

**LAPEER COUNTY  
COMMUNITY FOUNDATION**

**FINANCIAL REPORT  
DECEMBER 31, 2021 AND 2020**



# SHAW, FRANZEL & KURSINSKY, PLLC

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Lapeer County Community Foundation

### Opinion

We have audited the accompanying financial statements of Lapeer County Community Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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 Lapeer County Community Foundation as of December 31, 2021 and 2020, 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.

### Basis for Opinion

We conducted our audits 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 Lapeer County Community Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lapeer 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.

### 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 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 Lapeer 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 Lapeer 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.

*Brent A. Shaw, CPA*

SHAW, FRANZEL & KURSINSKY, PLLC  
SANDUSKY, MICHIGAN

October 26, 2022

**LAPEER COUNTY COMMUNITY FOUNDATION**

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## **FINANCIAL STATEMENTS**

**LAPEER COUNTY COMMUNITY FOUNDATION  
STATEMENTS OF FINANCIAL POSITION**

<b><u>ASSETS</u></b>	<b>DECEMBER 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents (Note 2)	\$ 267,245	\$ 138,597
Investments - at market value (Note 6)	14,019,942	12,291,467
Accrued investment income receivable	22,304	28,802
Prepaid expenses	1,569	844
Grants Receivable	22,025	-
<b>TOTAL CURRENT ASSETS</b>	<b>14,333,085</b>	<b>12,459,710</b>
<b>PROPERTY AND EQUIPMENT - AT COST: (Note 4)</b>		
Furniture and equipment	32,147	32,147
Less: accumulated depreciation	(22,271)	(18,122)
<b>PROPERTY AND EQUIPMENT - NET</b>	<b>9,876</b>	<b>14,025</b>
<b>OTHER ASSETS</b>		
Cash surrender value of life insurance (Note 12)	34,461	27,163
<b>TOTAL OTHER ASSETS</b>	<b>34,461</b>	<b>27,163</b>
<b>TOTAL ASSETS</b>	<b>\$ 14,377,422</b>	<b>\$ 12,500,898</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 984	\$ 1,000
Grants payable	36,316	7,321
Accrued expenses:		
Accrued payroll	1,974	1,619
Accrued payroll liabilities	10,514	5,426
Investment management fees payable	4,673	5,871
<b>TOTAL CURRENT LIABILITIES</b>	<b>54,461</b>	<b>21,237</b>
<b>NONCURRENT LIABILITIES:</b>		
Assets held for others (Note 11)	1,590,851	1,481,907
<b>TOTAL LIABILITIES</b>	<b>1,645,312</b>	<b>1,503,144</b>
<b>NET ASSETS:</b>		
Net assets without donor restrictions	12,662,164	10,974,701
Net assets with donor restrictions	69,946	23,053
<b>TOTAL NET ASSETS</b>	<b>12,732,110</b>	<b>10,997,754</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 14,377,422</b>	<b>\$ 12,500,898</b>

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

**LAPEER COUNTY COMMUNITY FOUNDATION  
STATEMENTS OF ACTIVITIES**

**FOR THE YEARS ENDED  
DECEMBER 31,**

	<u>2021</u>	<u>2020</u>
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
<b>REVENUES AND SUPPORT:</b>		
Contributions - External	\$ 474,199	\$ 385,286
Contributions - Internal	122,432	181,737
Investment income	236,496	242,164
Realized gains (losses) on investments - net	549,820	18,591
Unrealized gains (losses) on investments - net	896,394	733,351
LCCF administrative fees	169,828	162,958
Net assets released from restrictions	-	432
Cash surrender value of life insurance	6,628	6,325
PPP Loan Forgiveness	-	19,486
<b>TOTAL REVENUES AND SUPPORT</b>	<u>2,455,797</u>	<u>1,750,330</u>
<b>EXPENSES:</b>		
Program Services:		
Grants - External	270,689	257,782
Grants - Internal	126,082	167,739
Direct fund expenses	56,996	18,820
<b>Total Program Services</b>	<u>453,767</u>	<u>444,341</u>
General Supporting Expenses:		
Advertising	5,143	5,852
Annual appeals	2,213	2,312
Annual report	4,123	4,047
Computer software and support	7,796	7,124
Conferences	1,467	(398)
Contracted services	12,000	12,000
Depreciation	4,149	4,343
Dues	5,280	5,830
Insurance - directors and officers liability	1,315	1,284
Insurance - general liability	559	541
Insurance - workmens' compensation	295	313
Investment management fees	60,131	56,335
LCCF administrative fees	149,189	143,321
Meetings and travel	305	267
Office supplies and postage	5,473	5,064
Printed materials	1,614	739
Professional fees	15,180	3,065
Promotional items	3,377	575
Rent - office (Note 10)	7,833	5,000
Repairs and maintenance	1,750	1,185
Salary - director	75,666	66,437
SIMPLE match (Note 14)	2,356	2,204
Special events	9,346	14,897
Taxes - payroll	9,084	8,309
Telephone and internet	1,976	1,729
Wages - Office Wages and YAC director	43,427	40,633
Website development	1,590	3,580
<b>Total General Supporting Expenses</b>	<u>432,637</u>	<u>396,588</u>
<b>TOTAL EXPENSES</b>	<u>886,404</u>	<u>840,929</u>

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

	<b>FOR THE YEARS ENDED DECEMBER 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	\$ 1,569,393	\$ 909,401
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>		
Contributions and earnings	46,893	908
Net assets released from restrictions	-	(432)
<b>INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS</b>	46,893	476
<b>INCREASE (DECREASE) IN NET ASSETS</b>	1,616,286	909,877
<b>NET ASSETS - BEGINNING OF YEAR</b>	10,997,754	10,087,877
<b>NET RECLASSIFICATION OF FUNDS FROM (TO) AGENCY FUNDS (NOTE 16)</b>	118,070	-
<b>NET ASSETS - END OF YEAR</b>	\$ 12,732,110	\$ 10,997,754

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



**LAPEER COUNTY COMMUNITY FOUNDATION  
STATEMENTS OF CASH FLOWS**

	<b>FOR THE YEARS ENDED DECEMBER 31,</b>	
	<u><b>2021</b></u>	<u><b>2020</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	\$ 1,616,286	\$ 909,877
Adjustments to reconcile net assets to net cash provided by operating activities:		
Depreciation	4,149	4,343
Net realized (gain) loss on investments	(623,966)	(22,419)
Unrealized (gain) loss on investments	(1,015,626)	(841,377)
Changes in assets and liabilities:		
(Increase) Decrease in:		
Accrued investment income receivable	6,498	(8,221)
Prepaid expenses	(725)	165
Grants receivable	(22,025)	-
Increase (Decrease) in:		
Accounts payable	(16)	(2,490)
Grants payable	28,995	(26,310)
Accrued expenses		
Accrued payroll	355	(919)
Accrued payroll liabilities	5,088	2,290
Investment management fees payable	(1,198)	365
Total Adjustments	<u>(1,618,471)</u>	<u>(894,573)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(2,185)</u>	<u>15,304</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net (increase) decrease in investment accounts	137,461	77,233
Cash surrender value of life insurance	(6,628)	(6,325)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>130,833</u>	<u>70,908</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	128,648	86,212
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>138,597</u>	<u>52,385</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 267,245</u></u>	<u><u>\$ 138,597</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for:		
Income tax	<u><u>\$ N/A</u></u>	<u><u>\$ N/A</u></u>
Interest	<u><u>\$ NONE</u></u>	<u><u>\$ NONE</u></u>

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

## **NOTES TO THE FINANCIAL STATEMENTS**

**LAPEER COUNTY COMMUNITY FOUNDATION  
NOTES TO THE 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)).

**LAPEER COUNTY COMMUNITY FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS**

**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, 2021 and 2020 was \$4,149 and \$4,343 respectively.

**LAPEER COUNTY COMMUNITY FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS**

**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, 2021 and 2020 was \$5,143 and \$5,852 respectively.

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 fifteen checking accounts at several financial institutions. The checking account is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2021 and 2020, the Foundation did not have any uninsured cash balances in its checking accounts.

**LAPEER COUNTY COMMUNITY FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 3 – CONCENTRATION OF CREDIT RISK (Continued):**

The Foundation also maintains investments at a financial institution. 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 \$14,019,942 and \$12,291,467, as of December 31, 2021 and 2020, 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,	
	2021	2020
Furniture And Equipment	\$ 32,147	\$ 32,147
Less: Accumulated Depreciation	(22,271)	(18,122)
Property And Equipment – Net	\$ 9,876	\$ 14,025

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 consisted of \$69,946 and \$23,053 in funds for the Child Savings Account Program at December 31, 2021 and 2020, respectfully.

**LAPEER COUNTY COMMUNITY FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS**

**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, 2021	Cost	Fair Value	Unrealized Increase (Decrease) In Fair Value
Stocks	\$ 3,654,807	\$ 6,022,789	\$ 2,367,982
Equity Mutual Funds	4,474,636	5,387,477	912,841
Corporate Bond Mutual Funds	1,469,187	1,505,050	35,863
U.S. Government Agency Obligations	930,046	903,888	(26,158)
Money Market Funds	200,738	200,738	-
<b>Totals</b>	<b>\$ 10,729,414</b>	<b>\$ 14,019,942</b>	<b>\$ 3,290,528</b>

DECEMBER 31, 2020	Cost	Fair Value	Unrealized Increase (Decrease) In Fair Value
Stocks	\$ 3,563,335	\$ 5,002,288	\$ 1,438,953
Equity Mutual Funds	3,585,348	4,324,752	739,404
Corporate Bond Mutual Funds	1,596,486	1,689,909	93,423
U.S. Government Agency Obligations	520,659	520,424	(235)
Money Market Funds	754,094	754,094	-
<b>Totals</b>	<b>\$ 10,019,922</b>	<b>\$ 12,291,467</b>	<b>\$ 2,271,545</b>

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.

**LAPEER COUNTY COMMUNITY FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS**

**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.

DECEMBER 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs	<u>Total</u>
Investments:				
Stocks	\$ 6,022,789	\$ -	\$ -	\$ 6,022,789
Equity Securities	6,492,103	-	-	6,492,103
Corporate and Other Bonds	-	1,505,050	-	1,505,050
Totals	<u>\$ 12,514,892</u>	<u>\$ 1,505,050</u>	<u>\$ -</u>	<u>\$ 14,019,942</u>

DECEMBER 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs	<u>Total</u>
Investments:				
Stocks	\$ 5,002,288	\$ -	\$ -	\$ 5,002,288
Equity Securities	5,599,270	-	-	5,599,270
Corporate and Other Bonds	-	1,689,909	-	1,689,909
Totals	<u>\$ 10,601,558</u>	<u>\$ 1,689,909</u>	<u>-</u>	<u>\$ 12,291,467</u>

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	<u>\$ -</u>
Balance, end of year	<u>\$ -</u>

**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.



**LAPEER COUNTY COMMUNITY FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS**

**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, 2021 and 2020, respectively. The Foundation does not hold any donor designated endowment funds as of December 31, 2021 and 2020.

	Board Designated
<b>Balance at January 1, 2021</b>	\$ 11,979,119
Contributions	597,510
Net Appreciation (Depreciation) of Value	1,588,897
Investment Income	259,956
Other Income (Loss) and Transfers	7,302
Expenses Appropriated by the Board	(660,641)
Reclassification of Fund to Agency	(35,515)
<b>Balance at December 31, 2021</b>	<b>\$ 13,736,628</b>
	Board Designated
<b>Balance at January 1, 2020</b>	\$ 11,111,988
Contributions	439,540
Net Appreciation (Depreciation) of Value	834,125
Investment Income	266,146
Other Income and Transfers	(28,741)
Expenses Appropriated by the Board	(643,939)
<b>Balance at December 31, 2020</b>	<b>\$ 11,979,119</b>

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.

**LAPEER COUNTY COMMUNITY FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS**

**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 2021 and 2020, 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 30<sup>th</sup> of the previous year, respectively. For calendar years 2021 and 2020, 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, 2021 and 2020, were \$36,316 and \$7,321, 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 March 1, 2021, the Foundation entered into a two-year lease at a rate of \$700 per month due on the first day of each month. Rent expense amounted to \$7,833 and \$5,000 for the years ended December 31, 2021 and 2020, respectively.

**LAPEER COUNTY COMMUNITY FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 11 – 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 23 and 29 agency funds for the years ended December 31, 2021 and 2020, respectively.

	<u>DECEMBER 31,</u>	
	<u>2021</u>	<u>2020</u>
<b>Agency fund balance – beginning of year</b>	<b>\$ 1,481,907</b>	<b>\$ 1,389,968</b>
Contributions	49,622	10,880
Investment income	31,810	33,270
Unrealized and realized investment gains (losses)	193,379	111,575
Grants	(18,925)	(36,353)
Fund activity expenses	(837)	(735)
Investment fees	(8,066)	(7,753)
LCCF administrative fees	(20,639)	(19,637)
Cash value of life insurance policy	670	692
Net reclassification of funds (from) to agency funds	<u>(118,070)</u>	<u>-</u>
<b>Agency fund balance – end of year</b>	<b><u>\$ 1,590,851</u></b>	<b><u>\$ 1,481,907</u></b>

**NOTE 12 – LIFE INSURANCE:**

The Foundation is the owner-beneficiary of two life insurance policies with a combined net death benefit value of \$152,678 and \$152,330 at December 31, 2021 and 2020, respectively. The annual premium charges are paid by the donors. At December 31, 2021 and 2020, the cash surrender values on these policies totaled \$34,461 and \$27,163, respectively, and are reflected as other assets on the statement of financial position.

**LAPEER COUNTY COMMUNITY FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 13 – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES:**

As of December 31, 2021 and 2020, the Foundation has a working capital surplus of \$14,278,624 and \$12,438,473, respectively.

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

	DECEMBER 31,	
	2021	2020
Cash	\$ 156,142	\$ 107,160
Investments	14,019,942	12,291,467
Financial assets available for general expenditures	\$ 14,176,084	\$ 12,398,627

**NOTE 14 – 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. 2021 employer contributions to the plan totaled \$2,356. 2020 employer contributions to the plan totaled \$2,204.

**NOTE 15 – PAYROLL PROTECTION PROGRAM:**

On April 15, 2020 the Organization received loan proceeds in the amount of \$19,486 under the Paycheck Protection Program ("PPP"). Funds from the loan were only allowed to be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on certain debt obligations. Under the terms of PPP, the loan and accrued interest were forgiven in December 2020 since they were used for qualifying expenses.

**NOTE 16 – NET RECLASSIFICATION OF FUNDS FROM (TO) AGENCY FUNDS:**

For the year ended December 31, 2021, the following funds were reclassified from (to) agency funds:

- Lapeer County Courthouse Restoration Fund
- Lapeer West Boosters Endowment Fund
- Joseph Property Capital Defense Fund
- Joseph Property Defense Endowment Fund
- LACADA Roberta Jane Lynch Legal Defense Fund
- Lapeer Community School Endowment Fund
- Valley Lapeer Community Schools Library Fund
- (Six Rivers Lapeer County Land Conservation Fund)



# SHAW, FRANZEL & KURSINSKY, PLLC

*Certified Public Accountants*

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TIMOTHY D. FRANZEL, SENIOR ACCOUNTANT  
JENNIFER R. KURSINSKY, CPA  
JOSEPH H. NARTKER, STAFF ACCOUNTANT  
MARLENE J. JACKSON, STAFF ACCOUNTANT  
HEATHER N. BAKER, ADMIN ASSISTANT

MEMBERS OF  
  
MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS  
  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
Lapeer County Community Foundation  
Lapeer, Michigan 48446

In planning and performing our audit of the financial statements of Lapeer Community Foundation as of and for the years ended December 31, 2021 and 2020, in accordance with auditing standards generally accepted in the United States of America, we considered Lapeer Community Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

This communication is intended solely for the information and use of management, the Board, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the opportunity to be of service to Lapeer Community Foundation and look forward to continuing our relationship. The cooperation extended to us by your staff throughout the audit was greatly appreciated. Should you wish to discuss any items included in this letter further, we would be happy to do so.

Very truly yours,

*Brent A. Shaw, CPA*

Shaw, Franzel, & Kursinsky, PLLC  
Sandusky, Michigan  
October 26, 2022



# SHAW, FRANZEL & KURSINSKY, PLLC

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October 26, 2022

Board of Directors  
Lapeer County Community Foundation  
Lapeer, Michigan 48446

We have audited the financial statements of Lapeer Community Foundation for the years ended December 31, 2021 and 2020, and we will issue our report thereon dated October 26, 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 orally during our discussion on October 25, 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 Lapeer Community Foundation are described in Note 2 to the financial statements. The application of existing policies was not changed during the year. We noted no transactions entered into by the Organization 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 estimate affecting the financial statements was:

Depreciation expense amounts to \$4,149 and is based on asset useful lives from the industry guide. We have reviewed those estimates and believe the amounts are reasonable.

The financial statement disclosures are neutral, consistent, and clear.

### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### 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. We did not propose any adjustments.

### Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 26, 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 Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Restrictions on Use

This information is intended solely for the use of management, the Board, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Brent A. Shaw, CPA*

Shaw, Franzel & Kursinsky, PLLC  
Certified Public Accountants