MCFARLAN CHARITABLE CORPORATION

REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Maner Costerisan
Certified Public Accountants
Business & Technology Advisors

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Maner Costerisan
Certified Public Accountants
Business & Technology Advisors

Maner Costerisan PC
2425 E. Grand River Ave.
Suite 1
Lansing, MI 48912-3291
T: 517 323 7500
F: 517 323 6346
www.manercpa.com

INDEPENDENT AUDITOR'S AUDIT REPORT

To the Board of Directors
McFarlan Charitable Corporation

We have audited the accompanying consolidated financial statements of the McFarlan Charitable Corporation (a nonprofit organization) and affiliates, which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly started in all material respects in relation to the consolidated financial statements as a whole.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of McFarlan Charitable Corporation and affiliates as of December 31, 2020, and the changes in its consolidated net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Maney Costerisan PC

October 14, 2021

MCFARLAN CHARITABLE CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

ASSETS	
Current assets	
Cash and cash equivalents	$ 2,489,142
Accounts receivable	46,609
Grant receivable	25,000
Due from PVM	20,786
Prepaid expenses	6,678
Total current assets	2,588,215
Non-current assets	
Investments held at fair value	21,851,135
Property and equipment	
Property and equipment	10,692,540
Less accumulated depreciation	(4,960,569)
Net property and equipment	5,731,971
TOTAL ASSETS	$ 30,171,321
LIABILITIES AND NET ASSETS	
LIABILITIES	
Current liabilities	
Accounts payable	$ 218,780
Escheats payable	265
Accrued payroll	39,036
Payroll tax liabilities	2,986
Deferred rents	21,841
Refundable deposits	58,489
Total current liabiliiteis	341,397
Non-current liabilities	
Notes payable - MSHDA	200,000
TOTAL LIABILITIES	541,397
NET ASSETS	
Without donor restrictions	29,526,174
With donor restrictions	103,750
TOTAL NET ASSETS	29,629,924
TOTAL LIABILTIES AND NET ASSETS	$ 30,171,321

See notes to consolidated financial statements.

MCFARLAN CHARITABLE CORPORATION
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Rental income	$ 2,269,855	$ -	$ 2,269,855
Investment return, net	341,382	-	341,382
Grant revenue	3,886	65,830	69,716
Contribution revenue	240	1,597	1,837
Trust income	27,756	-	27,756
Other income	81,298	-	81,298
Assets released from restrictions	69,477	(69,477)	-
TOTAL REVENUES	2,793,894	(2,050)	2,791,844
EXPENSES			
Program services			
Affordable housing	3,004,117	-	3,004,117
Charitable grants	65,000	-	65,000
Management and general	256,377	-	256,377
TOTAL EXPENSES	3,325,494	-	3,325,494
CHANGE IN NET ASSETS	(531,600)	(2,050)	(533,650)
NET ASSETS, beginning of year	30,057,774	105,800	30,163,574
NET ASSETS, end of year	$ 29,526,174	$ 103,750	$ 29,629,924

See notes to consolidated financial statements.

MCFARLAN CHARITABLE CORPORATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Affordable Housing	Charitable Grants	Total Program Expenses	Management and General	Total Expenses
Grants	$ -	$ 65,000	$ 65,000	$ -	$ 65,000
Admin	417,055	-	417,055	233,211	650,266
Resident services	830,233	-	830,233	-	830,233
Utilities	394,973	-	394,973	-	394,973
Operating and maintenance	703,668	-	703,668	-	703,668
Depreciation	344,630	-	344,630	-	344,630
Taxes, insurance and benefits	313,558	-	313,558	23,166	336,724
Total expenses	$ 3,004,117	$ 65,000	$ 3,069,117	$ 256,377	$ 3,325,494

See notes to consolidated financial statements.

MCFARLAN CHARITABLE CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020

	2020
INCREASE IN CASH AND	
CASH EQUIVALENTS	
Cash flows from operating activities	
Changes in net assets	$ (533,650)
Adjustments to change in net assets to net	
cash provided (used) by operating activities	
Unrealized loss on investments	3,897
Realized loss on investments	68,060
Depreciation	344,630
Accounts receivable	18,014
Accounts payable	151,610
Due to and from PVM	(175,128)
Accrued payroll and payroll taxes	9,420
Other current assets and liabilities	41,308
Total adjustments	461,811
Net cash used by operating activities	(71,839)
Cash flows from investing activities	
Investments purchased	(20,619,716)
Investments matured/sold	22,097,336
Purchase of property and equipment	(282,365)
Net cash provided by investing activities	1,195,255
NET INCREASE IN CASH	
AND CASH EQUIVALENTS	1,123,416
CASH AND CASH EQUIVALENTS	
Beginning of year	1,365,726
End of year	$ 2,489,142

See notes to consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Basis of Accounting - These consolidated financial statements reflect the consolidated activity of McFarlan Charitable Corporation (the Corporation), McFarlan Investments, L3C (MIL3C), McFarlan Kearsley Residence, LLC (MKR), McFarlan Court Street Village East Limited Dividend Housing Association, LLC (CSVE), McFarlan Court Street Village West Limited Dividend Housing Association, LLC (CSVW), and McFarlan Court Street South, L3C (CSS). The financial statements of the Corporation and its affiliates are presented on a consolidated basis because of the Corporation's ability to determine direction and assign functions to the affiliates. These consolidated financial statements have been prepared on the accrual basis of accounting. All material inter-entity transactions and balances have been eliminated.

Cash and Cash Equivalents - Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less. For cash flow purposes the Corporation considers tenant security deposits to be cash and cash equivalents.

Accounts Receivable - Accounts receivable represent consideration from third parties, of which the Corporation has an unconditional right to receive. Accounts receivable are stated at the amount management expects to collect from outstanding balances. 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. The balance of the consolidated uncollectible reserve is $0 for December 31, 2020. Changes to the valuation allowance have not been material to the financial statements. Beginning and ending balances for accounts receivable is reported as follows for the year ended December 31, 2020:

Accounts receivable, beginning of year	$ 89,623
Accounts receivable, end of year	$ 71,609

Property, Equipment, and Depreciation - Property and equipment are recorded at cost. Assets are depreciated over their estimated useful lives, using both using straight-line and accelerated methods over the estimated useful lives. Estimated useful lives are 15 to 40 years for buildings and improvements and 5 years for furniture and equipment. Maintenance and repairs are charged to expense as incurred, major renewals and betterments are capitalized.

Trusts Held By Others - The Corporation is the beneficiary of two perpetual trusts in which the Corporation has an irrevocable right to receive all or a portion of the income earned from the trust assets in perpetuity, but the Corporation will never receive the trust's assets. The two trusts are the Grace I Kleinpell Trust and the Alice Townsend Trust FBO McFarlan Charitable Corporation. The Grace I Kleinpell Trust has assets, stated at fair value, of $1,849,113 as of June 30, 2020. The Corporation's beneficial interest is 14.28% for 2020. The Alice Townsend Trust FBO McFarlan Charitable Corporation has assets, stated at fair value, of $370,970 as of June 30, 2020. The Corporation's beneficial interest is 100%. These trusts are not included in the consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments - Substantially, all of the Corporation's investments have been classified as available-for-sale and are reported at fair value determined with quoted market prices. Net investment return or loss is included in the consolidated statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less investment expenses.

Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor or grantor restrictions. Net assets without donor restrictions as of December 31 are all undesignated.

Net assets With Donor Restrictions - Net assets subject to donor (or grantor) imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources are maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose has been accomplished (see Note 11).

Deferred Revenue - The Corporation records deferred revenue when cash payments are received or due in advance of the Corporation's performance, including amounts which are refundable. Beginning and ending balances for deferred revenue is reported as follows for the year ended December 31, 2020:

Deferred revenue, beginning of year	$ 13,906
Deferred revenue, end of year	$ 21,841

Advertising Costs - Advertising costs are expensed as incurred.

Income Tax Status - The Internal Revenue Service has ruled that the Corporation is a private operating foundation qualified under Section 501(c)(3) of the Internal Revenue Code, and is, therefore, not subject to tax under present federal income tax laws. MIL3C and CSS are Michigan low-profit limited liability companies owned solely by the Corporation, and MKR, CSVE, and CSVW are Michigan limited liability companies owned solely by the Corporation. MIL3C, CSS, MKR, CSVE, and CSVW have elected to have their existence ignored for income tax purposes. As such, the activities of the single member limited liability companies are included with the activities of the Corporation for income tax purposes. The Corporation is required to file information form 990-PF with the Internal Revenue Service and other taxing authorities. Accordingly, these consolidated financial statements do not reflect a provision for income taxes and the Corporation has no other tax positions which must be considered for disclosure. In the preparation of tax returns, tax positions are taken based on interpretation of federal, state, and local income tax laws. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been identified, or recorded, as uncertain tax positions. However, tax returns for years 2017 through 2020 remain subject to possible audit.

Use of Estimates - Preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management's estimates, primarily relating to depreciation expense. Actual results may differ from these estimates.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract Revenue - Contract revenue recognized by the Corporation is comprised mostly of payments from tenants for monthly housing. For apartment rental, the fixed price payment is outlined in the signed lease agreement and is for a monthly fee. Accordingly, revenue is recognized for the period in which the monthly payment relates to. Contract revenue recognized by the Corporation is also comprised of contracts committed from various funding agencies for use in the Corporation's activities. All funding sources are providing revenue streams to the Corporation for the benefit of the public. Contract revenue is recognized as revenue upon receipt and meeting all conditional requirements of the funding arrangement. Any funds received in advance for which conditions of the agreement have not been met are recognized as refundable advances and then subsequently recognized as revenue upon meeting the conditions of the agreement.

Contribution Revenue - Contributions of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-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.

Conditional contributions depend on the occurrence of a specified future and uncertain event to bind the donor and are recognized as assets and revenue when the conditions are substantially met, and the gift becomes unconditional.

The following schedule shows the Corporation's revenues disaggregated according to the timing of transfer of goods or services for the year ended December 31, 2020:

Contract revenue recognized at a point in time	
Rental income	$ 2,269,855
Total contract revenue recognized at a point in time	2,269,855
Trust income	27,756
Other income	81,298
Contribution revenue	1,837
Grant revenue	69,716
Investment return, net	341,382
Total revenue	$ 2,791,844

Functional Allocation of Expenses - The costs of providing program and other activities have been reported in the consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification of expenses that are allocated to program or supporting functions of the Corporation. Allocated expenses primarily consist of resident services, operating & maintenance, administration, utilities, and general expenses based on salary and wage analysis and management's estimated use of resources.

NOTE 2 - NATURE OF ORGANIZATION, RISKS, AND UNCERTAINTIES

The Corporation is organized as a Michigan not-for-profit corporation organized to provide safe and affordable housing for older adults and is proactive in creating additional opportunities for senior quality living. The Corporation grants awards to organizations that are classified under Section 501(c)(3) of the Internal Revenue Code as tax-exempt organizations. Current priorities include support of crisis intervention and care management services for seniors at risk of entering a nursing house unless a range of supportive services can be brought into their homes, a historical house museum, and programs that support neighborhood associations located closest to its facilities located in the Flint, Michigan downtown area.

MIL3C (a single member low-profit limited liability company owned by the Corporation) is organized to manage an investment portfolio which provides funds to support the charitable operations of the Corporation. For example, income from the investment portfolio funds approximately 37% of the cost of operating MKR. MKR (a single member limited liability company owned by the Corporation) is an assisted living facility for elderly women located in the Flint, Michigan downtown area. The Corporation provides a number of home-like amenities and supportive services to its residents. CSVE and CSVW (both single member limited liability companies owned by the Corporation) operate apartment residence facilities for seniors with low and moderate income located in the Flint, Michigan downtown area. CSVE and CSVW provides supportive services to its residents but allows them to live independently. CSVE and CSVW are subject to Michigan State Housing Development Authority (MSHDA) regulations and supervision. CSS (a single member low-profit limited liability company owned by the Corporation) has no activity other than ownership of vacant real estate adjacent to CSVE and CSVW.

The Corporation is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash and cash equivalents, investments, and accounts receivable.

The Corporation’s bank accounts balances are insured to defined limits by the Federal Deposit Insurance Corporation (up to $250,000 per financial institution) while the Corporation’s brokerage account balance is insured by the Security Investor Protection Corporation (up to $250,000 per brokerage firm). At various times during the year, the cash account balances may exceed this limit in the normal course of business. At December 31, 2020, cash account balances exceeded these limits by approximately $1,602,000.

The Corporation invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position.

The extent of the impact of COVID-19 on the Corporation’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Corporation’s customers, employees, and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Corporation’s financial condition and results of operations is uncertain.

The Corporation evaluates events and transactions that occur after year end for potential recognition or disclosure in the consolidated financial statements. These subsequent events have been considered through October 14, 2021, which is the date the consolidated financial statements were available for issuance.

NOTE 3 - LIQUIDITY AND AVAILABILITY

The Corporation regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Corporation considers all expenditures related to its ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenditures.

The following reflects the Corporation's financial assets as of December 31, 2020, which are deemed available for general expenditures within one year of the date of the consolidated statement of financial position.

Cash and equivalents	$ 2,489,142
Accounts receivable	46,609
Grants receivable	25,000
Investments held at fair value	21,851,135
Total financial assets available at year-end	24,411,886
Less: donor-restricted net assets	(103,750)
Financial assets available to meet cash needs for general expenditures within one year	$ 24,308,136

In addition to financial assets available to meet general expenditures over the next 12 months, the Corporation operates with a balanced budget and anticipates collecting sufficient revenue to cover the general expenditures.

NOTE 4 - CASH AND CASH EQUIVALENT

Cash and cash equivalents consisted of the following accounts at December 31, 2020:

Petty cash	$ 500
Cash in checking accounts - unrestricted	284,391
Cash in checking accounts - restricted (tenant security deposits)	60,446
Money market funds in brokerage account	1,489,994
Replacement reserves	485,457
Property tax escrow reserve	40,853
Insurance escrow reserve	127,501
	$ 2,489,142

Replacement reserves are funds set aside, at management's discretion, from other operating cash to provide funds for any anticipated repairs or eventual replacement of building components that wear out more rapidly than the building itself, taxes, and insurance.

NOTE 5 - INVESTMENTS

Investments consist of the following at December 31, 2020:

	Cost	Fair Value	Unrealized Gain
Equities	$ 5,943,793	$ 6,143,695	$ 199,902
Mutual funds/closed end funds	15,514,787	15,707,440	192,653
	$ 21,458,580	$ 21,851,135	$ 392,555

Investment return, net consists of the following for the year ended December 31, 2020:

Dividends	$ 555,467
Realized loss on investments	(68,060)
Unrealized loss on investments	(3,897)
Investment fees and foreign taxes	(142,128)
	$ 341,382

NOTE 6 - FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides 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 prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

NOTE 6 - FAIR VALUE MEASUREMENTS (continued)

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the Corporation's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset 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 assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020.

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

Mutual Funds/Closed end Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Corporation are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at the price. The mutual funds held by the Association are deemed to be actively traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Corporation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Corporation's fair value measurements at December 31, 2020:

	Level 1	Level 2	Level 3	Total
Equities	$ 6,143,695	$ -	$ -	$ 6,143,695
Mutual funds/closed end funds	15,707,440	-	-	15,707,440
	$ 21,851,135	$ -	$ -	$ 21,851,135

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2020:

Land	$ 560,665
Buildings and improvements	9,236,573
Furniture and fixtures	673,970
Vehicles	122,780
Other improvements	98,552
	$ 10,692,540

Depreciation expense related to these items amounted to $344,630 for December 31, 2020.

NOTE 8 - NOTES PAYABLE TO MSHDA AND MSHDA REGULATION AND SUPERVISION

Notes payable at December 31, 2020 consist of the following:

CSVE note payable - MSHDA, interest rate of 6%. No interest accrued, due or payable except in connection with an occurrence of failure to maintain the affordability restrictions. No principal payments due unless a repayment event occurs as described below. Loan will be forgiven at final maturity date June 1, 2039 if all affordability restrictions are met.	$ 100,000
CSVW note payable - MSHDA, interest rate of 6%. No interest accrued, due or payable except in connection with an occurrence of failure to maintain the affordability restrictions. No principal payments due unless a repayment event occurs as described below. Loan will be forgiven at final maturity date June 1, 2039 if all affordability restrictions are met.	100,000
	$ 200,000

NOTE 8 - NOTES PAYABLE TO MSHDA AND MSHDA REGULATION AND SUPERVISION (continued)

In February 2011, CSVE purchased the real estate project known as Court Street Commons - East from Michigan State Housing Development Authority (MSHDA) subject to the $100,000 note. In February 2011, CSVW purchased the real estate project known as Court Street Commons - West from MSHDA subject to the $100,000 note. Under the terms of the note payable to MSHDA, the principal amount will be payable upon the first to occur: (1) refinancing of the real estate project subject to the note payable; (2) the sale of the real estate project subject to the note payable in an arm's length transaction; or (3) CSVE or CSVW's failure to maintain affordability restrictions set forth in a regulatory agreement as described below. Each of the foregoing events shall be referred to as a "repayment event". If no repayment event occurs prior to the maturity date, the principal balance shall be forgiven in full.

If the note is not in default, the balance of the note may be paid off prior to the maturity date with no penalty or interest.

Under a regulatory agreement with MSHDA, CSVE and CSVW must maintain certain affordability restrictions as follows: 40% of the units at each real estate project subject to the note payable to MSHDA will be restricted to service households having incomes no greater than 60% of area median income, adjusted for family size; income is to be determined in a manner consistent with the determinations of low income families and area median gross income under Section 8 of the U.S. Housing Act of 1937, as amended, and income of individuals shall be determined in accordance with the Section 8 regulations. Furthermore, to the extent there is any income over and above the amount necessary to operate and maintain the real estate projects, such funds can only be disbursed for charitable purposes of the Corporation in furtherance of its tax-exempt purposes. In addition, the regulatory agreement with MSHDA gives MSHDA authority to monitor CSVE and CSVW's compliance with the occupancy and disbursement restrictions and require CSVE and CSVW to complete and send to MSHDA annual reports which demonstrate ongoing compliance with the occupancy and disbursement restrictions.

As of December 31, 2020, CSVE and CSVW are in compliance with the occupancy and disbursement restrictions.

NOTE 9 - PENSION

The Corporation established the McFarlan Home, Inc. 401(k) Profit Sharing Plan covering substantially all of its employees. The Corporation matches contributions of employee elective deferrals up to 3% of employee's eligible compensation. The Corporation may make, at its discretion, profit sharing contributions that are allocated to all eligible participants based upon eligible compensation.

Effective September 1, 2016, the Corporation's workforce was transferred to Presbyterian Villages of Michigan (PVM) who became the manager of the Corporation and manager of the facilities owned by MKR, CSVE, and CSVW. Because the Corporation after August 31, 2016 no longer had employees, benefit accruals ceased, and the Plan was considered "frozen" (although not terminated). During 2017, most assets of the Plan were distributed to the plan participants or rolled over to other qualified retirement plans on behalf of plan participants. There remains certain outstanding loan balances for which payments are being withheld by PVM from its employees' payroll and remitted to the Plan.

NOTE 9 - PENSION (continued)

Effective July 1, 2018, the Plan was terminated, and assets of the Plan are to be distributed in accordance with the terms of the Plan. Participants in the Plan will no longer accrue any additional benefits and are all 100% vested in their accounts.

PVM maintains a tax-sheltered retirement plan under Internal Revenue Code (IRC) Section 403(b). Under this plan, the Obligated Group matches employee contributions up to 8 percent (for every $1.00 contributed by the employee, the Obligated Group matches $0.25; up to the maximum employee contribution of 8 percent, resulting in a maximum Obligated Group match of 2 percent.) Additionally, the Obligated Group contributes a discretionary match subject to board approval to qualified participants. The Obligated Group's contributions to the plans totaled $8,192 in 2020. As of December 31, 2020, the Obligated Group implemented a transfer of the funds held in the 403(b) plan to the Retirement Savings Plan (RSP) of the Board of Pensions of the Presbyterian Church (U.S.A.).

NOTE 10 - REAL ESTATE TAXES

Under an agreement with the City of Flint, Michigan, stipulated before the Michigan Tax Tribunal and commencing with the 1982 property tax assessment, the real estate project constituting McFarlan Kearsley Residence is exempt from property taxation.

Also, under an agreement with the City of Flint, Michigan, the real estate projects constituting Court Street Commons - East and Court Street Commons - West participate in a property tax abatement program providing for payments in lieu of property taxes (PILOT). Such payments are computed as 4% of net rental income less common utilities expense. Participation in the PILOT program will be permitted if CSVE and CSVW are subject to MSHDA regulation and supervision and each owes a note balance due MSHDA as described above under "Note Payable to MSHDA and MSHDA Regulation and Supervision." During the year ended December 31, 2020, amounts paid under the PILOT program amounted to $51,962.

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions for the year ended December 31, 2020 were available for the following purposes:

	2019	Inflows	Outflows	2020
Subject to expenditure for specified purpose				
Health center	$ 100,000	$ -	$ -	$ 100,000
Covid-19	-	65,830	65,830	-
Benevolence	2,050	1,597	3,647	-
Wellness	3,750	-	-	3,750
Total net assets with donor restrictions	$ 105,800	$ 67,427	$ 69,477	$ 103,750

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors. Below are the assets released from restrictions for the year ended December 31, 2020**:**

Assets released from restrictions for operations		
Covid-19	$	65,830
Benevolence		3,647
Total assets released from restrictions	$	69,477

NOTE 12 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Corporation's operations are concentrated in the real estate rental market. In addition, the Corporation operates in a heavily regulated environment. The operations of the project are subject to administrative directives, rules and regulations of federal, state and local agencies, including, but not limited to MSHDA. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by MSHDA. Such changes may occur with little notice or inadequate funding to pay the related cost, including the additional administrative burden, to comply with a change.

NOTE 13 - SUBSEQUENT EVENT

In April 2021, there was a fire at the Corporations' Court Street East residence building. The cost of the damage is $446,315. Starting in July 2021 renovations have begun on the building. Management is anticipating the Corporation's insurance will cover all of the costs of the damage, less the Corporation's deductible of $10,000. Therefore, no liability for the fire damage was recorded at December 31, 2020.

SUPPLEMENTARY INFORMATION

MCFARLAN CHARITABLE CORPORATION
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020

	MCC	MIL3C	MKR	MCSE	MCSW	MCSS	Eliminations	Consolidated
ASSETS								
Current assets								
Cash and cash equivalents	$ 121,073	$ 1,516,634	$ 27,972	$ 585,283	$ 238,180	$ -	$ -	$ 2,489,142
Accounts receivable	-	-	13,775	12,628	20,206	-	-	46,609
Due from PVM	-	-	-	29,550	-	-	(8,764)	20,786
Grants receivable	25,000	-	-	-	-	-	-	25,000
Prepaid expenses	-	-	1,658	2,532	2,488	-	-	6,678
Total current assets	146,073	1,516,634	43,405	629,993	260,874	-	(8,764)	2,588,215
Non-current assets								
Loan receivable - related parties	3,300,000	972,000	-	180,000	-	-	(4,452,000)	-
Investment in single member LLCs	222,632	-	-	-	-	-	(222,632)	-
Investment held at fair value	-	21,851,135	-	-	-	-	-	21,851,135
Total non-current assets	3,522,632	22,823,135	-	180,000	-	-	(4,674,632)	21,851,135
Property and equipment								
Property and equipment	35,800	-	4,956,426	2,609,845	3,006,669	83,800	-	10,692,540
Less: accumulated depreciation	-	-	(3,113,868)	(905,960)	(940,741)	-	-	(4,960,569)
Net property and equipment	35,800	-	1,842,558	1,703,885	2,065,928	83,800	-	5,731,971
TOTAL ASSETS	$ 3,704,505	$ 24,339,769	$ 1,885,963	$ 2,513,878	$ 2,326,802	$ 83,800	$ (4,683,396)	$ 30,171,321

	MCC	MIL3C	MKR	MCSE	MCSW	MCSS	Eliminations	Consolidated
LIABILITIES AND NET ASSETS								
LIABILITIES								
Current liabilities								
Accounts payable	$ 39,275	$ -	$ 39,963	$ 102,867	$ 36,675	$ -	$ -	$ 218,780
Due To/Due From PVM	-	-	5,066	-	3,698	-	(8,764)	-
Escheats payable	-	-	-	265	-	-	-	265
Accrued payroll	3,404	-	20,091	10,161	5,380	-	-	39,036
Payroll tax liabilities	260	-	1,537	777	412	-	-	2,986
Deferred rents	-	-	-	9,315	12,526	-	-	21,841
Refundable deposits	-	-	-	31,983	26,506	-	-	58,489
Total current liabilities	42,939	-	66,657	155,368	85,197	-	(8,764)	341,397
Non-current liabilities								
Loans payable - related parties	-	-	-	1,880,610	2,571,390	-	(4,452,000)	-
Note payable - MSHDA	-	-	-	100,000	100,000	-	-	200,000
Total non-current liabilities	-	-	-	1,980,610	2,671,390	-	(4,452,000)	200,000
TOTAL LIABILITIES	42,939	-	66,657	2,135,978	2,756,587	-	(4,460,764)	541,397
NET ASSETS								
Member capital contribution	-	100	-	74,054	64,678	83,800	(222,632)	-
Without donor restrictions	3,557,816	24,339,669	1,819,306	303,846	(494,463)	-	-	29,526,174
With donor restrictions	103,750	-	-	-	-	-	-	103,750
TOTAL NET ASSETS	3,661,566	24,339,769	1,819,306	377,900	(429,785)	83,800	(222,632)	29,629,924
TOTAL LIABILTIIES AND NET ASSETS	$ 3,704,505	$ 24,339,769	$ 1,885,963	$ 2,513,878	$ 2,326,802	$ 83,800	$ (4,683,396)	$ 30,171,321

MCFARLAN CHARITABLE CORPORATION
CONSOLIDATING STATEMENTS OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

	MCC	MIL3C	MKR	MCSE	MCSW	MCSS	Eliminations	Consolidated
REVENUES								
Rental income								
Rental charges	$ -	$ -	$ 791,406	$ 1,075,680	$ 808,620	$ -	$ -	$ 2,675,706
Less: loss (gain) to lease	-	-	-	(58,256)	(3,485)	-	-	(61,741)
Less: vacancy	-	-	(109,745)	(100,534)	(75,998)	-	-	(286,277)
Less: other adjustments	-	-	(12,302)	(27,563)	(17,968)	-	-	(57,833)
Total rental income	-	-	669,359	889,327	711,169	-	-	2,269,855
Investment income								
Interest and dividends	-	555,467	-	-	-	-	-	555,467
Realized and unrealized gains (losses)	-	(71,957)	-	-	-	-	-	(71,957)
Less: investment advisory fees	-	(142,138)	-	-	-	-	-	(142,138)
Total investment income	-	341,372	-	-	-	-	-	341,372
Other income								
Transfers	299,000	-	500,000	-	-	-	(799,000)	-
Trust income	27,756	-	-	-	-	-	-	27,756
Grant revenue	65,830	-	-	3,751	135	-	-	69,716
Contribution income	1,837	-	-	-	-	-	-	1,837
Miscellaneous income	-	-	11,885	50,053	23,017	-	(3,647)	81,308
Total other income	394,423	-	511,885	53,804	23,152	-	(802,647)	180,617
TOTAL REVENUES	394,423	341,372	1,181,244	943,131	734,321	-	(802,647)	2,791,844

	MCC	MIL3C	MKR	MCSE	MCSW	MCSS	Eliminations	Consolidated
EXPENSES								
Charitable grants								
Whaley Historical House	40,000	-	-	-	-	-	-	40,000
Other grants	25,000	-	-	-	-	-	-	25,000
McFarlan intra-company grants	-	799,000	-	-	-	-	(799,000)	-
Total charitable grants	65,000	799,000	-	-	-	-	(799,000)	65,000
Administration								
Management services	-	-	98,840	52,285	37,915	-	-	189,040
Other administrative services	-	-	8,647	-	-	-	-	8,647
Management fees	-	-	27,324	36,466	29,731	-	-	93,521
Dues and subscriptions	-	-	34,167	-	-	-	-	34,167
Office expense and supplies	-	-	10,867	30,891	18,306	-	-	60,064
Professional services	94,569	-	4,162	1,170	1,162	-	-	101,063
Miscellaneous administrative expenditures	135,242	-	1,031	6,546	3,632	-	(3,647)	142,804
Advertising and marketing	3,400	-	10,718	2,079	1,116	-	-	17,313
Total administration	233,211	-	195,756	129,437	91,862	-	(3,647)	646,619
Resident services								
Social work services	-	-	1,028	228	158	-	-	1,414
Primary resident caregiver services	-	-	266,644	-	-	-	-	266,644
Housekeeping/Aide services	-	-	108,093	32,699	8,983	-	-	149,775
Food services	-	-	168,060	-	-	-	-	168,060
Transportaion services	-	-	1,580	32,387	22,848	-	-	56,815
Resident activities	-	-	92,688	50,338	34,166	-	-	177,192
Beauty shop	-	-	8,401	-	-	-	-	8,401
Bird/Fish aviary costs	-	-	1,932	-	-	-	-	1,932
Total resident services	-	-	648,426	115,652	66,155	-	-	830,233

	MCC	MIL3C	MKR	MCSE	MCSW	MCSS	Eliminations	Consolidated
Utilities								
Electric and gas	-	-	56,446	45,233	87,995	-	-	189,674
Water/sewer	-	-	24,023	77,694	60,090	-	-	161,807
Telephone	-	-	6,477	7,250	9,754	-	-	23,481
TV/Internet	-	-	7,147	-	219	-	-	7,366
Trash removal	-	-	1,254	6,721	4,670	-	-	12,645
Total utiliites	-	-	95,347	136,898	162,728	-	-	394,973
Operating and maintenance								
Maintenance salaries	-	-	16,724	93,793	57,706	-	-	168,223
Furnishing and fixtures (under $2,500)	-	-	19,178	1,658	-	-	-	20,836
General maintenance	-	-	36,955	27,235	50,009	-	-	114,199
Building structure maintenance	-	-	-	30,815	15,824	-	-	46,639
HVAC systems maintenance	-	-	42,284	35,039	29,884	-	-	107,207
Plumbing systems maintenance	-	-	-	8,415	4,947	-	-	13,362
Electrical systems maintenance	-	-	1,225	2,758	3,141	-	-	7,124
Elevator systems maintenance	-	-	11,485	17,718	4,326	-	-	33,529
Fire protection and alarm systems maint.	-	-	394	638	-	-	-	1,032
Security systems maintenance	-	-	15,434	31,540	23,167	-	-	70,141
Individual rental units maintenance	-	-	8,099	49,148	24,585	-	-	81,832
Outside Maintenance	-	-	8,857	16,711	13,976	-	-	39,544
Total operating and maintenance	-	-	160,635	315,468	227,565	-	-	703,668
Depreciation expense	-	-	112,150	116,476	116,004	-	-	344,630
Taxes, insurance, and benefits								
Property taxes	5,199	-	-	31,151	20,811	-	-	57,161
Insurance	9,108	-	25,631	36,029	30,292	-	-	101,060
Payroll taxes	8,539	-	51,938	17,912	10,570	-	-	88,959
Employee benefit plans	3,967	-	9,802	21,827	24,860	-	-	60,456
Employee training and recruitment	242	-	28,458	3,510	525	-	-	32,735
Total taxes, insurance and benefits	27,055	-	115,829	110,429	87,058	-	-	340,371
TOTAL EXPENSES	325,266	799,000	1,328,143	924,360	751,372	-	(802,647)	3,325,494
CHANGE IN NET ASSETS	69,157	(457,628)	(146,899)	18,771	(17,051)	-	-	(533,650)
NET ASSETS, beginning of year	3,592,409	24,797,297	1,966,205	285,075	(477,412)	-	-	30,163,574
NET ASSETS, end of year	$ 3,661,566	$ 24,339,669	$ 1,819,306	$ 303,846	$ (494,463)	$ -	$ -	$ 29,629,924