# LAPEER COUNTY
# COMMUNITY FOUNDATION

## FINANCIAL REPORT
## DECEMBER 31, 2019 AND 2018

# LAPEER COUNTY COMMUNITY FOUNDATION

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Lapeer County Community Foundation

We have audited the accompanying financial statements of the Lapeer County Community Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to 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 audits. We conducted our audits 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.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lapeer County Community Foundation as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Brent A. Shaw, CPA

**SHAW, FRANZEL & KURSINSKY, PLLC**
**SANDUSKY, MICHIGAN**
November 5, 2020

# FINANCIAL STATEMENTS

# LAPEER COUNTY COMMUNITY FOUNDATION
## STATEMENTS OF FINANCIAL POSITION

| | DECEMBER 31, 2019 | DECEMBER 31, 2018 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS:** | | |
| Cash and cash equivalents (Note 2) | $ 52,385 | $ 14,697 |
| Investments - at market value (Note 6) | 11,413,655 | 9,498,695 |
| Accrued investment income receivable | 20,581 | 24,281 |
| Prepaid expenses | 1,009 | 1,434 |
| Receivable - interfund | - | 28,218 |
| **TOTAL CURRENT ASSETS** | 11,487,630 | 9,567,325 |
| **PROPERTY AND EQUIPMENT - AT COST: (Note 4)** | | |
| Furniture and equipment | 32,147 | 32,147 |
| Less: accumulated depreciation | (13,779) | (9,426) |
| **PROPERTY AND EQUIPMENT - NET** | 18,368 | 22,721 |
| **OTHER ASSETS** | | |
| Cash surrender value of life insurance (Note 13) | 20,148 | 15,781 |
| **TOTAL OTHER ASSETS** | 20,148 | 15,781 |
| **TOTAL ASSETS** | $ 11,526,146 | $ 9,605,827 |
| **LIABILITIES AND NET ASSETS** | | |
| **CURRENT LIABILITIES:** | | |
| Accounts payable | $ 3,490 | $ 634 |
| Grants payable | 33,631 | 69,559 |
| Accrued expenses: | | |
| Accrued payroll | 2,538 | 2,645 |
| Accrued payroll liabilities | 3,136 | 2,849 |
| Investment management fees payable | 5,506 | 4,708 |
| **TOTAL CURRENT LIABILITIES** | 48,301 | 80,395 |
| **NONCURRENT LIABILITIES:** | | |
| Assets held for others (Note 12) | 1,812,220 | 1,537,407 |
| **TOTAL LIABILITIES** | 1,860,521 | 1,617,802 |
| **NET ASSETS:** | | |
| Net assets without donor restrictions | 9,643,049 | 7,986,099 |
| Net assets with donor restrictions | 22,577 | 1,926 |
| **TOTAL NET ASSETS** | 9,665,626 | 7,988,025 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ 11,526,146 | $ 9,605,827 |

The accompanying notes are an integral part of the financial statements.

# LAPEER COUNTY COMMUNITY FOUNDATION
## STATEMENTS OF ACTIVITIES

| | YEARS ENDED DECEMBER 31, 2019 | 2018 |
|---|---|---|
| **CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS** | | |
| **REVENUES AND SUPPORT:** | | |
| Contributions - External | $ 499,134 | $ 365,999 |
| Contributions - Internal | 125,219 | 88,155 |
| Investment income | 299,586 | 371,691 |
| Realized gains (losses) on investments - net | (10,265) | 177,254 |
| Unrealized gains (losses) on investments - net | 1,264,796 | (1,100,238) |
| LCCF administrative fees | 156,951 | 151,249 |
| Net assets released from restrictions | 1,926 | 27,766 |
| Cash surrender value of life insurance | 3,560 | 8,086 |
| **TOTAL REVENUES AND SUPPORT** | 2,340,907 | 89,962 |
| **EXPENSES:** | | |
| Program Services: | | |
| Grants - External | 204,139 | 180,140 |
| Grants - Internal | 79,216 | 106,307 |
| Direct fund expenses | 59,706 | 30,719 |
| Healthy Living Lapeer expenses | 1,926 | 27,766 |
| Total Program Services | 344,987 | 344,932 |
| General Supporting Expenses: | | |
| Advertising | 7,833 | 1,069 |
| Annual appeals | 2,000 | 2,252 |
| Annual report | 3,983 | 3,479 |
| Computer software and support | 9,784 | 19,549 |
| Conferences | 1,565 | 1,957 |
| Contracted services | 10,800 | 10,800 |
| Depreciation | 4,353 | 3,997 |
| Dues | 4,175 | 3,900 |
| Insurance - directors and officers liability | 1,246 | 1,223 |
| Insurance - general liability | 529 | 524 |
| Insurance - workmens' compensation | 313 | 365 |
| Investment management fees | 52,631 | 49,871 |
| LCCF administrative fees | 132,373 | 127,569 |
| Meetings and travel | 773 | 343 |
| Office supplies | 2,757 | 3,510 |
| Postage | 1,543 | 985 |
| Printed Materials | 409 | 3,452 |
| Professional fees | 3,015 | 2,870 |
| Promotional items | 847 | 1,050 |
| Rent - office (Note 10) | 5,000 | 5,000 |
| Repairs and maintenance | 770 | 705 |
| Salary - director | 61,356 | 56,214 |
| SIMPLE match (Note 15) | 1,813 | - |
| Special events | 6,014 | 7,949 |
| Taxes - payroll | 7,017 | 6,320 |
| Telephone and internet | 1,710 | 1,684 |
| Wages - Office Wages & YAC director | 30,845 | 26,964 |
| Website development | 1,300 | 1,200 |
| Total General Supporting Expenses | 356,754 | 344,801 |
| **TOTAL EXPENSES** | 701,741 | 689,733 |

# LAPEER COUNTY COMMUNITY FOUNDATION
## STATEMENTS OF ACTIVITIES
## (CONTINUED)

| | YEARS ENDED DECEMBER 31, | |
|---|---|---|
| | 2019 | 2018 |
| **INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS** | $ 1,639,166 | $ (599,771) |
| **CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS** | | |
| Contributions | 22,145 | - |
| Return of unused grant monies | 432 | - |
| Net assets released from restrictions | (1,926) | (27,766) |
| **INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS** | 20,651 | (27,766) |
| **INCREASE (DECREASE) IN NET ASSETS** | 1,659,817 | (627,537) |
| **NET ASSETS - BEGINNING OF YEAR** | 7,988,025 | 8,615,812 |
| **TRANSFER OF FUND BALANCE TO (FROM) NON-AGENCY (TO) FROM AGENCY FUND (NOTE 11)** | 17,784 | (250) |
| **NET ASSETS - END OF YEAR** | $ 9,665,626 | $ 7,988,025 |

The accompanying notes are an integral part of the financial statements.

# LAPEER COUNTY COMMUNITY FOUNDATION
## STATEMENTS OF CASH FLOWS

| | YEARS ENDED DECEMBER 31, 2019 | 2018 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Increase (decrease) in net assets | $ 1,659,817 | $ (627,537) |
| Adjustments to reconcile net assets to net cash provided by operating activities: | | |
| Depreciation | 4,353 | 3,997 |
| Net realized (gain) loss on investments | 12,274 | (210,066) |
| Unrealized (gain) loss on investments | (1,503,879) | 1,309,087 |
| Changes in assets and liabilities: | | |
| (Increase) Decrease in: | | |
| Accrued investment income receivable | 3,700 | (2,736) |
| Prepaid expenses | 425 | (1,434) |
| Other receivable | 28,218 | (24,151) |
| Increase (Decrease) in: | | |
| Accounts payable | 2,856 | (1,073) |
| Grants payable | (35,928) | (3,043) |
| Accrued expenses | | |
| Accrued payroll | (107) | 560 |
| Accrued payroll liabilities | 287 | 115 |
| Investment management fees payable | 798 | (269) |
| Total Adjustments | (1,487,003) | 1,070,987 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | 172,814 | 443,450 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Net (increase) decrease in investment accounts | (131,566) | (501,770) |
| Purchase of fixed assets | - | (2,175) |
| Cash surrender value of life insurance | (3,560) | (8,086) |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | (135,126) | (512,031) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 37,688 | (68,581) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 14,697 | 83,278 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | $ 52,385 | $ 14,697 |
| **SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION** | | |
| Cash paid during the year for: | | |
| Income tax | $ N/A | $ N/A |
| Interest | $ NONE | $ NONE |

The accompanying notes are an integral part of the financial statements.

# NOTES TO FINANCIAL STATEMENTS

## NOTE 1 – NATURE OF ACTIVITIES:

The Lapeer County Community Foundation (the "Foundation"), is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been found not to be a private foundation under Section 509(a)(1) of the Code. The Foundation receives gifts from individuals, foundations and organizations and places them into individual funds that match the giving priorities of the donors. The majority of the gifts are endowment gifts that are preserved into perpetuity, with a portion of the cumulative net appreciation returned to the community through grants to area not-for-profit organizations, as well as individuals. The Foundation's current priorities include: strengthening donor services in order to more effectively build the community's endowment; building a local infrastructure that supports community engagement processes; and leveraging discretionary grants to address long-term issues of systemic change that strengthen the social fabric of the community. In everything the Foundation does and supports, it seeks to create a more cohesive and vital sense of community throughout Lapeer County.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

### Financial Statement Presentation

The financial statements are prepared on the accrual basis of accounting and are in conformity with Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. Under ASU No. 2016-14, information regarding financial position and activities according to two classes of net assets are required to be reported: net assets without donor restrictions and net assets with donor restrictions. Due to variance power, the Foundation has no assets with donor restrictions that are required to be maintained in perpetuity.

In addition, under Accounting Standards Codification (ASC) No. 958, *Not-for-Profit Entities,* a statement of cash flows is required to be presented.

### Contributions Received and Contributions Made

Contributions to the Foundation are recorded in two dimensions. The first distinguishes between whether the contribution is to a permanent (endowed) fund, meaning that distributions are made only from net cumulative appreciation, never from principal, or a non-permanent (non-endowed) fund, meaning that distributions can be made from income and principal. One form of a non-permanent contribution can also occur in cases when a donor makes a gift to income of a permanent fund. In the latter case, the gift does not add to the permanent assets of the fund, but passes through the Foundation as an added amount to whatever is available for distribution from the fund in a given year.

The second dimension distinguishes between whether the distributions from the fund are restricted or unrestricted. A fund is restricted when its creating document defines the purpose for which its distributions are to be made. In this case the Foundation's Board of Trustees authorizes distributions based on the restrictions of the creating document, varying from extremely broad (field of interest) to extremely specific (designated agency, or specific programs or issues). Such funds function within the Foundation's variance power, described in its Bylaws (Section 2.12(a)).

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Contributions Received and Contributions Made (Continued)

The variance power gives the Foundation's Board of Trustees the power to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to any specified organization if, in the sole judgment of the Foundation's Board of Trustees, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the County of Lapeer. A fund is unrestricted when its creating document defines no purpose or specifies that the purpose is to support the Foundation. In either of these events, the Foundation's Board of Trustees authorizes distributions for a wide variety of charitable purposes according to its grant-making priorities.

Endowment Management Policy

The Foundation's Board of Trustees interprets Michigan law to require the preservation of the corpus of the endowment funds unless explicit donor stipulations specify how net appreciation must be used. To meet that objective, endowment management policies are followed requiring that net cumulative market appreciation and investment income be retained in an amount needed to equal the original endowment gift. Any remaining total return (net income plus realized and unrealized gains and losses) is available for appropriation, subject to the spending policy of the Foundation. Michigan law allows the Foundation's Board to spend so much of net appreciation as is prudent considering the Foundation's long and short-term needs, present and anticipated financial requirements, expected total investment return, price level trends and general economic conditions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents except those temporarily uninvested monies considered part of the investment portfolios.

Investments

Investments in government and corporate debt and equity securities are stated at current quoted market value. Money market investment funds held under the custody of fund managers represent temporarily uninvested monies and are considered short-term investments. Investments in common and preferred stocks, bonds, U.S. Treasury bills and mutual funds are carried at quoted fair market value whenever available. Realized gains and losses on sales of investments represent the difference between the net sales price and the cost of the securities sold as represented by the custodian. Unrealized gains or losses on investments represent the net change in unrealized appreciation between the balance at the beginning and the end of the year.

Depreciation

Depreciation for financial reporting purposes is computed using the modified accelerated cost recovery method over estimated useful lives of the respective assets. The Foundation uses 5 to 7 years as its useful lives for furniture and equipment purchases. Depreciation expense for financial reporting purposes for the years ending December 31, 2019 and 2018 was $4,353 and $3,997 respectively.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

### Grants

Grants are recognized as liabilities at the time the Board of Trustees authorizes the expenditures, regardless of the year in which the grants are paid. Grants are currently authorized to the extent net income is earned subject to the spending rule limitation.

### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Tax-exempt Status

The Internal Revenue Service has ruled that the Foundation is a public charity as described in Section 501(c)(3) of the Internal Revenue Code. The Foundation received their 501(c)(3) status on November 2, 2004. Consequently, the Foundation is exempt from federal income tax.

### Functional Expenses

The Foundation allocates expenses on a functional basis to funding sources, programs, and support services. Expenses that can be identified with a specific funding source, program, and support service are allocated directly according to their natural expenditure classification. Certain expenses such as administration, accounting, and occupancy are allocated and charged to specific programs and/or funding sources where budgetary considerations permit. Although methods used are considered reasonable, methods could be used that would produce different results.

### Advertising

The Foundation expenses advertising as incurred. Advertising expense for financial reporting purposes for the years ending December 31, 2019 and 2018 was $7,833 and $1,069 respectively.

### Adoption of New Accounting Pronouncement

The Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* This standard requires net assets to be classified in two categories, net assets without donor restrictions and net assets with donor restrictions, rather than the three previous classifications. This standard also requires changes in the way certain information is aggregated and reported by the Foundation, including disclosures of quantitative and qualitative information about the liquidity and availability of resources and the presentation of expenses by both functional and natural classification. The standard also clarifies the definition of management and general and prohibits certain expenses from being allocated out of management and general. The standard was adopted January 1, 2018 and applied retrospectively.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Subsequent Events

The Foundation has evaluated subsequent events through the date of the auditor's report, the date the financial statements were available to be issued.

## NOTE 3 – CONCENTRATION OF CREDIT RISK:

The Foundation is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments which potentially subject the Foundation to credit risk consist principally of cash and investments. The Foundation's cash is deposited with high-credit-quality financial institutions. The Foundation maintains three checking accounts at a local bank. The checking account is insured by the Federal Deposit Insurance Corporation (FIDC) up to $250,000. At December 31, 2019 and 2018, the Foundation did not have any uninsured cash balances in its checking accounts.

The Foundation also maintains investments at a local bank. The investments, as further discussed in Note 6, include equities, corporate bonds, U.S. Government instruments, money market funds and notes receivable. The balances of $11,413,655 and $9,498,695, as of December 31, 2019 and 2018, respectively, are not insured by the FDIC or otherwise guaranteed by the U.S. Government. Credit risk with respect to investments is limited because of the wide variety of companies and industries.

## NOTE 4 – PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

| | DECEMBER 31, | |
|---|---|---|
| | 2019 | 2018 |
| FURNITURE AND EQUIPMENT | $ 32,147 | $ 32,147 |
| LESS: ACCUMULATED DEPRECIATION | (13,779) | (9,426) |
| PROPERTY AND EQUIPMENT – NET | $ 18,368 | $ 22,721 |

Property and equipment are recorded at cost as of the date of acquisition or fair market value as of the date of receipts in the case of gifts. The cost of property sold or retired is removed from the related asset accounts and any resulting gain or loss is recorded in the period of disposal. Renewals and improvements which extended the useful lives of assets are capitalized at cost. Maintenance and repairs are included as expenses in the statement of activities.

## NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are those assets resulting from contributions whose use by the Foundation is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations.

Net assets with donor restrictions consist of $432 in funds for the Healthy Living Lapeer initiative and $22,145 in funds for the Child Savings Account Program for a total of $22,577 at December 31, 2019. Net assets with donor restrictions consist of $1,926 in funds for the Healthy Living Lapeer initiative at December 31, 2018.

## NOTE 6 – INVESTMENTS:

Investments are carried at fair value. Realized and unrealized gains and losses are reflected in the statements of activities. A summary of investments is as follows:

| DECEMBER 31, 2019 | COST | FAIR VALUE | UNREALIZED INCREASE (DECREASE) IN FAIR VALUE |
|---|---|---|---|
| Stocks | $ 3,215,074 | $ 4,272,695 | $ 1,057,621 |
| Equity Mutual Funds | 3,749,204 | 4,098,845 | 349,641 |
| Corporate Bond Mutual Funds | 1,445,179 | 1,494,647 | 49,468 |
| U.S. Government Agency Obligations | 1,210,479 | 1,210,181 | (298) |
| Money Market Funds | 337,287 | 337,287 | - |
| Totals | $ 9,957,223 | $ 11,413,655 | $ 1,456,432 |

| DECEMBER 31, 2018 | COST | FAIR VALUE | UNREALIZED INCREASE (DECREASE) IN FAIR VALUE |
|---|---|---|---|
| Stocks | $ 2,871,079 | $ 3,024,861 | $ 153,782 |
| Equity Mutual Funds | 3,816,489 | 3,542,824 | (273,665) |
| Corporate Bond Mutual Funds | 1,600,871 | 1,576,765 | (24,106) |
| U.S. Government Agency Obligations | 1,095,124 | 1,081,878 | (13,246) |
| Money Market Funds | 272,367 | 272,367 | - |
| Totals | $ 9,655,930 | $ 9,498,695 | $ (157,235) |

The Foundation is subject to the provisions of the Accounting Standards Codification (ASC) No. 820 (ASC 820), *Fair Value Measurements and Disclosures,* effective January 1, 2008. ASC 820 establishes a hierarchy that prioritizes the inputs to valuation techniques giving the highest priority to readily available unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements) when market prices are not readily available or reliable. The three levels of the hierarchy under ASC 820 are described below:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

## NOTE 6 – INVESTMENTS (Continued):

Following are market value summaries by the level of inputs used in evaluating the investments carried at value. The inputs or methodology used for valuing securities may not be an indication of the risk associated with investing in those securities. There have been no changes in the valuation techniques used.

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| | Level 1 Quoted prices in active markets for identical assets | Level 2 Significant other observable inputs | Level 3 Significant unobservable inputs | TOTAL |
|---|---|---|---|---|
| Investments: | | | | |
| Stocks | $ 4,272,695 | $ - | $ - | $ 4,272,695 |
| Equity Securities | 5,646,313 | - | - | 5,646,313 |
| Corporate and Other Bonds | - | 1,494,647 | - | 1,494,647 |
| Totals | $9,919,008 | $ 1,494,647 | $ - | $ 11,413,655 |

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| | Level 1 Quoted prices in active markets for identical assets | Level 2 Significant other observable inputs | Level 3 Significant unobservable inputs | TOTAL |
|---|---|---|---|---|
| Investments: | | | | |
| Stocks | $ 3,024,861 | $ - | $ - | $ 3,024,861 |
| Equity Securities | 4,897,069 | - | - | 4,897,069 |
| Corporate and Other Bonds | - | 1,576,765 | - | 1,576,765 |
| Totals | $ 7,921,930 | $ 1,576,765 | $ - | $ 9,498,695 |

The following is a reconciliation of the beginning and ending balances for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year.

| | |
|---|---|
| Balance, beginning of year | $ |
| Balance, end of year | $ |

## NOTE 7 – DONOR AND BOARD DESIGNATED ENDOWMENTS:

The Foundation's net assets without donor restrictions include board-designated endowments that would be classified as donor-restricted endowments, except that the Foundation has variance power over those assets. Therefore, the board treats these funds as board-designated endowments, and they are classified and reported based on the existence or absence of donor-imposed restrictions.

## NOTE 7 – DONOR AND BOARD DESIGNATED ENDOWMENTS (Continued):

Net Asset Classifications

The Foundation adopted Accounting Standards Codification No. 958, *Not-for-Profit Entities* (ASC 958). ASC 958 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The ASC 958 also improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of Michigan adopted UPMIFA effective September 10, 2009. The Foundation has determined that the majority of its net assets meet the definition of endowment funds under UPMIFA.

The following table summarizes activity in the board designated endowment funds for the years ending December 31, 2019 and 2018, respectively. The Foundation does not hold any donor designated endowment funds as of December 31, 2019 and 2018.

| | BOARD DESIGNATED |
|---|---|
| **Balance at January 1, 2019** | $ 9,222,283 |
| Contributions | 671,639 |
| Net Appreciation (Depreciation) of Value | 1,429,572 |
| Investment Income | 361,056 |
| Other Income and Transfers | 61,038 |
| Expenses Appropriated by the Board | (633,600) |
| **Balance at December 31, 2019** | $ 11,111,988 |

| | BOARD DESIGNATED |
|---|---|
| **Balance at January 1, 2018** | $ 9,854,783 |
| Contributions | 492,128 |
| Net Appreciation (Depreciation) of Value | (1,005,126) |
| Investment Income | 368,723 |
| Other Income (Loss) and Transfers | 51,317 |
| Expenses Appropriated by the Board | (539,542) |
| **Balance at December 31, 2018** | $ 9,222,283 |

The Foundation has adopted investment and spending policies that preserve the real (inflation adjusted) value of endowment assets while providing a consistent flow of funds in support of the charitable purposes for which the fund was established.

Since the ultimate purpose of the Foundation is to be a philanthropic force in the Lapeer County community, the making of grants from the invested assets is paramount.

The Foundation's assets are placed in investments carrying a moderate level of risk as a means to safeguard principal from erosion while providing an opportunity for growth over time as a result of return on investment. The Foundation is mindful of its objectives and conservative yet steady long-term growth is the preferred method for the investments. Through appropriate diversification of assets, investment return volatility is reduced.

## NOTE 7 – DONOR AND BOARD DESIGNATED ENDOWMENTS (Continued):

The Foundation's spending policy works together with the investment policy to provide a suitable level of funding to meet the donor and community charitable needs, while preserving the real value of endowment assets. The Foundation's spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds, for both grant-making and administration, as deemed prudent by the Board after careful review and consideration of each Fund's health in terms of its corpus and the investment factors previously denoted. For calendar years 2019 and 2018, the spending policy was to generally distribute an amount equal to 5.5% for endowed funds and 6% for scholarship funds based on rolling 12 quarter periods as determined as of September 30th of the previous year, respectively. For calendar years 2019 and 2018, the amount available for grants and awards was net of a 1.5% administrative fee for endowed funds and a 2% administrative fee for scholarship and non-endowed funds, respectively.

## NOTE 8 – COMMITMENTS:

The Foundation's commitment for grants payable, as of December 31, 2019 and 2018, were $33,631 and $69,559, respectively.

## NOTE 9 – GIFTS, GRANTS, AND PLEDGES RECEIVED:

Gifts received are recorded as "without donor restrictions" or "with donor restrictions", depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Bylaws of the corporation give the governing board of the Foundation the authority to modify any restriction or condition on distribution of funds for any charitable purposes or to specific organizations, if in its sole judgment such restrictions or conditions become, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the County of Lapeer.

## NOTE 10 – BUILDING RENT:

The Foundation leases office space from the County of Lapeer. Effective January 1, 2018, the Foundation entered into a three-year lease at a rate of $417 per month due on the first day of each month. Rent expense amounted to $5,000 and $5,000 for the years ended December 31, 2019 and 2018, respectively.

## NOTE 11 – TRANSFER OF FUND BALANCE TO AN AGENCY FUND/NON-AGENCY FUND:

For the year ended December 31, 2018, a one-half portion of the remaining fund balance of the following fund was transferred to an agency fund:

- Wayne Hildebrant Police Scholarship Fund

## NOTE 11 – TRANSFER OF FUND BALANCE TO AN AGENCY FUND/NON-AGENCY FUND: (Continued)

For the year ended December 31, 2019, the remaining fund balance of the following fund was transferred to a non-agency fund:

- Six Rivers Land Conservancy Endowment Fund

## NOTE 12 – ASSETS HELD FOR OTHERS:

The Foundation adopted Accounting Standards Codification No. 958, *Not-for-Profit Entities* (ASC 958). This statement establishes standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets or both to another entity that is specified by the donor. ASC 958 specifically requires that if a Not-for-Profit Organization (NPO) establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as assets held for others.

The Foundation maintains variance power and legal ownership of agency funds and as such continues to report the funds as assets of the Foundation. However, in accordance with ASC 958, a liability has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be made to the NPOs.

The Foundation had 29 and 30 agency funds for the years ended December 31, 2019 and 2018, respectively.

| | DECEMBER 31, | |
|---|---|---|
| | 2019 | 2018 |
| **Fund balance – beginning of year** | $ 1,537,407 | $ 1,585,007 |
| Contributions | 61,360 | 108,897 |
| Investment income | 58,745 | 69,941 |
| Unrealized and realized investment gains (losses) | 234,439 | (176,036) |
| Grants | (27,277) | (17,420) |
| Fund activity expenses | (1,049) | (1,055) |
| Investment fees | (9,852) | (9,250) |
| LCCF administrative fees | (24,577) | (23,681) |
| Cash value of life insurance policy | 808 | 754 |
| Reclassification of Fund as Agency | (17,784) | 250 |
| **Fund balance – end of year** | $ 1,812,220 | $ 1,537,407 |

## NOTE 13 – LIFE INSURANCE:

The Foundation is the owner-beneficiary of two life insurance policies with a combined net death benefit value of $152,142 and $151,938 at December 31, 2019 and 2018, respectively. The annual premium charges are paid by the donors. At December 31, 2019 and 2018, the cash surrender values on these policies totaled $20,148 and $15,781, respectively, and are reflected as other assets on the statement of financial position.

## NOTE 14 – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES:

As of December 31, 2019 and 2018, the Foundation has a working capital surplus of $11,439,329 and $9,486,930, respectively

Financial assets available for general expenditures within one year of the statement of financial position date consist of the following:

| | DECEMBER 31, | |
|---|---|---|
| | 2019 | 2018 |
| Cash | $ 27,205 | $ 14,697 |
| Investments | 11,413,655 | 9,498,695 |
| Financial assets available for general expenditures | $ 11,440,860 | $ 9,513,392 |

## NOTE 15 – SIMPLE CONTRIBUTIONS:

Beginning in the year ended December 31, 2019, the Foundation participated in a SIMPLE plan. Contributions to the plan were based on 2% of qualifying employees' wages. 2019 employer contributions to the plan totaled $1,813.

## NOTE 16 – SUBSEQUENT EVENTS:

As a result of the global coronavirus pandemic of 2020, many organizations' financial pictures have seen an unanticipated change. The duration and full effects of the outbreak are currently unknown, as the global picture continues to change daily. Currently, it is not possible to estimate the extent of any potential net losses or to determine if any of the changes in fair values are other than temporary in nature. Accordingly, no adjustments to the financial statements were made as a result of this subsequent event.

In April 2020, the Organization obtained a $19,486 loan through the Payroll Protection Program of the CARES ACT, which was signed into law on March 27, 2020. A provision of the program provides that a portion of the loan will be forgiven if certain conditions are met. Management expects the loan to be forgiven.