

**Eastern Upper Peninsula Community  
Foundation Alliance, Inc.**

**dba**

**Chippewa County Community Foundation  
Sault Ste. Marie, Michigan**

**Financial Statements  
For the Year Ended December 31, 2021**

**EASTERN UPPER PENINSULA COMMUNITY**  
**FOUNDATION ALLIANCE, INC.**  
**DBA**  
**CHIPPEWA COUNTY COMMUNITY FOUNDATION.**  
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**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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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

**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, 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 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, 2021, 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.

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 & Company, PLC**  
**Certified Public Accountants**  
**Kincheloe, Michigan**

December 8, 2022

## **Financial Statements**

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

**Statement of Financial Position**  
**December 31, 2021**

**ASSETS:**

Current Assets:

Cash and cash equivalents	\$ 246,336
Prepaid expense	2,000
Total Current Assets	<u>248,336</u>

Non-Current Assets:

Investments	5,501,903
Beneficial interest in trust	523,603
Total Non-Current Assets	<u>6,025,506</u>

Property and Equipment:

Office equipment (net of accumulated depreciation)	2,350
Total Assets	<u>\$ 6,276,192</u>

**LIABILITIES:**

Current Liabilities:

Accounts payable and accrued expenses	\$ 3,964
Funds held under agency endowment agreements	264,150
Total Current Liabilities	<u>268,114</u>

**NET ASSETS:**

Without Donor Restrictions	87,892
With Donor Restrictions	5,920,186
Total Net Assets	<u>6,008,078</u>
Total Liabilities and Net Assets	<u>\$ 6,276,192</u>

See accompanying notes to financial statements.

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

**Statement of Activities**  
**For the Year Ended December 31, 2021**

	<b>Assets Without Donor Restrictions</b>	<b>Assets With Donor Restrictions</b>	<b>Total</b>
<b>Revenues and Other Support</b>			
Contributions	\$ 2,511	\$ 361,955	\$ 364,466
Grant Income	14,100	-	14,100
Fundraising	9,322	-	9,322
Administrative fees	92,758	-	92,758
Investment income	13,952	330,347	344,299
Realized and unrealized gains (losses) on investments, net of investment expenses	14,484	338,059	352,543
Net assets released from restrictions	341,523	(341,523)	-
<b>Total Revenues and Other Support</b>	<b>488,650</b>	<b>688,838</b>	<b>1,177,488</b>
<b>Expenses</b>			
Program services	302,017	-	302,017
Management and general	120,204	-	120,204
Fundraising expenses	13,422	-	13,422
<b>Total Expenses</b>	<b>435,643</b>	<b>-</b>	<b>435,643</b>
<b>Changes in net assets</b>	<b>53,007</b>	<b>688,838</b>	<b>741,845</b>
Net Assets, beginning of year	34,885	5,231,348	5,266,233
<b>Net Assets, end of year</b>	<b>\$ 87,892</b>	<b>\$ 5,920,186</b>	<b>\$ 6,008,078</b>

See accompanying notes to financial statements.



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

**Statement of Functional Expenses  
For the Year Ended December 31, 2021**

	Program Services	Supporting Services		Total
	Endowment Funds	Management & General	Fundraising	
Grants to Community	\$ 138,535	\$ -	\$ -	\$ 138,535
Scholarships	93,923	-	-	93,923
Wages & Fringe	37,084	13,244	2,649	52,977
Administrative Fees	-	88,288	-	88,288
Insurance	1,532	547	109	2,188
Dues & Publications	1,608	574	114	2,296
Postage	1,055	377	75	1,507
Travel / Conferences / Meetings	636	94	179	909
Office Supplies	1,594	569	114	2,277
Bank Fees	792	283	57	1,132
Advertising & Marketing	4,272	1,526	305	6,103
Professional Services	10,857	3,878	776	15,511
Fundraising Supplies	-	-	8,453	8,453
Youth Advisory Committee	1,870	801	-	2,671
Telephone & Internet	2,541	907	182	3,630
Software Hosting	-	6,520	-	6,520
Rent Expense	3,600	1,286	257	5,143
Other	430	708	31	1,169
Depreciation	1,688	602	121	2,411
<b>TOTAL</b>	<b>\$ 302,017</b>	<b>\$ 120,204</b>	<b>\$ 13,422</b>	<b>\$ 435,643</b>

See accompanying notes to financial statements.

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

**Statement of Cash Flows**  
**For the Year Ended December 31, 2021**

**Operating Activities:**

Changes in net assets	\$ 741,845
Adjustments to reconcile changes in net assets to net cash and cash equivalents used by operating activities:	
Net realized investment gains or losses	(251,482)
Net unrealized investment gains or losses	(157,129)
Depreciation	2,411
Changes in:	
Beneficial interest in trust	(9,410)
Accounts payable and accrued expenses	(167)
Agency endowment agreements	22,093
<b>Net cash provide by operating activities</b>	<u>348,161</u>
<b>Investing Activities:</b>	
Proceeds from sale of investments	969,688
Purchases of investments	(1,230,098)
<b>Net cash used in investing activities:</b>	<u>(260,410)</u>
<b>Net increase in cash and cash equivalents</b>	87,751
Cash and equivalents, beginning of year	<u>158,585</u>
<b>Cash and equivalents, end of year</b>	<u><u>\$ 246,336</u></u>

See accompanying notes to financial statements.

## **Notes to Financial Statements**

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**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 or are no longer subject to donor-imposed stipulations.

Net Assets With Donor Restriction – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related asset is limited by donor-imposed restrictions. Expenses are recorded as decreases in net assets without donor restriction. Gains and losses on 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. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated passage of time has elapsed) are reported as reclassifications between the applicable classes of net assets.

**Revenue and Revenue Recognition**

Contributions - Contributions, including cash, other assets, and unconditional promises to give, are recognized as revenues in the period received. Contributions whose restrictions are met in the same period they are received are recorded as revenue in net assets with donor restrictions and net assets released from restrictions. Unconditional pledges with terms greater than one year are initially recorded at fair value based on their estimated future cash flows. Pledges are discounted to present value using a discount rate commensurate with the risk involved. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Gifts of assets other than cash are recorded at their estimated fair value.

Grants and contracts – Private grant arrangements are evaluated and determined whether they are nonreciprocal, meaning the granting entity has not received a direct benefit of commensurate value in exchange for the resources provided. Instead, revenue is recognized like a conditional contribution, when the barrier to entitlement is overcome. The barrier to entitlement is considered overcome when expenditures associated with each grant are determined to be allowable and all other significant conditions of the grant are met.

Other revenue – Program fees consist of charges for services and are recorded when the service is provided.

**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.

**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, 2021.

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

**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
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**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.

**Contributed Services**

The Foundation receives donated services from unpaid volunteers who perform a variety of tasks that support the Foundation's activities. No amounts have been recognized for these services in the statement of activities since the criteria for recognition have not been satisfied.

**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.

**Related Parties**

The Foundation, through its wholly owned subsidiary CCCF Manager 1, LLC, owns a 10% interest in the CHN Garfield Limited Dividend Housing Association Limited Partnership ("Garfield"). CCCF Manager 1, LLC is the General Partner of Garfield. The Foundation will provide administrative assistance to Garfield. During the year ended December 31, 2021, the Foundation made no payments on behalf of, or was reimbursed by Garfield for utilities, building maintenance, or salaries and benefits. The Foundation is a party to an agreement with Garfield 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, 2021, 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 Garfield, provide development services, serve as developers, and receive 10% of the developer fees paid by Garfield. As of December 31, 2021, 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, 2021. Additionally, there has been no profit or loss activity in the year December 31, 2021.

**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 December 8, 2022.

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

**Notes to Financial Statements  
December 31, 2021**

**NOTE C - CASH AND INVESTMENTS:**

The financial position accounts and types of cash items as of December 31, 2021 are presented below:

<u>Financial Position Account</u>	<u>Amount</u>	<u>Cash Items</u>	<u>Amounts</u>
Cash and Equivalents	\$ 246,336	Checking & Savings	\$ 43,677
		Money Market Savings	196,534
		Undeposited Funds	<u>6,125</u>
			<u>\$ 246,336</u>

At year end, the carrying amount of deposits with financial institutions was \$231,820, 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, 2021 (all Level 1):

	<u>Fair Value</u>
Mutual Funds	\$ 5,142,645
Exchange Traded Funds	<u>359,258</u>
Total	<u>\$ 5,501,903</u>

As of December 31, 2021, 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 \$5,501,903 in investments, \$264,150 is not in the name of the Foundation but in the name of the agent.



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

**Notes to Financial Statements  
December 31, 2021**

**NOTE C - CASH AND INVESTMENTS: (Continued)**

*Credit risk.* As of December 31, 2021, the Foundation's investments in the external investment pools had the following Morning Star ratings:

<u>Investment Name</u>	<u>Ticker</u>	<u>Rating</u>
MSCI EAFE Small Cap Fund ETF	SCZ	3 Star
Vanguard FTSE Emerging Markets ETF	VWO	4 Star
iShares Core Total USD Bond Market ETF	IUSB	3 Star
iShares Core US Aggregate Bond ETF	AGG	3 Star
iShares Russell Midcap Growth Fund ETF	IWP	3 Star
iShares Russell Midcap Value Fund ETF	IWS	4 Star
iShares Russell 1000 Value Fund ETF	IWD	3 Star
iShares Russell 2000 Fund ETF	IWM	3 Star
iShares S&P 500 Growth Fund ETF	IVW	4 Star
iShares MSCI EAFE Growth Fund ETF	EFG	3 Star
iShares MSCI EAFE Value Fund ETF	EFV	3 Star
iShares Vanguard Value ETF	VTV	5 Star
Vanguard Large Cap ETF	VV	4 Star
Vanguard FTSE All-World Ex-US ETF	VEU	4 Star
Vanguard Total Bond Market ETF	BND	3 Star
PGIM High Yield R6	PHYQX	4 Star
American Europacific Growth CI F3	FEUPX	3 Star
Artisan International Small-Mid Instl	APHJX	5 Star
Bridge Builder Core Bond	BBTBX	4 Star
Bridge Builder Core Plus Bond	BBCPX	4 Star
Bridge Builder INTL Equity	BBIEIX	4 Star
Bridge Builder Large Growth	BBGLX	4 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	3 Star
DFA Emerging Markets Value	DFEVX	4 Star
Dodge & Cox Stock Fund	DODGX	4 Star
Invesco Global Real Estate Class R6	FGREX	3 Star
Invesco Growth and Income Class R6	GIFFX	3 Star
MFS Emerging Markets Debt Class R6	MEDHX	4 Star
MFS International Value Class R6	MINJX	5 Star
PIMCO High Yield Class I	PHIYX	4 Star
Principal Midcap Class I R6	PMAQX	3 Star
Royce Special Equity Class I	RSEIX	5 Star
T Rowe Price Overseas Stock Class I	TROIX	3 Star

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

**Notes to Financial Statements**  
**December 31, 2021**

**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, 2021:

Realized Gains (Losses)	\$	240,932
Unrealized Gains (Losses)		148,464
Investment Fees		<u>(36,853)</u>
Total Investment Return	\$	<u>352,543</u>

**NOTE D - AVAILABILITY AND LIQUIDITY:**

The following represents the Foundation's financial assets at December 31, 2021.

Financial assets at year-end:

Cash and cash equivalents	\$	246,336
Investments		<u>5,501,903</u>
Total financial assets		5,748,239

Less:

Net assets with donor restrictions		<u>5,396,583</u>
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Financial assets available to meet general expenditures  
over the next twelve months

\$ 351,656

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

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

**Notes to Financial Statements  
December 31, 2021**

**NOTE E - PROPERTY AND EQUIPMENT:**

A summary of property and equipment as of and for the year ended December 31, 2021 is as follows:

	Balance 1/1/2021	Additions	Balance 12/31/2021
Office Equipment	\$ 10,070	\$ -	\$ 10,070
Less: Accumulated depreciation	(5,309)	(2,411)	(7,720)
Net Property and Equipment	\$ 4,761	\$ (2,411)	\$ 2,350

Depreciation expense charged to operations for the year ended December 31, 2021 was \$2,411.

**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, 2021 is as follows:

Beginning balance	\$ 242,057
Additions:	
Investment income and gains (losses)	34,634
Deductions:	
Grants	(8,071)
Service fees assessed	(4,470)
Total deductions	(12,541)
Ending balance	\$ 264,150

**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 \$523,603 represents the Foundation's share of the fair market value of the trust as of December 31, 2021. This balance has been recorded as a donor-restricted contribution. The present value has been calculated using a discount rate of 4.921% and a term of ten years.

**NOTE H - ENDOWMENTS:**

The Foundation's endowments consist of approximately seventy-five 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.

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.

*Investment Return Objectives, Risk Parameters and Strategies.* 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).

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

**Notes to Financial Statements**  
**December 31, 2021**

**NOTE H - ENDOWMENTS: (Continued)**

*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.

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 net asset composition by type of fund as of December 31, 2021 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment funds	\$ -	\$ 4,969,563	\$ 4,969,563
Board-designated endowment funds	<u>148,246</u>	<u>-</u>	<u>148,246</u>
Total Funds	<u>\$ 148,246</u>	<u>\$ 4,969,563</u>	<u>\$ 5,117,809</u>

Changes in endowment net assets for the fiscal year ended December 31, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ 128,337	\$ 4,372,827	\$ 4,501,164
Investment return:			
Interest and dividends	9,599	324,103	333,702
Net gain (loss) – realized and unrealized	<u>9,834</u>	<u>333,467</u>	<u>343,301</u>
Total investment return	19,433	657,570	677,003
Contributions	2,611	153,494	156,105
Appropriation for expenditure - special	(1,000)	(131,689)	(132,689)
Fees	<u>(1,135)</u>	<u>(82,639)</u>	<u>(83,774)</u>
Endowment net assets, end of year	<u>\$ 148,246</u>	<u>\$ 4,969,563</u>	<u>\$ 5,117,809</u>

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

**Notes to Financial Statements**  
**December 31, 2021**

**NOTE I - NET ASSETS WITH DONOR RESTRICTIONS:**

Net assets with donor restrictions at December 31, 2021 are made up of the following:

	<u>With Donor Restriction</u>
Endowment Funds	\$ 4,969,563
Special Project Funds	<u>950,623</u>
Total	<u>\$ 5,920,186</u>

Net assets with donor restrictions at December 31, 2021 are available for the following purposes:

	<u>With Donor Restriction</u>
Scholarships	\$ 3,179,318
Education/Youth Funds	1,218,973
Arts/Culture/History	120,826
Environmental	210,708
Other	<u>1,190,361</u>
Total	<u>\$ 5,920,186</u>

**NOTE J - LEASE COMMITMENTS**

The Foundation has a cancelable operating lease for office space in Sault Ste. Marie, requiring monthly payments of \$436 until August 2022, of which the Foundation has the option to extend an additional year. Rent expense charged to operations for the year ended December 31, 2021 was \$5,143.

**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 M - SUBSEQUENT EVENTS:**

In August 2022, the Foundation executed a loan agreement with CHN Garfield Limited Dividend Housing Association Limited Partnership in the amount of \$300,000, which acts as an investment in the partnership. The funds have not yet been released as of the date of issuance.



**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

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

LESLIE A. BOHN, CPA  
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, 2021, and have issued our report thereon dated December 8, 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 to you dated September 26, 2022. 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 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 most sensitive estimates affecting the financial statements were:



- 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.
- Management's estimate of the allocation of expenses in the statement of functional expenses is based upon both specific identification of expenses used for programs as well as an estimated allocation of working hours. We evaluated the key factors and assumptions used to develop this allocation in determining that it is 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 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.

#### ***Disagreement with Management***

For purposes of this letter, a disagreement with management is a disagreement on 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 December 8, 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 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.

#### **Other Matters**

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 & Company, PLC**  
**Certified Public Accountants**  
**Kincheloe, Michigan**

December 8, 2022

**Chippewa County Community Foundation**

**SUMMARY OF AUDIT DIFFERENCES**

**Year Ended December 31, 2021**

	<b><u>Current Year</u></b> <b><u>Over (Under)</u></b> <b><u>Statement</u></b>
<b>Statement of activities misstatements:</b>	
Investment income	\$ 17,255
Realized and unrealized gains (losses) on investments, net of investment fees	17,378
Grants to community	8,071
Administrative fees	4,470
<b>Cumulative effect</b>	<b><u>\$ 22,093</u></b>
<b>Statement of financial position misstatements (including reclassifications):</b>	
Net assets:	
Beginning	\$ -
Ending	22,093