Eastern Upper Peninsula Community Foundation Alliance, Inc.

dba

Chippewa County Community Foundation

Sault Ste. Marie, Michigan

Financial Statements

For the Year Ended December 31, 2020

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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MEMBER AICPA
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MICHIGAN & WISCONSIN

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

Opinion

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, 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.

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, 2020, 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.

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 the Eastern Upper Peninsula Community Foundation Alliance, Inc., dba Chippewa 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 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.

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 Eastern Upper Peninsula Community Foundation Alliance, Inc., dba Chippewa 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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To the Board of Directors of the
Eastern Upper Peninsula Community
Foundation Alliance, Inc.
dba / Chippewa County Community Foundation

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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the 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 Eastern Upper Peninsula Community Foundation Alliance, Inc., dba Chippewa 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 Eastern Upper Peninsula Community Foundation Alliance, Inc., dba Chippewa 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.

Anderson Tackman & Co. PLC

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

October 4, 2021

Financial Statements

Statement of Financial Position
December 31, 2020

ASSETS:		
Current Assets:		
Cash and cash equivalents	$	158,585
Prepaid Expense		2,000
Total Current Assets		160,585
Non-Current Assets:		
Investments		4,832,882
Beneficial interest in trust		514,193
Total Non-Current Assets		5,347,075
Property and Equipment:		
Office equipment (net of accumulated depreciation)		4,761
Total Assets	$	5,512,421
LIABILITIES:		
Current Liabilities:		
Accounts payable and accrued expenses	$	4,131
Funds held under agency endowment agreements		242,057
Total Current Liabilities		246,188
NET ASSETS:		
Without Donor Restrictions		34,885
With Donor Restrictions		5,231,348
Total Net Assets		5,266,233
Total Liabilities and Net Assets	$	5,512,421

See accompanying notes to financial statements.

Statement of Activities
For the Year Ended December 31, 2020

	Assets Without Donor Restrictions	Assets With Donor Restrictions	Total
Revenues and Other Support			
Contributions	$ 29,640	$ 1,219,662	$ 1,249,302
Grant Income	7,600	-	7,600
Fundraising	475	-	475
Administrative fees	78,856	-	78,856
Investment income	2,015	155,476	157,491
Realized and unrealized gains (losses) on investments, net of investment expenses	3,579	401,239	404,818
Miscellaneous	2,212	-	2,212
Total Revenues and Other Support	124,377	1,776,377	1,900,754
Expenses			
Program services	92,947	209,525	302,472
Management and general	18,712	78,931	97,643
Fundraising expenses	4,525	-	4,525
Total Expenses	116,184	288,456	404,640
Changes in net assets	8,193	1,487,921	1,496,114
Net Assets, beginning of year (As Restated - See Note L)	26,692	3,743,427	3,770,119
Net Assets, end of year	$ 34,885	$ 5,231,348	$ 5,266,233

See accompanying notes to financial statements.

Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services	Supporting Services		
	Endowment Funds	Management & General	Fundraising	Total
Grants to Community	$ 169,669	$ -	$ -	$ 169,669
Scholarships	68,598	-	-	68,598
Wages & Fringe	44,211	5,212	-	49,423
Administrative Fees	-	78,856	-	78,856
Insurance	-	1,652	-	1,652
Dues & Publications	1,998	222	-	2,220
Postage & Delivery	1,060	118	-	1,178
Travel / Conferences / Training	500	-	-	500
Office Supplies	3,467	380	-	3,847
Bank Fees	-	368	-	368
Advertising & Marketing	1,469	367	-	1,836
Professional Services	5,054	9,318	-	14,372
Fundraising Supplies	-	-	4,525	4,525
Youth Advisory Committee	178	-	-	178
Telephone & Internet	1,552	172	-	1,724
Website	281	-	-	281
Rent Expense	1,905	212	-	2,117
Other	-	485	-	485
Depreciation	2,530	281	-	2,811
TOTAL	$ 302,472	$ 97,643	$ 4,525	$ 404,640

See accompanying notes to financial statements.

Statement of Cash Flows
For the Year Ended December 31, 2020

Operating Activities:		
Changes in net assets	$	1,496,114
Adjustments to reconcile changes in net assets to net cash and cash equivalents used by operating activities:		
Net realized investment gains or losses		25,459
Net unrealized investment gains or losses		(459,588)
Depreciation		2,811
Changes in:		
Prepaid expenses		4,400
Beneficial interest in trust		(4,311)
Accounts payable and accrued expenses		(1,247)
Agency endowment agreements		31,230
Net cash provide by operating activities		1,094,868
Investing Activities:		
Proceeds from sale of investments		895,232
Purchases of investments		(2,043,523)
Net cash used in investing activities:		(1,148,291)
Net increase in cash and cash equivalents		(53,423)
Cash and equivalents, beginning of year		212,008
Cash and equivalents, end of year	$	158,585

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.

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.

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

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.

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.

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, 2020.

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.

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

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.

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.

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

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, 2020, 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, 2020, 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, 2020, 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, 2020. Additionally, there has been no profit or loss activity in the year December 31, 2020.

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 October 4, 2021.

NOTE C - CASH AND INVESTMENTS:

The financial position accounts and types of cash items as of December 31, 2020 are presented below:

Financial Position Account	Amount	Cash Items	Amounts
Cash and Equivalents	$ 158,585	Checking & Savings	$ 382
		Money Market Savings	158,065
		Undeposited Funds	138
			$ 158,585

At year end, the carrying amount of deposits with financial institutions was $161,543, 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, 2020 (all Level 1):

	Fair Value
Mutual Funds	$ 4,666,854
EFT	166,028
Total	$ 4,832,882

As of December 31, 2020, all of the Foundation's investments are in external investment pools.

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 $4,832,882 in investments, $242,057 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, 2020, 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	4 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-World 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	5 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 Growth	BBGSX	3 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	5 Star
Harbor International Class R	HNINX	2 Star
Invesco Global Real Estate Class R6	FGREX	2 Star
Invesco Growth and Income Class R6	GIFFX	2 Star
MFS Emerging Markets Debt Class R6	MEDHX	5 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 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, 2020:

Realized Gains (Losses)	$ (25,459)
Unrealized Gains (Losses)	459,588
Investment Fees	(29,311)
Total Investment Return	$ 404,818

NOTE D - AVAILABILITY AND LIQUIDITY:

The following represents the Foundation's financial assets at December 31, 2020.

Financial assets at year-end:	
Cash and cash equivalents	$ 158,585
Investments	4,832,882
Beneficial interest in trust	514,193
Total financial assets	5,505,660
Less:	
Net assets with donor restrictions	5,231,348
Financial assets available to meet general expenditures over the next twelve months	$ 274,312

The Foundation's goal is generally to maintain financial assets to meet 90 days of operating expenses.

NOTE E - PROPERTY AND EQUIPMENT:

A summary of property and equipment as of and for the year ended December 31, 2020 is as follows:

	Balance 1/1/2020	Additions	Balance 12/31/2020
Office Equipment	$ 10,070	$ -	$ 10,070
Less: Accumulated depreciation	(2,498)	(2,811)	(5,309)
Net Property, Equipment and Improvements	$ 7,572	$ (2,811)	$ 4,761

Depreciation expense charged to operations for the year ended December 31, 2020 was $2,811.

NOTE F - 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, 2020 is as follows:

Beginning balance (As Restated – See Note L)	$ 235,317
Additions:	
Investment income and gains (losses)	20,941
Deductions:	
Grants	(8,618)
Service fees assessed	(5,583)
Total deductions	(14,201)
Ending balance	$ 242,057

NOTE G - 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 $514,193 represents the Foundation's share of the fair market value of the trust as of December 31, 2020. 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 H - ENDOWMENTS:

The Foundation's endowments consist of approximately seventy-one 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 H - 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.

Endowment funds at December 31, 2020 are made up of the following:

Donor-restricted endowment funds	$ 4,372,827
Board-designated endowment funds	128,337
	4,501,164

Changes in endowment net assets for the fiscal year ended December 31, 2020:

Endowment net assets, beginning of year*	$ 2,991,183
Investment return:	
Interest and dividends	145,523
Net gain (loss) – realized and unrealized	384,159
Total investment return	529,682
Contributions	1,126,822
Appropriation for expenditure - special	(76,526)
Fees	(69,997)
Endowment net assets, end of year	$ 4,501,164

*The beginning balance has been adjusted by $(18,637) for reclassification of funds in the current year. Such adjustment has no effect on net assets with donor restrictions at the beginning of the year.

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 I - NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions at December 31, 2020 are made up of the following:

	With Donor Restriction
Endowment Funds	$ 4,501,164
Special Project Funds	730,184
Total	$ 5,231,348

Net assets with donor restrictions at December 31, 2020 are available for the following purposes:

	With Donor Restriction
Scholarships	$ 2,812,777
Education/Youth Funds	1,093,252
Arts/Culture/History	84,239
Environmental	192,204
Other	1,048,876
Total	$ 5,231,348

NOTE J - LEASE COMMITMENTS

The Foundation has a cancelable operating lease for office space in Sault Ste. Marie, requiring monthly payments of $483 until August 2021, of which the Foundation has the option to extend an additional year. Rent expense charged to operations for the year ended December 31, 2020 was $2,117.

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 - RESTATEMENT

		With Donor Restrictions
Beginning net position as previously reported at January 1, 2020	$	3,762,353
Restatement of beginning net position:		
To reclassify agency fund that had previously been improperly recorded as donor endowment funds		(18,926)
Net position as restated, January 1, 2020	$	3,743,427

NOTE M - SUBSEQUENT EVENTS:

In January 2021, the Foundation took advantage of the Payroll Protection Program with a loan of $9,100. The loan is expected to be forgiven.

In August 2021, Community Housing Network (CHN) was funded by MSDHA and the Garfield project is expected to begin in spring 2022.

ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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

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TORI N. KRUISE, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS
MEMBER MACPA
OFFICES IN
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, 2020, and have issued our report thereon dated October 4, 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 September 20, 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 A to the financial statements. No new accounting policies were adopted in and 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. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and 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 October 4, 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.

Status: Uncorrected

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.

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

October 4, 2021

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NPO-CX-12.2: Audit Difference Evaluation Form

Entity: CCCF

Statement of Financial Position Date: 12/31/2020

Completed by: TNK

Date: 9/21/2021

Instructions: This form may be used to accumulate audit differences (AD) that are not considered clearly trivial in amount, nature, or circumstances (documented at Step 5 of NPO-CX-2.1). This form should not include normal closing entries. At the end of the audit, evaluate all uncorrected audit differences, individually and in the aggregate, in relation to individual amounts, subtotals, or totals in the financial statements and conclude on whether they materially misstate the financial statements taken as a whole. This form also provides a space to document any misstatements of disclosures (including quantitative and qualitative disclosures) that are considered when evaluating misstatements in the aggregate. Before evaluating the effect of uncorrected misstatements, reassess whether materiality is still appropriate based on the entity's actual financial results. The notes following the table provide explanations and a listing of qualitative considerations in evaluating materiality. The form allows for quantifying the effect of misstatements using both the rollover and iron curtain methods, as appropriate. You need to be familiar with the guidance in section 1112 before completing this form.

Description (Nature) of Audit Difference (AD)	Factual (F), Judgmental (J), or Projected (P)	Cause	W/P Reference	Financial Statement Effect—Amount of Over (Under) Statement of: Total Assets	Total Liabilities	Net Assets	Revenues	Expenses	Change in Net Assets	Working Capital
Overstatement of capital assets	F	Unknown	CA	$2,350				-$2,350	$2,350	
Understatement of prepaid expense	F	Unknown	H-3	-$4,500				$4,500	-$4,500	
									$0	
									$0	
									$0	
									$0	
									$0	
									$0	
									$0	
									$0	
Total				-$2,150	$0	$0	$0	$2,150	-$2,150	$0
Less Audit Adjustments Subsequently Booked				$2,350				-$2,350	$2,350	
Unadjusted AD—Current Year (Iron Curtain Method)				-$4,500	$0	$0	$0	$4,500	-$4,500	$0
Effect of Unadjusted AD—Prior Years									$0	
Combined Current and Prior Year AD (Rollover Method)				-$4,500	$0	$0	$0	$4,500	-$4,500	$0
Financial Statement Caption Totals				$5,512,421	$246,188	$5,266,233	$1,900,754	$404,640	$1,496,114	-$85,603
Current Year AD as % of FS Captions (Iron Curtain Method)				-0.08%	0.00%	0.00%	0.00%	1.11%	-0.30%	0.00%
Current and Prior Year AD as % of FS Captions (Rollover Method)				-0.08%	0.00%	0.00%	0.00%	1.11%	-0.30%	0.00%

Qualitative Factors: Describe qualitative factors that entered into your evaluation of whether uncorrected accumulated misstatements of amounts in the table are material, individually or in the aggregate, in relation to specific accounts and disclosures and to the financial statements as a whole, and the reasons why.

All misstatements were made in error and did not lead us to believe they were made intentionally with an attempt to deceive. Remaining uncorrected misstatements (below TM of $17,000) are immaterial both individually and in the aggregate.

Misstatements of Disclosures: Accumulate and describe any misstatements of disclosures, including qualitative and quantitative disclosures, that entered into your evaluation of whether uncorrected accumulated misstatements are material, individually or in the aggregate, in relation to specific accounts and disclosures and to the financial statements as a whole.

Uncorrected misstatements have no effects on the disclosures.

Conclusion: Based on the results of the evaluation performed above, as well as the consideration of qualitative factors and misstatements by nature or circumstances, uncorrected audit differences, individually and in the aggregate, ○ do ◉ do not cause the financial statements taken as a whole to be materially misstated.