

*Financial Statements*

**DICKINSON AREA COMMUNITY FOUNDATION**

**December 31, 2019**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Dickinson Area Community Foundation  
Iron Mountain, Michigan

We have audited the accompanying financial statements of the **DICKINSON AREA COMMUNITY FOUNDATION** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide the 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 **DICKINSON AREA COMMUNITY FOUNDATION** as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Fleury, Singler & Company, P.C.*

**Certified Public Accountants**  
Iron Mountain, Michigan

**October 30, 2020**

# DICKINSON AREA COMMUNITY FOUNDATION

## STATEMENT OF FINANCIAL POSITION December 31, 2019

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<b>Assets</b>			
Cash		\$	987,913
Prepaid expenses			14,857
Investments			11,956,229
Office equipment	\$	31,577	
Less accumulated depreciation		<u>15,957</u>	<u>15,620</u>
	<b>Total assets</b>		<b><u>\$ 12,974,619</u></b>
<b>Liabilities and Net Assets</b>			
<b>Liabilities</b>			
Accounts payable		\$	300
Accrued payroll, taxes, and withholding			2,795
Deferred revenue			<u>4,825</u>
	<b>Total liabilities</b>		<b>7,920</b>
<b>Net assets</b>			
Without donor restrictions			238,204
With donor restrictions			<u>12,728,495</u>
	<b>Total net assets</b>		<b><u>12,966,699</u></b>
	<b>Total liabilities and net assets</b>		<b><u>\$ 12,974,619</u></b>

See notes to financial statements.

# DICKINSON AREA COMMUNITY FOUNDATION

## STATEMENT OF ACTIVITIES Year ended December 31, 2019

	Net Assets		Total
	Without Donor Restrictions	With Donor Restrictions	
<b>Revenues, gains and other support</b>			
Investment income	\$ -	\$ 298,467	\$ 298,467
Net unrealized and realized gain on long-term investments (net of fees of \$72,816)	-	1,668,956	1,668,956
Contributions	941	235,131	236,072
Fundraising (net of direct expenses of \$25,766)	-	20,255	20,255
Miscellaneous	9,160	-	9,160
Administrative fees	169,845	(169,845)	-
Net assets released from restrictions due to satisfaction of program restrictions	452,734	(452,734)	-
<b>Total revenues, gains and other support</b>	<b>632,680</b>	<b>1,600,230</b>	<b>2,232,910</b>
<b>Expenses</b>			
Program services	477,384	-	477,384
Fundraising	41,507	-	41,507
Administrative	84,615	-	84,615
<b>Total expenses</b>	<b>603,506</b>	<b>-</b>	<b>603,506</b>
<b>Net assets - Beginning of year</b>	<b>209,030</b>	<b>11,128,265</b>	<b>11,337,295</b>
<b>Changes in net assets</b>	<b>29,174</b>	<b>1,600,230</b>	<b>1,629,404</b>
<b>Net assets - End of year</b>	<b>\$ 238,204</b>	<b>\$ 12,728,495</b>	<b>\$ 12,966,699</b>

See notes to financial statements.

# DICKINSON AREA COMMUNITY FOUNDATION

## STATEMENT OF FUNCTIONAL EXPENSES Year ended December 31, 2019

	Program Services	Support Services		Total
		Fundraising	Administrative	
Salaries	\$ 20,100	\$ 32,022	\$ 33,219	\$ 85,341
Payroll taxes	1,653	2,632	2,731	7,016
Grants	299,555	-	-	299,555
Scholarships	143,788	-	-	143,788
Accounting and legal	-	-	26,862	26,862
Rent	2,758	197	985	3,940
Office supplies and expense	4,280	1,070	1,783	7,133
Telephone	1,472	105	526	2,103
Advertising	-	5,416	-	5,416
Bank charges	-	-	402	402
Dues and subscriptions	-	-	4,696	4,696
Travel and meetings	-	-	5,316	5,316
YAC programs	2,864	-	-	2,864
Contracted services	-	-	4,877	4,877
Depreciation	-	-	1,664	1,664
Insurance	914	65	327	1,306
Meals and entertainment	-	-	1,227	1,227
<b>Total expenses</b>	<b>\$ 477,384</b>	<b>\$ 41,507</b>	<b>\$ 84,615</b>	<b>\$ 603,506</b>

See notes to financial statements.

# DICKINSON AREA COMMUNITY FOUNDATION

## STATEMENT OF CASH FLOWS Year ended December 31, 2019

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<b>Cash flows from operating activities</b>	
Change in net assets	\$ 1,629,404
Adjustments to reconcile change in net assets to net cash (used in) operating activities	
Depreciation	1,664
Decrease in accounts receivable	2,515
(Increase) in prepaids	(13,857)
Increase in accrued liabilities and accounts payable	2,963
Net unrealized and realized gain on long-term investments	(1,741,772)
Contributions to endowed funds	(215,131)
	<hr/>
<b>Net cash (used in) operating activities</b>	<b>(334,214)</b>
 <b>Cash flows from investing activities</b>	
Purchases of investment securities	(2,737,577)
Proceeds from sale of investments	2,843,423
Purchases of equipment	(16,912)
	<hr/>
<b>Net cash provided by investing activities</b>	<b>88,934</b>
 <b>Cash flows from financing activities</b>	
Contributions to endowed funds	215,131
	<hr/>
<b>Net cash provided by financing activities</b>	<b>215,131</b>
	<hr/>
<b>Net (decrease) in cash</b>	<b>(30,149)</b>
 Cash - Beginning of year	<hr/>
	1,018,062
	<hr/>
<b>Cash - End of year</b>	<b>\$ 987,913</b>
	<hr/>

See notes to financial statements.

# DICKINSON AREA COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

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### NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

#### **Nature of Operations**

The Dickinson Area Community Foundation ("Foundation") is a public, nonprofit organization that encourages philanthropic investment in Dickinson County, Michigan and the surrounding area by accumulating and managing funds and utilizing the income to support charitable activities within guidelines set forth in various grant and scholarship fund agreements. The Foundation generates the majority of its income from investments and endowed contributions.

In 2016, the Foundation applied for and received National Standards accreditation from the Council on Foundations which is valid for a five-year period.

#### **Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **Cash**

The Foundation maintains cash balances at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) to a maximum of \$250,000.

#### **Risks and Uncertainties**

The Foundation utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements.

#### **Financial Statement Presentation**

The Foundation reports information regarding its financial position and activities according to two classes of net assets - with donor restrictions and without donor restrictions.

#### **Contributions**

Contributions received are recorded as with or without donor restrictions depending on the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

#### **Equipment**

Donations of equipment are recorded as support at their estimated fair value. It is the Foundation's policy to capitalize all equipment purchased or donated with a fair market value of \$500 or more. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation does not imply a time restriction and reports the gifts as unrestricted support when the assets are placed in service. Equipment is depreciated using straight-line and accelerated methods over estimated useful lives. Purchased equipment is stated at cost.

#### **Investment Securities**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position as further described in Note F. Unrealized gains and losses are included in the change in net assets. All of the Foundation's investments had readily available fair market values at December 31, 2019, which were determined by an investment company.



## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Income Tax Status**

The Foundation is a not-for-profit organization other than a private foundation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision for income taxes is required.

The Organization's Forms 990, Return of Organization Exempt from Tax, are subject to examination by the Internal Revenue Service, generally for three years after filing.

#### **New Authoritative Accounting Guidance**

In 2016, the Financial Accounting Standards Board (FASB) issued guidance establishing the principles to report transparent and economically neutral information about the assets and liabilities that arise from leases, Accounting Standards Update (ASU 2016-02). One of the core principles of the new guidance is that lessees will recognize lease assets and liabilities that arise from leases in the statement of financial position and to disclose qualitative and quantitative information about lease transactions. This ASU, together with additional updates, is effective for periods beginning after December 15, 2021. The Foundation does not expect these updates to have a material effect on the financial statements.

In June 2018, FASB issued guidance in an effort to help resolve long-standing diversity in the accounting for grants and similar arrangements (ASU 2018-08). This ASU placed a renewed focus on the appropriate recognition model to be used for grants received by both not-for-profit and business entities, shifting many grants from an exchange to a nonexchange recognition model. The ASU also clarifies the related expense recognition by grant makers and donors. This ASU is effective for periods beginning after December 15, 2018 for resource recipients and after December 15, 2019 for resource providers. The Foundation does not expect this ASU to have a material effect on the financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Foundation's financial position, changes in net assets or cash flows.

#### **Accounting Standards Adopted**

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of the guidance in ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Foundation adopted this guidance as of January 1, 2019 as required by the standard. This standard had no effect on the financial statements.

### **NOTE B - NET ASSETS WITHOUT DONOR RESTRICTIONS**

Net assets without donor restrictions consist of undesignated amounts to be used for the operations of the Foundation.

### **NOTE C - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the endowed funds' investments, including accumulated earnings and income, and a money market account. The Foundation managed 112 scholarship, grant, and administrative agreements during 2019. The Foundation's net assets with donor restrictions are subject to the following purpose restrictions:

<b>Subject to purpose restrictions</b>	
Permanently endowed funds - current fair value - Note H	\$ 11,956,229
Use restrictions	<u>772,266</u>
<b>Total net assets with donor restrictions</b>	<b><u>\$ 12,728,495</u></b>

### **NOTE D - CONCENTRATION**

Certain financial instruments potentially subject the Foundation to concentrations of credit risk, and consist primarily of cash and cash equivalents. The Foundation maintains cash balances at a creditworthy, high quality financial institution to limit exposure. Accounts at this institution are insured by the FDIC. The Foundation has not experienced any loss in such accounts. The uninsured balance as of December 31, 2019 is \$735,187 and the Foundation does not believe it is exposed to any significant credit risk on its cash balances.

Three individuals represented 76% of 2019 contributions.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE E - COMMITMENTS

The Foundation has awarded a number of scholarships that are renewable for four years, if the recipient has maintained certain academic standards. The liability for payment of these scholarships has not been included in the financial statements due to the uncertainties of maintaining these standards. The potential scholarship commitments in future years are as follows:

Due in 2020	\$	75,115
Due in 2021 through 2023		<u>93,590</u>
<b>Total commitments at December 31, 2019</b>	<b>\$</b>	<b><u>168,705</u></b>

### NOTE F - INVESTMENT SECURITIES

The majority of the Foundation's investments are managed by an investment company. Money market, fixed income, equity, and real asset investments are not federally insured. Investments consist of the following which are provided by the investment company:

	<u>Cost</u>	<u>Unrealized Gain/(Loss)</u>	<u>Fair Value</u>
Money market funds	\$ 405,329	\$ -	\$ 405,329
Fixed income	2,210,766	191,637	2,402,403
Equity	7,841,673	1,269,084	9,110,757
Real asset fund	<u>36,630</u>	<u>1,110</u>	<u>37,740</u>
<b>Totals</b>	<b>\$ <u>10,494,398</u></b>	<b>\$ <u>1,461,831</u></b>	<b>\$ <u>11,956,229</u></b>

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of significant other observable inputs (including quoted prices for similar assets in active markets), and Level 3 inputs consist of significant unobservable inputs and have the lowest priority.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at December 31, 2019.

*Level 1 Fair Value Measurements* - Fair values are based on quoted market prices.

*Level 2 Fair Value Measurements* - Fair values are based on inputs other than quoted prices within Level 1 that are observable for the asset, either directly or indirectly. Observable inputs include quoted market prices in active markets for similar assets, quoted prices in markets that are not active for identical or similar assets, and other marketable observable inputs.

The preceding methods may produce a fair value calculation 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 other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **NOTE F - INVESTMENT SECURITIES (CONTINUED)**

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of December 31, 2019:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Corporate bonds	\$ 2,292,407	\$ -	\$ 2,292,407	\$ -
U.S. obligations bonds	109,997	-	109,997	-
Common stock	5,336,500	5,336,500	-	-
Mutual funds	3,774,256	3,774,256	-	-
Real asset fund	37,740	37,740	-	-
<b>Totals</b>	<b>\$ 11,550,900</b>	<b>\$ 9,148,496</b>	<b>\$ 2,402,404</b>	<b>\$ -</b>

### **NOTE G - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Foundation is primarily funded by contributions from donors that contain restrictions. Those restrictions require that resources be used in a certain manner or in a future period. Therefore, the Foundation must maintain adequate resources to meet those responsibilities to its donors and certain financial assets may not be available for general expenditure within one year. The following reflects the Foundation's financial assets as of the date of the statement of financial position, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement date. The Foundation charges a 0.125% administration fee on the market value of endowed funds each month (1.5% total for the year), which totaled \$169,845 for 2019, that may be used to fund general expenditures.

Financial assets at year-end	\$ 12,944,142
Less those unavailable for general expenditures within one year, due to donor imposed restrictions - Note C	<u>(12,728,495)</u>
<b>Financial assets available to meet cash needs for general expenditure within one year</b>	<b><u>\$ 215,647</u></b>

### **NOTE H - ENDOWMENT FUNDS**

The Foundation's endowed funds are governed by gift instruments and specific agreements with the Foundation.

The State of Michigan has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Foundation's board of directors has interpreted Michigan's enacted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of the donor imposed provisions, net assets with donor restrictions includes the fair value of the original gifts as of the gift date and the original value of subsequent gifts to the donor restricted endowment funds, and the remaining portion of the donor restricted endowment funds until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed in UPMIFA.

The Foundation has adopted investment and spending policies for endowed assets that attempt to develop an asset base in which the total investment return is sufficient to support the basic operations of the Foundation.

The investment policy emphasizes growth over the long term with a balanced approach targeting allocations of 10-50% fixed income, 35-75% equities, 0-25% real assets, 0-10% alternative strategies and 0-20% cash equivalents. Each category has its own set of guidelines.

The spending policy calculates the amount available for spending using 4% of the 12-quarter rolling average. Scholarship, agency and field of interest grant allocations for the upcoming year are reviewed in the fourth quarter each year using June 30th fund balances.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**NOTE H - ENDOWMENT FUNDS (CONTINUED)**

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the entity to retain as a fund of perpetual duration. Deficiencies of this nature do not exist as of December 31, 2019. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. However, the Foundation's spending policy restricts spending from underwater funds unless permitted by the underlying fund agreement.

The composition of endowed net assets and the changes in endowed net assets for the year are as follows:

	<b>Net Assets With Donor Restrictions</b>
Endowed net assets, January 1, 2019	\$ 10,320,304
Investment income	296,338
Net realized and unrealized gain	1,668,956
Contributions	215,131
Administrative fees and expenses	(169,845)
Appropriation of endowment assets for expenditure	<u>(374,655)</u>
<b>Endowed net assets, December 31, 2019</b>	<b><u>\$ 11,956,229</u></b>

All endowed funds are donor restricted endowment funds.

**NOTE I - LEASES**

The Foundation leases office space and equipment under operating leases. Rental expense under these leases totaled \$4,988 for 2019.

Future minimum lease payments under operating leases with terms over one year are as follows:

2020	\$ 1,906
2021	762
2022	-
2023 and thereafter	<u>-</u>
<b>Total</b>	<b><u>\$ 2,668</u></b>

**NOTE J - FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between program services, fundraising and administrative. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation (based on time and effort), and rent, office, insurance, and telephone (based on a percentage allocation which is reviewed each year).

**NOTE K - RELATED PARTY TRANSACTIONS**

Donations totaling approximately \$995 were made to the Foundation by board and committee members.

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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### **NOTE L - SUBSEQUENT EVENTS**

Management has evaluated events and transactions for potential recognition or disclosure through the date of the accompanying independent accountant's review report, which is the date the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2019 that required recognition or disclosure in the current period financial statements.

The Foundation's operations may be affected by the recent and ongoing outbreak of COVID-19 which was declared a pandemic by the World Health Organization in March, 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Foundation's financial position, activity and cash flows. Possible effects may include, but are not limited to, a reduction in the Foundation's revenues due to lower contributions, as well as the possibility of negative performance in financial markets.