

# KAMMERMANN & BASCOM, P.C.

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*Certified Public Accountants*

Velda K. Kammermann, CPA  
Corey R. Bascom, CPA

Established 1988  
www.northmi.cpa

June 21, 2021

To the Board of Trustees of  
Charlevoix County Community Foundation:

We have audited the financial statements of Charlevoix County Community Foundation for the year ended December 31, 2020, and have issued our report thereon dated June 21, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated March 8, 2021. Professional standards also require that we communicate to you the following information related to our audit.

## Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Charlevoix County Community Foundation are described in Note A to the financial statements. As described in Note A, the Foundation changed accounting policies related to revenue recognition by adopting FASB Accounting Standards Update (ASU) No. 2016-14 Codification Topic 606, *Revenue from Contracts with Customers*, and FASB ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, in 2020. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

## Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

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### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 21, 2021.

### Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Other Matters (Continued)

This information is intended solely for the use of the Board of Trustees and management of Charlevoix County Community Foundation and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,  
*Kammermann & Bascom, P.C.*

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June 21, 2021

To the Board of Trustees of the  
Charlevoix County Community Foundation

In planning and performing our audit of the financial statements of the Charlevoix County Community Foundation, as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Charlevoix County Community Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in the Foundation's internal control to be material weaknesses:

## Segregation of Duties

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments, and payroll, from authorization and approval of transactions and account reconciliations. The small size of the administrative staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected during normal activities.

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Preparation of Financial Statements

As is common with smaller organizations, management has limited technical expertise to prepare the Foundation's financial statements and notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. The preparation of the Foundation's financial statements and footnotes is the responsibility of management. Management is also responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, activities, and cash flows, including the notes to the financial statements, in conformity with accounting principles generally accepted in the United States of America.

The Foundation has historically relied on its independent external auditors to assist in the preparation of its nonprofit financial statements and footnotes as part of its external financial reporting process. Accordingly, the Foundation's ability to prepare financial statements is based, in part, on its reliance on its external auditors who cannot, by definition, be considered part of the Foundation's internal controls.

The result of this condition is that the Foundation lacks internal controls over the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and instead relies, in part, on its external auditors for assistance with this task.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

This communication is intended solely for the information and use of management, the Board of Trustees, and others within the Foundation, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Kammermann & Bascom, P.C.*

**CHARLEVOIX COUNTY COMMUNITY FOUNDATION**

**(a Michigan nonprofit corporation)**

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**FINANCIAL STATEMENTS**

**for the year ended December 31, 2020**

**KAMMERMANN & BASCOM, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
CHARLEVOIX, MICHIGAN**

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## CONTENTS

INDEPENDENT AUDITOR'S REPORT	1-2
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES	4
STATEMENT OF FUNCTIONAL EXPENSES	5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7-16
SUPPLEMENTARY INFORMATION: SCHEDULE OF FINANCIAL POSITION BY FUND CLASSIFICATION	17-18
SCHEDULE OF ACTIVITIES BY FUND CLASSIFICATION	19-20

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June 21, 2021

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of  
Charlevoix County Community Foundation:

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

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## **Opinion**

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

## **Report on Summarized Comparative Information**

We have previously audited Charlevoix County Community Foundation's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 4, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. Schedules listed as additional information in the table of contents are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 stated in all material respects in relation to the financial statements as a whole.

*Kammermann & Bascom, P.C.*

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

STATEMENT OF FINANCIAL POSITION

December 31, 2020

(with comparative totals as of December 31, 2019)

	<u>ASSETS</u>	
	<u>2020</u>	<u>2019</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 3,474,506	\$ 2,904,975
Pledges and accounts receivable (Note F)	14,780	12,332
Prepaid expenses	<u>3,005</u>	<u>3,005</u>
Total current assets	3,492,291	2,920,312
<b>LONG-TERM ASSETS:</b>		
Investments in marketable securities (Note N)	47,608,876	39,891,295
Pledges receivable (Note F)	19,136	14,860
Land, building, furniture and equipment, net of accumulated depreciation (Note G)	<u>413,766</u>	<u>431,717</u>
Total assets	<u>\$ 51,534,069</u>	<u>\$ 43,258,184</u>
<u>LIABILITIES AND NET ASSETS</u>		
<b>CURRENT LIABILITIES:</b>		
Grants payable (Note H)	\$ 204,888	\$ 248,766
Accounts payable and other accrued liabilities	<u>11,000</u>	<u>17,449</u>
Total current liabilities	215,888	266,215
<b>OTHER LIABILITIES:</b>		
Grants payable, long-term	90,500	68,000
Pass-through liabilities and special projects (Note J)	6,166	56,069
Funds held on behalf of other agencies	<u>3,869,879</u>	<u>3,080,048</u>
Total liabilities	4,182,433	3,470,332
<b>NET ASSETS:</b>		
Without donor restrictions	845,243	821,535
With donor restrictions (Note M)	<u>46,506,393</u>	<u>38,966,317</u>
Total net assets	<u>47,351,636</u>	<u>39,787,852</u>
Total liabilities and net assets	<u>\$ 51,534,069</u>	<u>\$ 43,258,184</u>

The accompanying notes are a part of the financial statements.

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

STATEMENT OF ACTIVITIES

for the year ended December 31, 2020

(with comparative totals for the year ended December 31, 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>REVENUES AND SUPPORT:</b>				
Contributions	\$ 250	\$ 4,048,689	\$ 4,048,939	\$ 2,178,401
Investment income	8,267	983,816	992,083	1,158,596
Other income	69,405	100,000	169,405	4,474
Net realized and unrealized gains on investments	-	6,308,551	6,308,551	6,554,192
Transfers to funds held on behalf of other agencies	-	(789,831)	(789,831)	(819,049)
Net assets released from restrictions	<u>3,111,149</u>	<u>(3,111,149)</u>	<u>-</u>	<u>-</u>
Total revenues and support	3,189,071	7,540,076	10,729,147	9,076,614
<b>EXPENSES:</b>				
Program Services:				
Grants and scholarships	2,471,263	-	2,471,263	2,210,040
Other program costs	<u>390,216</u>	<u>-</u>	<u>390,216</u>	<u>349,447</u>
Total program services	2,861,479	-	2,861,479	2,559,487
Supporting Services:				
Management	166,774	-	166,774	168,195
Fundraising	<u>137,110</u>	<u>-</u>	<u>137,110</u>	<u>136,527</u>
Total supporting services	<u>303,884</u>	<u>-</u>	<u>303,884</u>	<u>304,722</u>
Total expenses	<u>3,165,363</u>	<u>-</u>	<u>3,165,363</u>	<u>2,864,209</u>
Change in net assets	23,708	7,540,076	7,563,784	6,212,405
NET ASSETS, beginning of year	<u>821,535</u>	<u>38,966,317</u>	<u>39,787,852</u>	<u>33,575,447</u>
NET ASSETS, end of year	<u>\$ 845,243</u>	<u>\$ 46,506,393</u>	<u>\$ 47,351,636</u>	<u>\$ 39,787,852</u>

The accompanying notes are a part of the financial statements.

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

for the year ended December 31, 2020

(with comparative totals for the year ended December 31, 2019)

	Program Services	Supporting Services			Total Expenses	2019
		Management	Fundraising	Total		
Salaries and wages	\$ 148,999	\$ 91,156	\$ 86,233	\$ 177,389	\$ 326,388	\$ 350,509
Payroll taxes	12,566	7,688	7,272	14,960	27,526	30,412
Employee benefits	23,679	14,488	13,704	28,192	51,871	56,217
Advertising and marketing	7,775	2,121	4,242	6,363	14,138	33,088
Professional services	11,513	6,280	3,140	9,420	20,933	31,351
Office expenses	11,228	6,125	3,062	9,187	20,415	26,485
Travel	5,837	3,184	1,592	4,776	10,613	12,963
Grants and scholarships	2,471,263	-	-	-	2,471,263	2,210,040
Supplies	4,359	2,378	1,189	3,567	7,926	21,076
Life insurance premiums	103,112	-	-	-	103,112	-
Occupancy	14,836	8,093	4,046	12,139	26,975	9,425
Software and support	28,564	15,581	7,790	23,371	51,935	35,208
Conferences	4,104	2,238	1,119	3,357	7,461	19,864
Memberships and dues	3,771	2,057	1,028	3,085	6,856	9,078
Depreciation	9,873	5,385	2,693	8,078	17,951	18,493
Totals	<u>\$ 2,861,479</u>	<u>\$ 166,774</u>	<u>\$ 137,110</u>	<u>\$ 303,884</u>	<u>\$ 3,165,363</u>	<u>\$ 2,864,209</u>

The accompanying notes are a part of the financial statements.

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

STATEMENT OF CASH FLOWS

for the year ended December 31, 2020

(with comparative totals as of December 31, 2019)

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 7,563,784	\$ 6,212,405
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Noncash donations	(671,618)	(149,389)
Cash donations for endowments	(1,283,854)	(608,875)
Depreciation	17,951	18,493
Realized gains on sales of investments	(2,176,534)	(1,895,278)
Net unrealized gains on investments	(4,132,017)	(4,658,914)
Transfers to funds held on behalf of other agencies	789,831	819,049
Decrease (increase) in pledges and accounts receivable	(6,724)	47,308
Increase (decrease) in accounts payable and other accrued liabilities	(6,449)	3,384
Decrease in pass-through liabilities and special projects	(49,903)	(390,767)
Decrease in grants payable	<u>(21,378)</u>	<u>(260,334)</u>
Net cash flows provided (used) by operating activities	<u>23,089</u>	<u>(862,918)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of fixed assets	-	(21,777)
Purchase of investments	(12,240,936)	(10,522,348)
Proceeds from sales of investments	<u>10,831,906</u>	<u>9,700,788</u>
Net cash flows used by investing activities	<u>(1,409,030)</u>	<u>(843,337)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES,</b>		
Donations for endowments	<u>1,955,472</u>	<u>758,264</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	569,531	(947,991)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>2,904,975</u>	<u>3,852,966</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 3,474,506</u>	<u>\$ 2,904,975</u>

The accompanying notes are a part of the financial statements.

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2020

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NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity

The Charlevoix County Community Foundation was incorporated as a Michigan nonprofit corporation on December 4, 1991. The Foundation's purpose is to manage various restricted and unrestricted endowment funds. Income from these funds is used to support charitable organizations and activities primarily in the County of Charlevoix, Michigan. The Foundation is governed by a Board of Trustees representing each of the five school districts in Charlevoix County. Support for the Foundation comes primarily from donor contributions and long-term investment income.

Basis of Accounting

The Foundation uses the accrual basis of accounting whereby revenues are recognized when earned or when the commitment of a future gift to the Foundation becomes unconditional and expensed when an obligation is incurred.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based on the existence or absence of restrictions on use that are established by its donors, as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the Foundation, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for a particular purpose or in a future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions.

The Foundation's unspent contributions are included in this class if the donor limited their use, including donor-restricted endowment funds.

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2020

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NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Net Assets With Donor Restrictions (Continued)

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 restrictions. Net assets restricted for acquisition of buildings or equipment (or 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.

Basis of Presentation

The financial statements include certain prior-year summarized comparative information in total but not by asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Cash Equivalents

For purposes of the Statement of Cash Flows, cash and cash equivalents consist of bank accounts and investments with initial maturities of three months or less.

Fixed Assets

Property and equipment are recorded at cost for purchased items and estimated value on the date of donation for donated assets. Depreciation is recorded using the straight-line method based on the estimated useful life of the asset. The Foundation capitalizes property and equipment acquired in excess of \$1,000. Depreciation expense for the year totaled \$17,951.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Classification of Transactions

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

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2020

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NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Classification of Transactions (Continued)

The Foundation administers various types of funds in accordance with agreements establishing the fund between the original donors and the Foundation. Fund distributions are approved by the Board of Directors in accordance with the fund agreement. Administrative charges and interfund grants have been eliminated in the financial statements. It is the Foundation's intent to honor donor instructions and stipulations regarding the use of gifts made to the Foundation. However, the Board has retained authority to vary the condition of any gift otherwise subject to donor-imposed conditions, if adherence to any such conditions or stipulations would, in the judgment of the Board, be unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the communities served by the Foundation.

Income Tax Status

The Internal Revenue Service has determined that the Foundation qualifies as a public charity and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Also, the Foundation has received determination as "other than a private foundation" under Section 170(b)(1)(A)(vi) of the Internal Revenue Code. The Foundation believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Foundation's financial condition, results of operations, or cash flows. Therefore, the financial statements reflect no provision or liability for federal income tax. The Foundation's tax filings are no longer subject to examination for years prior to December 31, 2018.

Fund Administrative Fees

The Foundation charges a fee for management of each fund. Fees are charged quarterly and vary by type of fund ranging from 0 to 0.5625 percent of the average quarterly market value.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributed Services

The Foundation generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Foundation with programs. No amounts have been recorded for volunteer services.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the year totaled \$14,138.



CHARLEVOIX COUNTY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2020

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NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Reclassifications

Certain amounts in the prior year financial information have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Funds Held on Behalf of Agencies

The Foundation has adopted Statement of Financial Accounting Standard No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others* (FAS 136). This statement establishes standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets or both to another entity that is specified by the donor.

FAS 136 guidelines state that if an organization establishes a fund at a community foundation with its own monies and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as agency or designated funds.

The Foundation maintains variance power and legal ownership of agency endowment funds and as such continues to report the funds as assets of the Foundation. However, in accordance with FAS 136, a liability has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be made to the organization.

Change in Accounting Principle

Financial Accounting Standards Board (FASB) Accounting Standards Updated (ASU) 2016-14 Codification Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or a point in time, and expand disclosures about revenue. We have implemented Topic 606 and have adjusted the presentation in these financial statements accordingly. The amendment has been applied retrospectively. Accordingly, there is no effect on net assets in connection with our implementation of 2016-14.

FASB issued ASU 2018-08 – *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. We have implemented ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under the full prospective basis. Accordingly, there is no effect on net assets in connection with our implementation of ASU 2018-08.

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2020

NOTE B – LIQUIDITY AND AVAILABILITY:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2020 are:

Financial assets:	
Cash and cash equivalents	\$ 295,783
Due from other funds	<u>188,689</u>
Total financial assets	484,472
Less financial assets held to meet obligations, accounts payable	<u>(56,000)</u>
Amount available for general expenditures within one year	<u>\$ 428,472</u>

NOTE C – DATE OF MANAGEMENT'S REVIEW:

In preparing the financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosures through June 21, 2021, the date the financial statements were available to be issued.

NOTE D – INVESTMENTS:

Investments are carried at estimated fair market value, as determined by the agency holding the investments. Unrealized increases or decreases resulting from changes in market value of investments are included annually in the Statement of Activities. The Foundation's investments are held primarily by brokerage companies and are summarized as follows:

	<u>FAIR VALUE</u>	<u>COST</u>
Certificate of deposit	\$ 604,314	\$ 604,314
Mutual funds – equity	32,507,747	22,701,235
Mutual funds – fixed income	8,726,353	8,469,893
Exchange traded funds	<u>5,770,462</u>	<u>2,387,499</u>
Totals	<u>\$ 47,608,876</u>	<u>\$ 34,162,941</u>

The Statement of Activities reports interest and dividend income earned on investments plus interest earned on interest-bearing bank accounts. Investment income is reported net of investment fees and is summarized as follows:

Interest and dividends	\$1,036,813
Management investment fees	<u>(44,731)</u>
Total investment income	<u>\$ 992,082</u>

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2020

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**NOTE D – INVESTMENTS:**

The investment policies follow a target of 70 percent equities, 20 percent fixed income, 5 percent emerging markets, and 5 percent real estate funds. The objective is to achieve a total return in excess of spending and inflation plus 6 percent. The volatility is expected to be no greater than 1.2 times the weighted average of various benchmarked index funds, representing equities and fixed income funds.

**NOTE E – FAIR VALUE MEASUREMENTS:**

Financial Accounting Standards Board Codification 820.10 (FASB ASC 820.10) establishes a framework for measuring fair value. That framework 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 under FASB ASC 820.10 are described below:

**Level 1**        Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation 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 term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3**        Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Fair values for mutual funds are determined by reference to quoted market prices and other relevant information by market transactions.

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2020

NOTE E – FAIR VALUE MEASUREMENTS (CONTINUED):

At December 31, 2020, the Foundation's investments, measured on a recurring basis, are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificate of deposit	\$ 604,314	\$ -	\$ -	\$ 604,314
Mutual funds - equity	32,507,747	-	-	32,507,747
Mutual funds – fixed income	8,726,353	-	-	8,726,353
Exchange traded funds	<u>5,770,462</u>	<u>-</u>	<u>-</u>	<u>5,770,462</u>
Totals	<u>\$47,608,876</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$47,608,876</u>

NOTE F – PLEDGES RECEIVABLE.

As of December 31, 2020, the Foundation has received unconditional promises to give, consisting of pledges as follows:

2021	\$ 14,780
2022	7,368
2023	6,768
2024	<u>5,000</u>
Total	<u>\$ 33,916</u>

The pledges are recorded at face value and no allowance for uncollectible pledges is recorded.

NOTE G - LAND, BUILDING, FURNITURE AND EQUIPMENT:

Fixed assets consist of the following at December 31, 2020:

Building and improvements	\$ 460,967
Office furnishings and equipment	<u>81,877</u>
	542,844
Less accumulated depreciation	<u>(154,078)</u>
	388,766
Land	<u>25,000</u>
Total	<u>\$ 413,766</u>

Depreciation expense totaled \$17,951 for the year ended December 31, 2020.

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2020

NOTE H – GRANTS PAYABLE:

Grants payable consist of grants approved for distribution under its spending policy, but not yet paid, to local nonprofit organizations or individual scholarship recipients. At December 31, 2020, amounts payable are scheduled as follows:

2021	\$ 205,888
2022	69,500
2023	<u>20,000</u>
Total	<u>\$ 295,388</u>

NOTE I - EMPLOYEE RETIREMENT PLAN:

The Foundation has adopted a 401(k) retirement plan. The plan provides retirement benefits for all employees and is a defined contribution retirement plan. For 2020, the Foundation's contributions to the plan totaled 5.5 percent of qualified compensation and aggregated \$17,965 for the year. Employees are allowed to make contributions to the plan from their earnings as well.

NOTE J – PASS-THROUGH LIABILITIES, SPECIAL PROJECTS:

Several nonprofit organizations are presently working on capital campaigns or special projects. The Foundation has agreed to receive contributions on behalf of these organizations and disburse them upon adequate funding for eligible costs. These contributions are recorded as pass-through liabilities.

NOTE K – ENDOWMENT FUNDS:

Endowment funds are summarized as follows:

	<u>With Donor Restrictions</u>
Balance, January 1, 2020	\$ 33,170,708
Contributions	2,299,476
Net investment income	793,687
Realized and unrealized gains	5,189,075
Grants and scholarships	(629,022)
Transfers to other funds	(462,611)
Expenses	<u>(622,280)</u>
Balance, December 31, 2020	<u>\$ 39,739,033</u>

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2020

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**NOTE K – ENDOWMENT FUNDS:**

The distributions for grants and scholarships are determined by averaging 12 quarters of each fund's market value multiplied by a spending rate. The Foundation uses 4.75 percent for all endowed fund sub-types, except scholarship funds, which uses 5 percent.

The Foundation has interpreted the Michigan Uniform Prudent Management of Institutional Funds Act (UPMIFA) (Act 87 of 2009) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds unless there are explicit donor stipulations to the contrary. The original gift is defined by the Foundation as (a) the original value of gifts donated to all donor-restricted endowments, (b) the original value of subsequent gifts to donor-restricted endowments and (c) accumulations to the donor-restricted endowments made in accordance with the direction of the applicable donor gift instrument at the time of the accumulation. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purpose of the organization and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation (depreciation) of investments;
6. Other resources of the organization;
7. The investment policies of the organization.

**NOTE L – CONCENTRATION OF CREDIT RISK:**

Financial instruments that potentially subject the Foundation to a significant concentration of credit risk consist of cash and investments. Cash is deposited in banks and brokerage accounts with satisfactory credit ratings. The Board assesses the financial health of each financial institution each year.

At December 31, 2020, amounts on deposit and invested exceed the FDIC and SIPC insurance limits by approximately \$2,974,482. The Foundation's cash balances are maintained at the level deemed appropriate by management for near-term grant making and pass-through funding for special projects, as described in Note J.

Investments are subject to market fluctuations but are spread among a number of different investments in order to minimize risk. At December 31, 2020, investments were in mutual and exchange-traded funds invested with corporate bonds and common stock issues.

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2020

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NOTE M – NET ASSETS WITH DONOR RESTRICTIONS:

As of December 31, 2020, net assets with donor restrictions are available for the following purposes:

Purpose restrictions, available for grant spending:	
Field of interest	\$ 2,184,525
Donor advised	10,256,175
Donor designated	1,784,778
Agency endowments	3,019,554
Scholarships	3,630,123
Endowments	<u>1,486,613</u>
Total purpose-restricted net assets	22,361,768
Endowment funds	<u>24,144,625</u>
Total net assets with donor restrictions	<u>\$ 46,506,393</u>

NOTE N – SUBSEQUENT EVENTS:

The Foundation applied for and received a loan under the Paycheck Protection Program authorized by the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The Foundation borrowed \$69,322 at one percent per annum. The loan was forgiven and revenue totaling \$69,322 was recognized in the Statement of Activities as other income.

CHARLEVOIX COUNTY COMMUNITY FOUNDATION  
SCHEDULE OF FINANCIAL POSITION BY FUND CLASSIFICATION  
December 31, 2020

	<u>Field of Interest</u>	<u>Donor Advised</u>	<u>Designated</u>	<u>Agencies</u>
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	\$ 711,937	\$ 1,240,381	\$ 69,466	\$ 619,506
Pledges and accounts receivable	-	-	-	2,800
Due from other funds	-	-	-	-
Prepaid expenses	-	-	-	-
Total current assets	<u>711,937</u>	<u>1,240,381</u>	<u>69,466</u>	<u>622,306</u>
<b>LONG-TERM ASSETS:</b>				
Investments in marketable securities	7,138,566	14,332,783	6,072,144	7,272,864
Pledges receivable	-	-	-	-
Land, building, furniture and equipment, net of accumulated depreciation	-	-	-	-
Total assets	<u>\$ 7,850,503</u>	<u>\$ 15,573,164</u>	<u>\$ 6,141,610</u>	<u>\$ 7,895,170</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>CURRENT LIABILITIES:</b>				
Grants payable, current	\$ 105,041	\$ 16,534	\$ -	\$ -
Accounts payable and other accrued liabilities	-	-	11,000	-
Due to other funds	<u>36,098</u>	<u>67,385</u>	<u>17,023</u>	<u>17,204</u>
Total current liabilities	141,139	83,919	28,023	17,204
<b>OTHER LIABILITIES:</b>				
Grants payable, long-term	8,000	80,000	-	-
Pass-through liabilities and special projects	-	-	6,166	-
Funds held on behalf of other agencies	-	-	<u>272,939</u>	<u>3,596,940</u>
Total liabilities	149,139	163,919	307,128	3,614,144
<b>NET ASSETS:</b>				
Without donor restrictions	-	-	-	-
With donor restrictions	<u>7,701,364</u>	<u>15,409,245</u>	<u>5,834,482</u>	<u>4,281,026</u>
Total net assets	<u>7,701,364</u>	<u>15,409,245</u>	<u>5,834,482</u>	<u>4,281,026</u>
Total liabilities and net assets	<u>\$ 7,850,503</u>	<u>\$ 15,573,164</u>	<u>\$ 6,141,610</u>	<u>\$ 7,895,170</u>

The accompanying notes are a part of the financial statements.



<u>Scholarships</u>	<u>Unrestricted Endowment</u>	<u>Operations</u>	<u>Eliminations</u>	<u>Total</u>
\$ 418,976	\$ 118,457	\$ 295,783	\$ -	\$ 3,474,506
11,980	-	-	-	14,780
-	-	188,689	(188,689)	-
-	-	3,005	-	3,005
<u>430,956</u>	<u>118,457</u>	<u>487,477</u>	<u>(188,689)</u>	<u>3,492,291</u>
9,726,355	3,066,164	-	-	47,608,876
19,136	-	-	-	19,136
-	-	413,766	-	413,766
<u>\$ 10,176,447</u>	<u>\$ 3,184,621</u>	<u>\$ 901,243</u>	<u>\$ (188,689)</u>	<u>\$ 51,534,069</u>
\$ 6,313	\$ 21,000	\$ 56,000	\$ -	\$ 204,888
-	-	-	-	11,000
<u>46,288</u>	<u>4,691</u>	<u>-</u>	<u>(188,689)</u>	<u>-</u>
52,601	25,691	56,000	(188,689)	215,888
2,500	-	-	-	90,500
-	-	-	-	6,166
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,869,879</u>
55,101	25,691	56,000	(188,689)	4,182,433
-	-	845,243	-	845,243
<u>10,121,346</u>	<u>3,158,930</u>	<u>-</u>	<u>-</u>	<u>46,506,393</u>
<u>10,121,346</u>	<u>3,158,930</u>	<u>845,243</u>	<u>-</u>	<u>47,351,636</u>
<u>\$ 10,176,447</u>	<u>\$ 3,184,621</u>	<u>\$ 901,243</u>	<u>\$ (188,689)</u>	<u>\$ 51,534,069</u>

CHARLEVOIX COUNTY COMMUNITY FOUNDATION  
SCHEDULE OF ACTIVITIES BY FUND CLASSIFICATION

for the year ended December 31, 2020

	<u>Field of Interest</u>	<u>Donor Advised</u>	<u>Designated</u>	<u>Agencies</u>
<b>REVENUES:</b>				
Donations	\$ 185,371	\$ 1,515,319	\$ 216,714	\$ 463,153
Interest and dividends	148,201	298,940	123,712	153,867
Fees	(127,513)	(239,011)	(60,504)	(61,299)
Other income	100,000	-	-	-
Net realized and unrealized gains on investments	936,738	1,856,263	783,505	947,807
Transfers to funds held on behalf of other agencies	<u>-</u>	<u>-</u>	<u>(120,753)</u>	<u>(669,078)</u>
Total revenues	1,242,797	3,431,511	942,674	834,450
<b>EXPENSES:</b>				
Program services:				
Grants and scholarships	472,231	901,215	267,274	382,815
Other program costs	<u>100,000</u>	<u>1,532</u>	<u>3,112</u>	<u>-</u>
Total program expenses	572,231	902,747	270,386	382,815
Management	1,138	1,639	309	499
Fundraising	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>573,369</u>	<u>904,386</u>	<u>270,695</u>	<u>383,314</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	669,428	2,527,125	671,979	451,136
<b>NET ASSETS, January 1, 2020</b>	6,917,333	13,232,941	4,985,101	3,850,476
Interfund transfers	<u>114,603</u>	<u>(350,821)</u>	<u>177,402</u>	<u>(20,586)</u>
<b>NET ASSETS, December 31, 2020</b>	<u>\$ 7,701,364</u>	<u>\$ 15,409,245</u>	<u>\$ 5,834,482</u>	<u>\$ 4,281,026</u>

The accompanying notes are a part of the financial statements.

<u>Scholarships</u>	<u>Unrestricted Endowment</u>	<u>Operations</u>	<u>Total</u>
\$ 1,588,887	\$ 79,245	\$ 250	\$ 4,048,939
195,752	63,344	8,267	992,083
(153,900)	(18,029)	660,325	69
-	-	69,336	169,336
1,382,117	402,121	-	6,308,551
-	-	-	(789,831)
<u>3,012,856</u>	<u>526,681</u>	<u>738,178</u>	<u>10,729,147</u>
194,576	169,151	84,001	2,471,263
<u>2,160</u>	<u>-</u>	<u>283,412</u>	<u>390,216</u>
196,736	169,151	367,413	2,861,479
59	117	163,013	166,774
<u>-</u>	<u>-</u>	<u>137,110</u>	<u>137,110</u>
<u>196,795</u>	<u>169,268</u>	<u>667,536</u>	<u>3,165,363</u>
2,816,061	357,413	70,642	7,563,784
7,281,133	2,699,333	821,535	39,787,852
<u>24,152</u>	<u>102,184</u>	<u>(46,934)</u>	<u>-</u>
<u>\$ 10,121,346</u>	<u>\$ 3,158,930</u>	<u>\$ 845,243</u>	<u>\$ 47,351,636</u>