Eastern Upper Peninsula Community Foundation Alliance, Inc.

dba

Chippewa County Community Foundation

Sault Ste. Marie, Michigan

Financial Statements

For the Year Ended December 31, 2019

EASTERN UPPER PENINSULA COMMUNITY FOUNDATION ALLIANCE, INC.
DBA
CHIPPEWA COUNTY COMMUNITY FOUNDATION.
BOARD OF DIRECTORS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Eastern Upper Peninsula Community
Foundation Alliance, Inc.
dba / Chippewa County Community Foundation
P.O. Box 1979
Sault Ste. Marie, MI 49783

We have audited the accompanying financial statements of the Eastern Upper Peninsula Community Foundation Alliance, Inc., dba Chippewa County Community Foundation (a Michigan Nonprofit Corporation), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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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To the Board of Directors of the
Eastern Upper Peninsula Community
Foundation Alliance, Inc.
dba / Chippewa County Community Foundation

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Eastern Upper Peninsula Community Foundation Alliance, Inc., dba Chippewa County Community Foundation as of December 31, 2019, and the changes in net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Anderson, Tackman & Co. PLC

Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

May 17, 2021

Financial Statements

Statement of Financial Position
December 31, 2019

ASSETS:		
Current Assets:		
Cash and cash equivalents	$	212,008
Prepaid Expense		6,400
Total Current Assets		218,408
Non-Current Assets:		
Investments		3,274,953
Beneficial interest in trust		509,882
Total Non-Current Assets		3,784,835
Property and Equipment:		
Office equipment (net of accumulated depreciation)		7,572
Total Assets	$	4,010,815
LIABILITIES:		
Current Liabilities:		
Accounts payable and accrued expenses	$	5,378
Funds held under agency endowment agreements		216,392
Total Current Liabilities		221,770
NET ASSETS:		
Without Donor Restrictions		26,692
With Donor Restrictions		3,762,353
Total Net Assets		3,789,045
Total Liabilities and Net Assets	$	4,010,815

See accompanying notes to financial statements.

Statement of Activities
For the Year Ended December 31, 2019

	Assets Without Donor Restrictions	Assets With Donor Restrictions	Total
Revenues and Other Support			
Contributions	$ 9,811	$ 480,678	$ 490,489
Fundraising	13,974	-	13,974
Administrative fees	62,767	-	62,767
Investment income	5,500	137,037	142,537
Realized and unrealized gains (losses) on investments, net of investment expenses	-	405,345	405,345
Miscellaneous	7,050	-	7,050
Total Revenues and Other Support	99,102	1,023,060	1,122,162
Expenses			
Program services	54,946	326,237	381,183
Management and general	24,437	58,801	83,238
Fundraising expenses	20,701	-	20,701
Total Expenses	100,084	385,038	485,122
Changes in net assets	(982)	638,022	637,040
Net Assets, beginning of year	27,674	3,124,331	3,152,005
Net Assets, end of year	$ 26,692	$ 3,762,353	$ 3,789,045

See accompanying notes to financial statements.

Eastern Upper Peninsula Community Foundation Alliance, Inc.
dba/Chippewa County Community Foundation

Schedule of Functional Expenses
For the Year Ended December 31, 2019

	Program Services	Supporting Services		
	Endowment Funds	Management & General	Fundraising	Total
Grants to Community	$ 229,018	$ -	$ -	$ 229,018
Scholarships	57,952	-	-	57,952
Wages & Fringe	42,930	4,034	6,050	53,014
Administrative Fees	-	58,598	-	58,598
Insurance	-	1,493	-	1,493
Dues & Publications	1,651	220	330	2,201
Postage & Delivery	800	107	160	1,067
Travel / Conferences / Training	-	463	-	463
Office Supplies	2,423	249	373	3,045
Bank Fees	-	390	-	390
Advertising & Marketing	1,125	150	225	1,500
Professional Services	-	17,355	-	17,355
Fundraising Supplies	-	-	13,325	13,325
Youth Advisory Committee	41,994	-	-	41,994
Telephone & Internet	934	125	187	1,246
Website	2,100	-	-	2,100
Other	-	20	-	20
Depreciation	256	34	51	341
TOTAL	$ 381,183	$ 83,238	$ 20,701	$ 485,122

See accompanying notes to financial statements.

Statement of Cash Flows
For the Year Ended December 31, 2019

Operating Activities:	
Changes in net assets	$ 637,040
Adjustments to reconcile changes in net assets to net cash and cash equivalents used by operating activities:	
Net realized investment gains or losses	27,326
Net unrealized investment gains or losses	(456,984)
Depreciation	341
Changes in:	
Prepaid expenses	(5,387)
Beneficial interest in trust	(44,263)
Accounts payable/accrued expenses	2,352
Agency endowment agreements	29,792
Net cash provide by operating activities	190,217
Investing Activities:	
Proceeds from sale of investments	534,389
Purchases of investments	(665,115)
Net cash used in investing activities:	(130,726)
Net increase in cash and cash equivalents	59,491
Cash and equivalents, beginning of year	152,517
Cash and equivalents, end of year	$ 212,008

See accompanying notes to financial statements.

Notes to Financial Statements

NOTE A - NATURE OF FOUNDATION AND PURPOSE:

The Eastern Upper Peninsula Community Foundation Alliance, Inc. dba Chippewa County Community Foundation was organized as a non-profit Michigan corporation October 27, 1994, under IRS code section 501(c)(3) and is exempt from federal and state income taxes.

The purpose of the Foundation is to receive and accept property to be administered exclusively for charitable purposes primarily in and for the benefit of the people of Chippewa, Mackinac, and Luce Counties, Michigan.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

The Foundation maintains its accounting records on the accrual basis, in accordance with U.S. generally accepted accounting principles. The Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

> Net Assets Without Donor Restriction – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors.
>
> Net Assets With Donor Restriction – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenue and Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

The Foundation recognizes contributions when cash or other assets, an unconditional promise to give or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

The Foundation has adopted Accounting Standards Update ("ASU") No. 2018-08 Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605) during fiscal year 2019, as management believes the standard improves the usefulness and understandability of the Foundation's financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the Foundation recognizes contributions, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of contributions have been enhanced in accordance with the standard.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Use of Estimates

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

Fair Value of Financial Instruments

The carrying amounts of financial instruments including cash, and accounts payable and accrued expenses approximate their fair values because of the relatively short maturity of these instruments.

Cash and Cash Equivalents

For purposes of the statements of position and cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash and cash equivalents.

The Organization has adopted Accounting Standards Update ("ASU") No. 2016-18 Statement of Cash Flows (Topic 230) during fiscal year 2019, as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization presents cash flows, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

Investments and Fair Value

Investments and Fair Value Investments, primarily consisting of mutual funds, are stated at fair value. Investments in equity securities and mutual funds with readily determinable values are valued based on quoted market prices in active markets in which the securities are traded. Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the statements of activities as increases or decreases in net assets without donor restrictions unless the use was restricted by explicit donor stipulations.

The Foundation applies the U.S. GAAP authoritative guidance for Fair Value Measurements and Disclosures, which defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. The standard describes three levels of inputs that may be used to measure fair value:

Level 1—Quoted prices in active markets for identical assets or liabilities.

Level 2—Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Valuation techniques used in fair value measurements need to maximize the use of observable inputs and minimize the use of unobservable inputs. A valuation method may produce a fair value measurement that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions could result in different fair value measurements at the reporting date. There have been no changes in the methodologies used during the year ended December 31, 2019.

Valuation of Long-Lived Assets

In accordance with the provisions of the accounting pronouncement on accounting for the impairment or disposal of long-lived assets, the Foundation reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Management has determined that no assessment was required for the period presented in the financial statements.

Property and Equipment

It is the Foundation's policy to capitalize property and equipment if cost is over $500 and the estimated useful life is more than one year. The Foundation's fixed assets are carried at cost or fair market value, if donated. Maintenance and repairs are charged to expense as incurred. Major renewals or betterments are capitalized. Property, equipment, and improvements are depreciated using the straight-line method over the following useful lives:

Office furniture and equipment	3 to 7 years
Furniture and fixtures	3 to 7 years

Agency Endowment Funds

The Foundation may accept contributions from another nonprofit organization and agree to transfer those assets, and return on investment of those assets, or both, back to the nonprofit organization at some point in the future.

Because the Foundation maintains variance power and fiduciary responsibility for all funds held under agency endowment agreements, these funds continue to be reported as assets. However, a liability, Funds Held under Agency Endowment Agreements, has been established for the fair value of the funds.

Donated Materials and Services

No amounts have been reflected in the accompanying financial statements for donated services. The Foundation pays for most services requiring specific expertise. However, many individuals volunteer significant amounts of time in the Foundation's programs. Additionally, the Foundation subleases donated office space. During the year, the value of contributed services was not material and has not been recorded.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Functional Expenses

The costs of program and supporting service activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain costs are attributed to more than one program or supporting function and, therefore, require allocation among the programs and supporting services benefited. Management believes their allocations are done on a reasonable and consistent basis. Most personnel costs, office expenses, professional services, and other expenses are identified with a specific program or supporting function at the time they are incurred and are reported accordingly. However, some of these expenses require allocation, which is done based on estimates of time and effort.

Income Taxes

The Foundation is a not-for-profit organization that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision or liability for federal taxes has been included in the accompanying financial statements. The Foundation is exempt from federal income tax on all income except unrelated business income as noted under Section 511 of the Internal Revenue Code. Internal Revenue code section 513(a) defines an unrelated trade or business of an exempt organization as any trade or business which is not substantially related to the exercise or performance of its exempt purpose. The Foundation does not have any unrelated business income.

The Foundation’s tax returns are generally subject to examination by the Internal Revenue Service for a period of three years from the respective filing deadlines of those returns.

Related Parties

The Foundation, through its wholly owned subsidiary CCCF Manager 1, LLC, owns a 10% interest in the CHN Malcom Limited Dividend Housing Association Limited Partnership ("Malcolm"). CCCF Manager 1, LLC is the General Partner of Malcom. The Foundation will provide administrative assistance to Malcolm. During the year ended December 31, 2019, the Foundation made no payments on behalf of, or was reimbursed by Malcom for utilities, building maintenance, or salaries and benefits. The Foundation is a party to an agreement with Malcolm where it is committed to loan them $300,000 at a 6% interest rate for a 17-year term contingent on cash flows. As of December 31, 2019, the loan has not been funded due to a delay in the project.

The board of the Foundation created an affiliated limited liability company, CCCF Developer, LLC, to sign a development service agreement with Malcom, provide development services, serve as developers and receive 10% of the developer fees paid by Malcolm. As of December 31, 2019, no development service agreement has been signed and no developer fees paid due to a delay in the project.

The above wholly owned subsidiaries are to be consolidated in the financial statements of Chippewa County Community Foundation; however, there are no assets, liabilities or partner’s equity for either subsidiary as of December 31, 2019. Additionally, there has been no profit or loss activity in the year December 31, 2019.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through May 17, 2021.

NOTE C - CASH AND INVESTMENTS:

The financial position accounts and types of cash items as of December 31, 2019 are presented below:

Financial Position Account	Amount	Cash Items	Amounts
Cash and Equivalents	$ 212,008	Checking & Savings	$ 35,124
		Money Market Savings	112,932
	$ 212,008	Certificates of Deposit	63,952
			$ 212,008

At year end, the carrying amount of deposits with financial institutions was $136,154, which excludes deposits in transit and outstanding checks. 100% of the balance was covered by federal depository insurance.

Investments consist of the following on December 31, 2019 (all Level 1):

	Fair Value
Mutual Funds	$ 2,996,637
EFT	277,956
Stock	360
Total	$ 3,274,953

As of December 31, 2019, all of the Foundation's investments are in external investment pools with the exception of investments in Certificates of Deposit and stock.

Interest rate risk. The Foundation has a formal investment policy; however, it does not have a section that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial credit risk. Investment custodial credit risk is the risk that in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investment of securities that are in the possession of an outside party. Of the Foundation's $3,274,953 in investments, $216,392 is not in the name of the Foundation but in the name of the agent.

NOTE C - CASH AND INVESTMENTS: (Continued)

Credit risk. As of December 31, 2019, the Foundation's investments in the external investment pools had the following Morning Star ratings:

Investment Name	Ticker	Rating
MSCI EAFE Small Cap Fund ETF	SCZ	4 Star
Core US Aggregate Bond ETF	AGG	3 Star
Russell Midcap Growth Fund ETF	IWP	3 Star
Russell Midcap Value Fund ETF	IWS	4 Star
Russell 1000 Value Fund ETF	IWD	3 Star
Russell 2000 Fund ETF	IWM	4 Star
S&P 500 Growth Fund ETF	IVW	4 Star
MSCI EAFE Growth Fund ETF	EFG	3 Star
MSCI EAFE Value Fund ETF	EFV	3 Star
Vanguard Value ETF	VTV	4 Star
Vanguard Large Cap ETF	VV	5 Star
Vanguard FTSE All-Wld Ex-US ETF	VEU	4 Star
Vanguard Total Bond Market ETF	BND	3 Star
PGIM High Yield R6	PHYQX	5 Star
American Europacific Growth Cl F3	FEUPX	3 Star
Bridge Builder Core Bond	BBTBX	4 Star
Bridge Builder Core Plus Bond	BBCPX	4 Star
Bridge Builder INTL Equity	BBIEX	4 Star
Bridge Builder Large Growth	BBGLX	3 Star
Bridge Builder Large Value	BBVLX	4 Star
Bridge Builder Small/Mid Value	BBVSX	3 Star
Clearbridge Small Cap Growth	LMOIX	4 Star
DFA Emerging Markets Value	DFEVX	1 Star
Dodge & Cox Stock Fund	DODGX	4 Star
Harbor International Class R	HNINX	2 Star
Invesco Global Real Estate Class R6	FGREX	2 Star
Invesco Growth and Income Class R6	GIFFX	3 Star
LSV Value Equity Class I	LSVEX	3 Star
MFS International Value Class R6	MINJX	4 Star
MFS MA Investors Growth Stock Class R6	MIGNX	3 Star
PIMCO High Yield Class I	PHIYX	4 Star
Principal Midcap Class I R6	PMAQX	3 Star
Royce Special Equity Class I	RSEIX	4 Star
T Rowe Price Equity Income Class I	REIPX	3 Star
T Rowe Price Overseas Stock Class I	TROIX	4 Star

NOTE C - CASH AND INVESTMENTS: (Continued)

**Morningstar rates mutual funds from one to five stars based on how well they've performed (after adjusting for risk and accounting for all sales charges) in comparison to similar funds. Within each Morningstar Category, the top 10% of funds receive five stars, the next 22.5% four stars, the middle 35% three stars, the next 22.5% two stars, and the bottom 10% receive one star. Funds are rated for up to three time periods (three, five and 10 years) and these ratings are combined to produce an overall rating. Funds with less than three years of history are not rated. Ratings are objective, based entirely on a mathematical evaluation of past performance. They are a useful tool for identifying funds worthy of further research, but should not be considered buy or sell recommendations.

The following schedule summarizes the investment return for the year ended December 31, 2019:

Realized Gains	$	(27,326)
Unrealized Gains		456,984
Investment Fees		(24,313)
Total Investment Return	$	405,345

NOTE D - AVAILABILITY AND LIQUIDITY:

The following represents the Foundation's financial assets at December 31, 2019.

Financial assets at year-end:		
Cash and cash equivalents	$	212,008
Investments		3,274,953
Beneficial interest in trust		509,882
Total financial assets		3,996,843
Less:		
Net assets with donor restrictions		3,762,353
Financial assets available to meet general expenditures over the next twelve months	$	234,490

The Foundation's goal is generally to maintain financial assets to meet 90 days of operating expenses. It has a $41,568 line of credit available to meet cash flow needs.

NOTE E - PROPERTY AND EQUIPMENT:

A summary of property and equipment as of and for the year ended December 31, 2019 is as follows:

	Balance 1/1/2019	Additions	Balance 12/31/2019
Office Equipment	$ 10,070	$ -	$ 10,070
Less: Accumulated depreciation	(2,157)	(341)	(2,498)
Net Property, Equipment and Improvements	$ 7,913	$ (341)	$ 7,572

Depreciation expense charged to operations for the year ended December 31, 2019 was $341.

NOTE F- LINE OF CREDIT:

The Foundation has an available line of credit through its investment account. The available amount as of December 31, 2019, was $41,568. As of December 31, 2019, $0 was borrowed against the line.

NOTE G - FUNDS HELD UNDER AGENCY ENDOWMENT AGREEMENTS:

Although commingled with the Foundation's investments, the funds held under the agency endowment agreements are separately accounted for because the Foundation has agreed to transfer those assets, and return on investment of assets, or both to the nonprofit organizations at some point in the future. Activity for December 31, 2019 is as follows:

Beginning balance	$ 186,600
Additions:	
Investment income and gains (losses)	40,747
Deductions:	
Grants	(5,061)
Service fees assessed	(5,895)
Total deductions	(10,956)
Ending balance	$ 216,391

NOTE H - CHARITABLE REMAINDER UNITRUST:

The Foundation has been named a remainder beneficiary of a charitable remainder unitrust, which was created in 2015. One income beneficiary is to receive 5.00% of the net fair market value of the assets in the trust on the first day of the trust year annually. Upon the death of the income beneficiary, the remaining principal and income of the trust is to be distributed to the Foundation. A non-current asset for the charitable remainder trust was recognized at the fair market value. The expected future cash flow of $509,882 represents the Foundation's share of the fair market value of the trust as of December 31, 2019. This balance has been recorded as a donor-restricted contribution. The present value has been calculated using a discount rate of 5.00% and a term of eleven years.

NOTE I - ENDOWMENTS:

The Foundation's endowments consist of approximately sixty-seven individual funds established for a variety of purposes. The endowments include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law:

For donor-restricted endowment funds, the Board of Directors of the Foundation have interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gifts as of the gift date absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classify as permanently restricted assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified at temporarily restricted net assets until those amounts are appropriated for expenditures by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. 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 purposes of the Foundation 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 of investments.

(6) Other resources of the Foundation.

(7) The investment policies of the Foundation.

Spending Policy. The Foundation has a spending policy which determines the amount available for granting only once each year. The spending policy formula is applied against the net asset value of all endowed funds as of the previous calendar year end. The amount available for spending was calculated on the simple moving average, based on the number of quarters each fund has been in existence up to twelve quarters. After a fund has been in existence twelve quarters, the most recent twelve quarters will be used. It will be calculated as a twelve-quarter rolling average of the market value in the future. The available amount for spending from the fund's market value, for distribution and administration, will be up to five percent for granting purposes plus the current administrative fee rate. The fund's endowed principal will not be invaded for distribution except as allowed by the fund agreement.

NOTE I - ENDOWMENTS: (Continued)

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Board of Trustees of the Foundation has interpreted SPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

	With Donor Restrictions
Donor-restricted endowment funds	$ 2,893,711
Board-designated endowment funds	116,109
	3,009,820

Changes in endowment net assets for the fiscal year ended December 31, 2019:

	With Donor Restrictions
Endowment net assets, beginning of year	$ 3,124,331
Investment return:	
Interest and dividends	122,284
Net gain (loss) – realized and unrealized	386,467
Total investment return	508,751
Contributions	232,367
Appropriation for expenditure - special	(784,087)
Fees	(71,542)
Endowment net assets, end of year	$ 3,009,820

Return objective and risk parameters:

The Foundation has adopted investment and spending policies for endowment assets that attempt to accumulate a pool of assets sufficient to build community capital for future use with the corresponding obligation to support current and future community needs. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under the Foundation's policies, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that meet or exceed a target balanced index composed of: 40% of the S&P500 index, 15% Morgan Stanley Capital International Europe, Australia, Far East Index "EAFE" (international equity) and 30% of the LB Aggregate Bond Index (fixed income).

NOTE J - NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions at December 31, 2019 are available for the following purposes:

	With Donor Restriction
Scholarships	$ 1,306,937
Education/Youth Funds	637,046
Arts/Dance	2,063
Environmental	220,429
History Preservation	76,902
Other	1,518,976
Total	$ 3,762,353

NOTE K - CONCENTRATIONS OF CREDIT RISK:

The majority of the Foundation's contributions are received from donors located in the Eastern Upper Peninsula. As such, the Foundation's ability to generate resources via contributions is dependent upon the economic health of that area. An economic downturn could cause a decrease in contributions that coincides with an increase in need among the not-for-profit organizations that the Foundation supports.

NOTE L - FUNDRAISING EXPENSE:

Total fundraising expense for the year ended December 31, 2019 was $20,701. Fundraising expenses related to the annual Soo Ultimate Paddle Board Day event totaled $20,701 or 149% of the total contribution revenue generated from the event. The ratio of expenses to amounts raised is computed using actual expenses and related contributions on an accrual basis.

NOTE N- SUBSEQUENT EVENTS:

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. This has resulted in federal, state and local governments and private entities mandating various restrictions, including travel restrictions, restrictions on public gatherings, stay at home orders and advisories and quarantining of people who may have been exposed to the virus. While this disruption is currently expected be temporary, there is uncertainty around the duration. At this time, the Organization does not expect this matter to severely impact the organization financially; however, the effects cannot be determined at this time.

In April 2020, a new agreement was signed related to the related parties in NOTE B changing the project from Malcolm Lofts to Garfield Landing Project. The project still remains unfunded as of the date through which subsequent events were evaluated.

In May 2020, the Organization took advantage of the Payroll Protection Program with a loan of $7,600. The loan was forgiven on December 16, 2020.

In June 2020, the Foundation received a $1,030,000 donor-advised endowment fund to be used to establish a scholarship in the name of the donor.

ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE
KENNETH A. TALSMA, CPA, PRINCIPAL
AMBER N. MACK, CPA, PRINCIPAL

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MICHIGAN & WISCONSIN

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Board of Directors of the
Eastern Upper Peninsula Community
Foundation Alliance, Inc.
dba / Chippewa County Community Foundation
P.O. Box 1979
Sault Ste. Marie, MI 49783

We have audited the financial statements of the Eastern Upper Peninsula Community Foundation Alliance, Inc., dba Chippewa County Community Foundation, (a Michigan nonprofit corporation) for the year ended December 31, 2019, and have issued our report thereon dated May 17, 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 to you dated January 19, 2021. Professional standards also require that we communicate to you the following information related to our audit

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Eastern Upper Peninsula Community Foundation Alliance, Inc., dba Chippewa County Community Foundation are described in Note 1 to the financial statements. One new accounting policy was adopted: ASU No. 2018-08, *Not-for-profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The application of existing policies was not changed during the year. 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 most sensitive estimates affecting the financial statements were:

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- Management's estimate of Depreciation Expense is based on the estimated useful life of the depreciable long-lived asset. We evaluated the key factors and assumptions used to develop Depreciation Expense in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's estimate of the valuation of investment securities is based on quoted market prices for publicly traded securities as provided by investment managers, brokers and bank trust departments. We evaluated the key factors and assumptions used to develop the estimate of the fair value of investments in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statements 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.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate 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.

Disagreement 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 May 17, 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 as 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.

Comments and Recommendations

Journal Entries

It was noted in our testing that journal entries posted lacked supporting documentation. It is recommended as a best practice that journal entries posted be printed and attached to the support used to make such entries. In the event that this support is in electronic form, we recommend printing a hard copy. Additionally, we recommend developing a process of journal entry review/approval.

Upcoming Accounting Change

In February 2016, the FASB issued ASU No. 2016-02, *Leases,* which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Organization year ending December 31, 2022 and will be applied using a modified retrospective transition method to the beginning of the earliest period present.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Organization's year ending December 31, 2020. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods.

Conclusion

This information is intended solely for the use of the Board of Directors and management of the Eastern Upper Peninsula Community Foundation Alliance, Inc., dba Chippewa County Community Foundation and is not intended to be and should not be used by anyone other than these specified parties.

We would like to express our appreciation, as well as that our staff, for the excellent cooperation we received while performing the audit. If we can be of any assistance in implementing the above recommendations, please contact us.

Anderson, Tackman & Co. PLC

Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

May 17, 2021