is used to award grants to qualified applicants in furtherance of the Foundation's mission to enhance the quality of life of infants and young children through nutrition, care and development. Grants from the Foundation are made to organizations recognized as exempt under Section 501(c)(3) of the Internal Revenue Code.

Basis of Accounting

The Foundation's financial statements are prepared on the modified cash basis of accounting which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Under the modified cash basis of accounting, revenues are recognized when collected rather than when earned, and expenditures generally are recognized when paid rather than when incurred. Accrued expenses and grant commitments are not recorded in the financial statements. Purchased assets with estimated useful lives of more than one year are capitalized and depreciated or amortized over the assets' estimated useful lives.

Basis of Presentation

The Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The Foundation has no net assets with donor restrictions.

Cash

The Foundation maintains its cash at one financial institution. The operating cash account is maintained at a bank that is insured by the Federal Deposit Insurance Corporation (FDIC). From time to time during the year, the Foundation may have cash on deposit in excess of the respective insured limits.

Investments

The Foundation utilizes one financial institution to account for all investments. Actual investments are maintained by various respective investment firms. The accounts at each investment firm are insured up to \$500,000 each, by the Securities Investor Protection Corporation. Up to \$100,000 of this coverage may be applied toward un-invested cash (see Note 3). Realized and unrealized gains and losses and other investment earnings are included in the statement of revenue, expenses, and other changes in net assets-modified cash basis.

December 31, 2022 and 2021

Fair Value Measurements

Fair value measurement accounting standards establish a common definition of fair value, provide a framework for measuring fair value based on inputs used to value the Foundation's investments, and require disclosure about such fair value measurements. 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 (exit price). In determining fair value, various valuation approaches are used. A hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

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 other significant inputs including quoted prices of similar assets or liabilities, interest rates, credit risk, etc.
- Level 3 significant unobservable inputs which may include the Foundation's own assumptions in determining fair value.

Office Equipment and Software

Office equipment and computer software is stated at cost, if purchased, or at fair value on date of acquisition, if donated. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

Revenue and Investment Income

The Foundation recognizes revenue and investment income as follows:

- Revenues are reported as increases in net assets without donor restrictions when collected unless use of the related assets is limited by donor-imposed restrictions.
- Investment income, including gains and losses on investments and other assets or liabilities, are reported as increases or decreases in net assets without donor restrictions when collected unless their use is restricted by explicit donor stipulations.

THE GERBER FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022 and 2021

Income Taxes

The Internal Revenue Service has determined the Foundation is a tax-exempt private foundation as defined by Section 501(c)(3) of the Internal Revenue Code (IRC), but is subject to a federal excise tax on net investment income, including realized gains as defined in the IRC.

The IRC requires that certain minimum distributions be made in accordance with a specified formula. According to this formula, the Foundation must distribute currently for charitable purposes 5% of the average fair value of its nonoperating assets in each tax year. Failure to distribute the required amount by the last day of the following year may result in excise taxes on the Foundation's undistributed income within the tax year or within the next succeeding tax year.

As permitted, management intends to distribute sufficient amounts to cover IRC required distributions in the subsequent tax year.

In addition, the Foundation files a 990-T form to report certain taxable investment activity.

Tax positions taken are assessed for uncertainty and a provision may be recorded if a tax position is not likely to be sustained upon examination.

Functional Expenses

The Gerber Foundation has chosen to report expenses on a functional basis by program. The expenses are reported functionally in Note 7. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events

Management has evaluated significant events or transactions occurring subsequent to December 31, 2022 for potential recognition or disclosure in these financial statements. The evaluation was performed through June 26, 2023, the date the financial statements were available for issuance.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The Foundation utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in market values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements.

THE GERBER FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022 and 2021

NOTE 2 - LIQUIDITY

Financial assets available for general expenditure, which is, without donor or other restrictions limiting their use, within one year of the statement of assets, liabilities, and net assets – modified cash basis date are comprised of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Cash	\$ 176,871	\$ 187,666
Cash equivalents at investment companies	1,025,360	795,747
Assets readily convertible to cash within 30 days	<u>18,716,083</u>	<u>28,743,776</u>
	<u>\$ 19,918,314</u>	<u>\$ 29,727,189</u>

As part of the Foundation's liquidity management plan, certain funds are invested according to a board approved liquidity policy which provides that certain assets within the portfolio with daily or monthly liquidity will be maintained equivalent to an amount that would sufficiently cover commitments for at least five years.

The Foundation requires cash and cash equivalent balances to support a minimum of three months of grant and general office costs.

NOTE 3 - INVESTMENTS

Investments consist of the following:

	<u>2022</u>			<u>2021</u>		
	Cost	Unrealized Gain (Loss)	Fair Value	Cost	Unrealized Gain (Loss)	Fair Value
Cash and cash equivalents	\$ 1,025,360	\$ -	\$ 1,025,360	\$ 795,747	\$ -	\$ 795,747
Alternative investments						
Limited liability corporations	3,624,959	(2,119,303)	1,505,656	3,631,558	(80,017)	3,551,541
Limited partnerships	44,525,237	18,388,469	62,913,706	41,309,173	25,265,977	66,575,150
Equity securities						
World index funds	7,952,511	7,223,089	15,175,600	12,034,780	10,705,182	22,739,962
Fixed income funds	3,796,169	(255,686)	3,540,483	6,025,447	(21,633)	6,003,814
	<u>\$ 60,924,236</u>	<u>\$ 23,236,569</u>	<u>\$ 84,160,805</u>	<u>\$ 63,796,705</u>	<u>\$ 35,869,509</u>	<u>\$ 99,666,214</u>

THE GERBER FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022 and 2021

Net (loss) gain on investments consists of the following:

	<u>2022</u>	<u>2021</u>
Realized gains	\$ 1,850,220	\$ 9,157,804
Unrealized (losses) gains	(12,626,214)	14,233,632
Investment fees	(296,099)	(514,706)
	<u>\$ (11,072,093)</u>	<u>\$ 22,876,730</u>

The Foundation invests in certain alternative investments which include limited liability corporations and limited partnerships. Market values represent the Foundation's pro rata interest in the net assets of each alternative investment as of December 31, 2022 and 2021, as provided by the fund managers. Market values as of December 31, 2022 and 2021 may be based on audited financial information or on financial data supplied by the general partner or manager of the funds. Management reviews monthly valuations provided by the general partner or manager of the funds and assesses the reasonableness of the fair values provided at the interim dates and included in the financial statements.

The tables that follow set forth information about the level within the fair value hierarchy at which the Foundation's investments are measured at December 31, 2022 and 2021:

	<u>2022 - Based on</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
	<u>Quoted Prices in Active Markets</u>	<u>Other Observable Inputs</u>	<u>Unobservable Inputs</u>	
Cash and cash equivalents	\$ 1,025,360	\$ -	\$ -	\$ 1,025,360
Alternative investments				
Limited liability corporations	-	-	1,505,656	1,505,656
Limited partnerships	-	-	62,913,706	62,913,706
Equity securities				
World index funds	-	15,175,600	-	15,175,600
Fixed income funds	3,540,483	-	-	3,540,483
	<u>\$ 4,565,843</u>	<u>\$ 15,175,600</u>	<u>\$ 64,419,362</u>	<u>\$ 84,160,805</u>

THE GERBER FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022 and 2021

	2021 - Based on			Total
	Level 1	Level 2	Level 3	
	Quoted Prices in Active Markets	Other Observable Inputs	Unobservable Inputs	
Cash and cash equivalents	\$ 795,747	\$ -	\$ -	\$ 795,747
Alternative investments				
Limited liability corporations	-	-	3,551,541	3,551,541
Limited partnerships	-	-	66,575,150	66,575,150
Equity securities				
World index funds	-	22,739,962	-	22,739,962
Fixed income funds	6,003,814	-	-	6,003,814
	<u>\$ 6,799,561</u>	<u>\$ 22,739,962</u>	<u>\$ 70,126,691</u>	<u>\$ 99,666,214</u>

Following is a reconciliation of activity for assets measured at fair value based on significant unobservable (Level 3) information:

	Level 3 Investments	
	2022	2021
Balance, beginning year	\$ 70,126,691	\$ 54,148,830
Realized gains included in change in net assets	1,553,865	8,758,300
Unrealized (losses) gains included in change in net assets	(6,957,802)	10,508,856
Purchases	6,604,101	19,611,085
Sales	(6,907,493)	(22,900,380)
Balance, end of year	<u>\$ 64,419,362</u>	<u>\$ 70,126,691</u>

THE GERBER FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022 and 2021

NOTE 4 - COMMITMENTS FOR GRANTS

As of December 31, 2022, trustees of the Foundation have authorized the payment of grants in future periods as follows:

Year ending December 31:

2023	\$ 2,148,678
2024	1,738,241
2025	716,359
2026	139,000
	<hr/>
	\$ 4,742,278

NOTE 5 - LEASE

The Foundation leases office space in Fremont, Michigan under an operating lease agreement from an unrelated party that expired on December 31, 2022. The lease continues on a month-to-month basis thereafter. The agreement calls for monthly payments of \$1,125. Total lease expense for this office space was \$13,500 in 2022 and 2021.

NOTE 6 - RETIREMENT SAVINGS PLAN

The Foundation maintains a retirement savings plan under Internal Revenue Code Section 401(k) for eligible employees which allows for deferrals up to the maximum allowed under the Internal Revenue Code. The Foundation can make matching contributions at the discretion of the Board of Directors. Employer matching contributions which vest immediately, were \$20,777 and \$18,200 in 2022 and 2021, respectively.

NOTE 7 - FUNCTIONAL EXPENSE

Certain categories of expenses are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis consistently applied including, but not limited to, usage or space and estimates of time and effort.

THE GERBER FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022 and 2021

Expenses have been allocated for the Foundation as follows for the years ended December 31:

	2022		
	Program Services	Administrative	Total
Salaries and wages	\$ 129,833	\$ 22,912	\$ 152,745
Employee fringe benefits	17,660	3,117	20,777
Payroll taxes	10,180	1,796	11,976
Grants and scholarships paid	4,291,656	-	4,291,656
Contracted services	13,940	-	13,940
Office expenses	5,352	945	6,297
Occupancy	11,475	2,025	13,500
Travel	6,656	-	6,656
Conferences	1,398	-	1,398
Accounting and professional	-	55,951	55,951
Dues and subscriptions	20,765	-	20,765
Depreciation and amortization	169	30	199
Repairs and maintenance	7,748	-	7,748
Insurance	10,111	1,784	11,895
Taxes	-	45,228	45,228
Miscellaneous	10,493	1,401	11,894
	<u>\$ 4,537,436</u>	<u>\$ 135,189</u>	<u>\$ 4,672,625</u>
	2021		
	Program Services	Administrative	Total
Salaries and wages	\$ 101,608	\$ 17,931	\$ 119,539
Employee fringe benefits	15,470	2,730	18,200
Payroll taxes	7,999	1,412	9,411
Grants and scholarships paid	4,077,569	-	4,077,569
Contracted services	6,825	-	6,825
Office expenses	6,878	1,214	8,092
Occupancy	11,475	2,025	13,500
Travel	2,437	-	2,437
Accounting and professional	-	42,040	42,040
Dues and subscriptions	15,100	-	15,100
Depreciation and amortization	162	29	191
Repairs and maintenance	7,952	-	7,952
Insurance	10,281	1,814	12,095
Taxes	-	330,000	330,000
Miscellaneous	2,077	182	2,259
	<u>\$ 4,265,833</u>	<u>\$ 399,377</u>	<u>\$ 4,665,210</u>