

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

(a Michigan nonprofit corporation)

FINANCIAL STATEMENTS

for the year ended December 31, 2021

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

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KAMMERMANN & BASCOM, P.C.

Certified Public Accountants

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Established 1988
www.northmi.cpa

INDEPENDENT AUDITOR'S REPORT

June 3, 2022

To the Board of Trustees of
Charlevoix County Community Foundation:

Opinion

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Charlevoix County Community Foundation as of December 31, 2021, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Charlevoix County Community Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with the 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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Charlevoix County Community 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 Charlevoix County Community Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Charlevoix County Community Foundation's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 21, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, 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 supplementary 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, 2021

(with comparative totals as of December 31, 2020)

	<u>ASSETS</u>	
	<u>2021</u>	<u>2020</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,234,779	\$ 3,474,506
Pledges receivable (Note F)	15,992	14,780
Prepaid expenses	<u>3,005</u>	<u>3,005</u>
Total current assets	4,253,776	3,492,291
LONG-TERM ASSETS:		
Investments in marketable securities (Notes D, E and N)	58,397,348	47,608,876
Pledges receivable (Note F)	26,768	19,136
Land, building, furniture and equipment, net of accumulated depreciation (Note G)	<u>396,632</u>	<u>413,766</u>
Total assets	<u>\$ 63,074,524</u>	<u>\$ 51,534,069</u>
	<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES:		
Accounts payable and other accrued liabilities	\$ 14,806	\$ 11,000
Grants and scholarships payable (Note H)	<u>237,475</u>	<u>204,888</u>
Total current liabilities	252,281	215,888
OTHER LIABILITIES:		
Grants and scholarships payable, long-term	233,350	90,500
Pass-through liabilities and special projects	-	6,166
Funds held on behalf of other agencies	<u>4,699,961</u>	<u>3,869,879</u>
Total liabilities	5,185,592	4,182,433
NET ASSETS:		
Without donor restrictions	1,092,342	845,243
With donor restrictions (Note L)	<u>56,796,590</u>	<u>46,506,393</u>
Total net assets	<u>57,888,932</u>	<u>47,351,636</u>
Total liabilities and net assets	<u>\$ 63,074,524</u>	<u>\$ 51,534,069</u>

The accompanying notes are a part of the financial statements.

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

STATEMENT OF ACTIVITIES

for the year ended December 31, 2021

(with comparative totals for the year ended December 31, 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUES AND SUPPORT:				
Contributions	\$ -	\$ 6,167,419	\$ 6,167,419	\$ 4,048,939
Investment income	8,079	2,498,966	2,507,045	992,083
Other income	21	200,000	200,021	169,405
Net realized and unrealized gains on investments	-	5,855,367	5,855,367	6,308,551
Transfers to funds held on behalf of other agencies	-	(830,082)	(830,082)	(789,831)
Net assets released from restrictions	<u>3,601,473</u>	<u>(3,601,473)</u>	<u>-</u>	<u>-</u>
Total revenues and support	3,609,573	10,290,197	13,899,770	10,729,147
EXPENSES:				
Program Services:				
Grants and scholarships	2,507,943	-	2,507,943	2,471,263
Other program costs	<u>522,782</u>	<u>-</u>	<u>522,782</u>	<u>390,216</u>
Total program services	3,030,725	-	3,030,725	2,861,479
Supporting Services:				
Management	182,878	-	182,878	166,774
Fundraising	<u>148,871</u>	<u>-</u>	<u>148,871</u>	<u>137,110</u>
Total supporting services	<u>331,749</u>	<u>-</u>	<u>331,749</u>	<u>303,884</u>
Total expenses	<u>3,362,474</u>	<u>-</u>	<u>3,362,474</u>	<u>3,165,363</u>
Change in net assets	247,099	10,290,197	10,537,296	7,563,784
NET ASSETS, beginning of year	<u>845,243</u>	<u>46,506,393</u>	<u>47,351,636</u>	<u>39,787,852</u>
NET ASSETS, end of year	<u>\$ 1,092,342</u>	<u>\$ 56,796,590</u>	<u>\$ 57,888,932</u>	<u>\$ 47,351,636</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, 2021

(with comparative totals for the year ended December 31, 2020)

	Program Services	Supporting Services			Total Expenses	2020
		Management	Fundraising	Total		
Salaries and wages	\$ 164,276	\$ 100,488	\$ 90,293	\$ 190,781	\$ 355,057	\$ 326,388
Payroll taxes	13,995	8,560	7,692	16,252	30,247	27,526
Employee benefits	26,310	16,091	14,459	30,550	56,860	51,871
Advertising and marketing	18,472	5,038	10,076	15,114	33,586	14,138
Professional services	18,091	9,868	4,934	14,802	32,893	20,933
Office expenses	13,223	7,213	3,606	10,819	24,042	20,415
Travel	4,307	2,349	1,175	3,524	7,831	10,613
Grants and scholarships	2,507,943	-	-	-	2,507,943	2,471,263
Supplies	11,951	6,519	3,260	9,779	21,730	7,926
Life insurance premiums	203,112	-	-	-	203,112	103,112
Occupancy	3,916	2,136	1,068	3,204	7,120	26,975
Software and support	24,441	13,332	6,666	19,998	44,439	51,935
Conferences	5,587	3,048	1,524	4,572	10,159	7,461
Memberships and dues	5,677	3,096	1,548	4,644	10,321	6,856
Depreciation	9,424	5,140	2,570	7,710	17,134	17,951
Totals	<u>\$ 3,030,725</u>	<u>\$ 182,878</u>	<u>\$ 148,871</u>	<u>\$ 331,749</u>	<u>\$ 3,362,474</u>	<u>\$ 3,165,363</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, 2021

(with comparative totals for the year ended December 31, 2020)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 10,537,296	\$ 7,563,784
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Noncash donations	(211,367)	(671,618)
Cash donations for endowments	(4,373,883)	(1,283,854)
Depreciation	17,134	17,951
Realized gains on sales of investments	(592,989)	(2,176,534)
Net unrealized gains on investments	(5,262,378)	(4,132,017)
Transfers to funds held on behalf of other agencies	830,082	789,831
Increase in pledges and accounts receivable	(8,844)	(6,724)
Increase (decrease) in accounts payable and other accrued liabilities	3,806	(6,449)
Decrease in pass-through liabilities and special projects	(6,166)	(49,903)
Increase (decrease) in grants payable	<u>175,437</u>	<u>(21,378)</u>
Net cash flows provided by operating activities	<u>1,108,128</u>	<u>23,089</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(7,761,204)	(12,240,936)
Proceeds from sales of investments	<u>2,828,099</u>	<u>10,831,906</u>
Net cash flows used by investing activities	<u>(4,933,105)</u>	<u>(1,409,030)</u>
CASH FLOWS FROM FINANCING ACTIVITIES,		
Donations for endowments	<u>4,585,250</u>	<u>1,955,472</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	760,273	569,531
CASH AND CASH EQUIVALENTS, beginning of year	<u>3,474,506</u>	<u>2,904,975</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 4,234,779</u>	<u>\$ 3,474,506</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, 2021

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 and grantmaking 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, 2021

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, 2020, 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 \$17,134.

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, 2021

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, 2019.

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 \$33,586.

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2021

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.

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, 2021 are:

Financial assets:	
Cash and cash equivalents	\$ 4,234,779
Less financial assets held to meet obligations:	
Accounts payable and other accrued liabilities	(14,806)
Grants and scholarships payable	<u>(237,475)</u>
Amount available for general expenditures within one year	<u>\$ 3,982,498</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 3, 2022, the date the financial statements were available to be issued.

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2021

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:

	FAIR VALUE	COST
Certificate of deposit	\$ 609,166	\$ 609,166
Mutual funds – equity	40,811,829	26,422,657
Mutual funds – fixed income	10,175,572	10,194,325
Exchange traded funds	<u>6,800,781</u>	<u>2,462,887</u>
Totals	<u>\$ 58,397,348</u>	<u>\$ 39,689,035</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	\$2,558,101
Management investment fees	<u>(51,056)</u>
Total investment income	<u>\$2,507,045</u>

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 total return shall exceed the Consumer Price Index plus the Foundation's spending rate plus the Foundation's administrative fees. 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.

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2021

NOTE E – FAIR VALUE MEASUREMENTS (CONTINUED):

- 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.

At December 31, 2021, 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	\$ 609,166	\$ -	\$ -	\$ 609,166
Mutual funds - equity	40,811,829	-	-	40,811,829
Mutual funds – fixed income	10,175,572	-	-	10,175,572
Exchange traded funds	<u>6,800,781</u>	<u>-</u>	<u>-</u>	<u>6,800,781</u>
Totals	<u>\$58,397,348</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$58,397,348</u>

NOTE F – PLEDGES RECEIVABLE:

As of December 31, 2021, the Foundation has received unconditional promises to give, consisting of pledges as follows:

2022	\$ 15,992
2023	11,768
2023	10,000
2024	<u>5,000</u>
Total	<u>\$ 42,760</u>

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

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2021

NOTE G - LAND, BUILDING, FURNITURE AND EQUIPMENT:

Fixed assets consist of the following at December 31, 2021:

Building and improvements	\$ 460,967
Office furnishings and equipment	<u>81,877</u>
	542,844
Less accumulated depreciation	<u>(171,212)</u>
	371,632
Land	<u>25,000</u>
Total	<u>\$ 396,632</u>

Depreciation expense totaled \$17,134 for the year ended December 31, 2021.

NOTE H – GRANTS AND SCHOLARSHIPS PAYABLE:

Grants and scholarships payable consist of amounts approved for distribution under the Foundation's spending policy, but not yet paid, to local nonprofit organizations or individual scholarship recipients. At December 31, 2021, amounts payable are scheduled as follows:

2022	\$ 237,475
2023	142,050
2024	81,300
2025	5,000
2026	<u>5,000</u>
Total	<u>\$ 470,825</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 2021, the Foundation's contributions to the plan totaled 5.5 percent of qualified compensation and aggregated \$19,229 for the year. Employees are allowed to make contributions to the plan from their earnings as well.

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2021

NOTE J – ENDOWMENT FUNDS:

Endowment funds are summarized as follows:

	<u>With Donor Restrictions</u>
Balance, January 1, 2021	\$39,739,033
Contributions	4,585,250
Net investment income	2,025,983
Realized and unrealized gains	4,812,419
Grants and scholarships	(774,064)
Transfers to other funds	(739,037)
Expenses	<u>(932,179)</u>
Balance, December 31, 2021	<u>\$48,717,405</u>

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.

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2021

NOTE K – 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, 2021, amounts on deposit and invested exceed the FDIC and SIPC insurance limits by approximately \$3,734,754. The Foundation's cash balances are maintained at the level deemed appropriate by management for near-term grant making.

Investments are subject to market fluctuations but are spread among a number of different investments in order to minimize risk. At December 31, 2021, investments were in mutual and exchange-traded funds invested with corporate bonds and common stock issues.

NOTE L – NET ASSETS WITH DONOR RESTRICTIONS:

As of December 31, 2021, net assets with donor restrictions are available for the following purposes:

Purpose restrictions, available for grant spending:	
Field of interest	\$ 2,960,314
Donor advised	12,440,590
Donor designated	2,482,671
Agency endowments	3,668,773
Scholarships	4,826,664
Endowments, unrestricted	<u>1,922,911</u>
Total purpose-restricted net assets	28,301,923
Endowment funds	<u>28,494,667</u>
Total net assets with donor restrictions	<u>\$ 56,796,590</u>

NOTE M – COMMITMENTS:

The Foundation contracted for professional marketing fees totaling approximately \$23,000.

NOTE N – SUBSEQUENT EVENTS:

At May 31, 2022, the Foundation's investments had experienced a decline in value of approximately \$7,650,000, due to volatility in the stock market. This represents a decrease of about 13 percent.

CHARLEVOIX COUNTY COMMUNITY FOUNDATION
SCHEDULE OF FINANCIAL POSITION BY FUND CLASSIFICATION

December 31, 2021

	Field of Interest	Donor Advised	Designated	Agencies		Scholarships	Unrestricted Endowment	Operations	Total
ASSETS									
CURRENT ASSETS:									
Cash and cash equivalents	\$ 1,451,176	\$ 986,999	\$ 110,646	\$ 446,185		\$ 597,237	\$ 147,750	\$ 494,786	\$ 4,234,779
Pledges and accounts receivable	-	-	-	100		15,892	-	-	15,992
Prepaid expenses	-	-	-	-		-	-	3,005	3,005
Total current assets	1,451,176	986,999	110,646	446,285		613,129	147,750	497,791	4,253,776
LONG-TERM ASSETS:									
Investments in marketable securities	7,172,215	16,711,413	7,115,299	8,865,318		14,619,886	3,683,492	229,725	58,397,348
Pledges receivable	-	-	-	100		26,668	-	-	26,768
Land, building, furniture and equipment, net of accumulated depreciation	-	-	-	-		-	-	396,632	396,632
Total assets	<u>\$ 8,623,391</u>	<u>\$ 17,698,412</u>	<u>\$ 7,225,945</u>	<u>\$ 9,311,703</u>		<u>\$ 15,259,683</u>	<u>\$ 3,831,242</u>	<u>\$ 1,124,148</u>	<u>\$ 63,074,524</u>
LIABILITIES AND FUND BALANCES									
CURRENT LIABILITIES:									
Accounts payable and other accrued liabilities	\$ -	\$ -	\$ 11,000	\$ -		\$ -	\$ -	\$ 3,806	\$ 14,806
Grants and scholarships payable, current	20,000	35,000	-	-		154,475	-	28,000	237,475
Total current liabilities	20,000	35,000	11,000	-		154,475	-	31,806	252,281
OTHER LIABILITIES:									
Grants and scholarships payable, long-term	-	20,000	-	-		213,350	-	-	233,350
Pass-through liabilities and special projects	-	-	-	-		-	-	-	-
Funds held on behalf of other agencies	-	-	371,852	4,328,109		-	-	-	4,699,961
Total liabilities	20,000	55,000	382,852	4,328,109		367,825	-	31,806	5,185,592
NET ASSETS:									
Without donor restrictions	-	-	-	-		-	-	1,092,342	1,092,342
With donor restrictions	8,603,391	17,643,412	6,843,093	4,983,594		14,891,858	3,831,242	-	56,796,590
Total net assets	8,603,391	17,643,412	6,843,093	4,983,594		14,891,858	3,831,242	1,092,342	57,888,932
Total liabilities and net assets	<u>\$ 8,623,391</u>	<u>\$ 17,698,412</u>	<u>\$ 7,225,945</u>	<u>\$ 9,311,703</u>		<u>\$ 15,259,683</u>	<u>\$ 3,831,242</u>	<u>\$ 1,124,148</u>	<u>\$ 63,074,524</u>

The accompanying notes are a part of the financial statements.

CHARLEVOIX COUNTY COMMUNITY FOUNDATION
 SCHEDULE OF ACTIVITIES BY FUND CLASSIFICATION
 for the year ended December 31, 2021

	Field of Interest	Donor Advised	Designated	Agencies
REVENUES:				
Donations	\$ 114,713	\$ 1,509,198	\$ 397,999	\$ 374,034
Interest and dividends	310,246	726,672	309,390	386,680
Fees	(157,632)	(310,080)	(68,682)	(79,034)
Other income	200,000	-	-	-
Net realized and unrealized gains on investments	913,825	1,665,197	712,840	869,721
Transfers to funds held on behalf of other agencies	-	-	(98,913)	(731,169)
Total revenues	1,381,152	3,590,987	1,252,634	820,232
EXPENSES:				
Program services:				
Grants and scholarships	387,350	1,122,241	236,117	126,695
Other program costs	200,000	-	-	-
Total program expenses	587,350	1,122,241	236,117	126,695
Management	390	1,737	3,369	835
Fundraising	-	-	-	-
Total expenses	587,740	1,123,978	239,486	127,530
EXCESS OF REVENUES OVER EXPENSES	793,412	2,467,009	1,013,148	692,702
NET ASSETS, January 1, 2021	7,701,364	15,409,245	5,834,482	4,281,026
Interfund transfers	108,615	(232,842)	(4,537)	9,866
NET ASSETS, December 31, 2021	\$ 8,603,391	\$ 17,643,412	\$ 6,843,093	\$ 4,983,594

	Scholarships	Unrestricted Endowment	Operations	Total
	\$ 3,665,178	\$ 106,297	\$ -	\$ 6,167,419
	605,785	160,193	8,079	2,507,045
	(258,700)	(21,267)	895,395	-
	-	-	21	200,021
	1,334,499	359,285	-	5,855,367
	-	-	-	(830,082)
	5,346,762	604,508	903,495	13,899,770
	562,524	73,016	-	2,507,943
	24,712	-	298,070	522,782
	587,236	73,016	298,070	3,030,725
	214	415	175,918	182,878
	-	-	148,871	148,871
	587,450	73,431	622,859	3,362,474
	4,759,312	531,077	280,636	10,537,296
	10,121,346	3,158,930	845,243	47,351,636
	11,200	141,235	(33,537)	-
	\$ 14,891,858	\$ 3,831,242	\$ 1,092,342	\$ 57,888,932

The accompanying notes are a part of the financial statements.

KAMMERMANN & BASCOM, P.C.

Certified Public Accountants

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

Established 1988
www.northmi.cpa

June 3, 2022

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, 2021, 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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~ Petoskey ~
2780 Charlevoix Avenue – Unit 16
Petoskey, MI 49770
p: 231-348-6930

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.

KAMMERMANN & BASCOM, P.C.

Certified Public Accountants

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

Established 1988
www.northmi.cpa

June 3, 2022

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, 2021, and have issued our report thereon dated June 3, 2022. 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 February 11, 2022. 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. No new accounting policies were adopted and the application of existing policies was not changed during 2021. 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 3, 2022.

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.

Charlevoix County Community Foundation
June 3, 2022
Page 3

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.