



FINANCIAL STATEMENTS
December 31, 2021
(with comparative totals for 2020)



COMMUNITY FOUNDATION FOR OCEANA COUNTY
PENTWATER, MICHIGAN
FINANCIAL STATEMENTS
DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Community Foundation for Oceana County
Pentwater, Michigan

Opinion

We have audited the accompanying financial statements of Community Foundation for Oceana County (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Foundation for Oceana County as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Community Foundation for Oceana County and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Community Foundation for Oceana County'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.

INDEPENDENT AUDITOR'S REPORT, CONCLUDED

- 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 Community Foundation for Oceana County'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 Community Foundation for Oceana County'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.

Report on Summarized Comparative Information

We have previously audited Community Foundation for Oceana County's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 27, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Respectfully submitted,



Certified Public Accountants

St. Joseph, Michigan
August 27, 2022

**COMMUNITY FOUNDATION FOR OCEANA COUNTY
PENTWATER, MICHIGAN**

STATEMENTS OF FINANCIAL POSITION
December 31, 2021
(with comparative totals for 2020)

	<u>2021</u>	<u>2020</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 355,430	\$ 637,175
Prepaid expenses	-	1,310
Total Current Assets	<u>\$ 355,430</u>	<u>\$ 638,485</u>
Non-current assets:		
Investments	\$ 17,865,000	\$ 15,344,919
Property and equipment, net	6,949	9,753
Total Non-Current Assets	<u>\$ 17,871,949</u>	<u>\$ 15,354,672</u>
Total Assets	<u><u>\$ 18,227,379</u></u>	<u><u>\$ 15,993,157</u></u>
 Liabilities and Net Assets		
Liabilities:		
Accrued expenses	\$ 4,752	\$ 10,883
Funds held as agency funds	636,610	580,591
Total Liabilities	<u>\$ 641,362</u>	<u>\$ 591,474</u>
 Net Assets:		
Without Donor Restriction	<u>\$ 17,586,017</u>	<u>\$ 15,401,683</u>
Total Net Assets	<u>\$ 17,586,017</u>	<u>\$ 15,401,683</u>
Total Liabilities and Net Assets	<u><u>\$ 18,227,379</u></u>	<u><u>\$ 15,993,157</u></u>

The Notes to Financial Statements are an integral part of this statement.

**COMMUNITY FOUNDATION FOR OCEANA COUNTY
PENTWATER, MICHIGAN**

STATEMENTS OF ACTIVITIES
Year Ended December 31, 2021
(with comparative totals for 2020)

Without Donor Restrictions

	<u>2021</u>	<u>2020</u>
Public Support and Revenues		
Contributions	\$ 1,266,158	\$ 14,623,502
Interest and dividends	317,529	281,742
Realized gains	166,747	13,406
Unrealized appreciation	1,526,539	1,495,869
Other revenue	25,700	26,700
Total Public Support and Revenues	<u>\$ 3,302,673</u>	<u>\$ 16,441,219</u>
Expenses		
Program services	\$ 888,434	\$ 898,233
Management and general	68,717	55,590
Fundraising	161,188	85,713
Total Expenses	<u>\$ 1,118,339</u>	<u>\$ 1,039,536</u>
Change in Net Assets	\$ 2,184,334	\$ 15,401,683
Net Assets - beginning of year	<u>15,401,683</u>	<u>-</u>
Net Assets - end of year	<u><u>\$ 17,586,017</u></u>	<u><u>\$ 15,401,683</u></u>

The Notes to Financial Statements are an integral part of this statement.

**COMMUNITY FOUNDATION FOR OCEANA COUNTY
PENTWATER, MICHIGAN**

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2021
(with comparative totals for 2020)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2021</u>	<u>2020</u>
Grants and scholarships	\$ 790,488	\$ -	\$ -	\$ 790,488	\$ 763,259
Investment management fees	25,421	-	-	25,421	13,542
Wages and benefits	37,618	39,162	122,699	199,479	171,076
Contracted services	-	-	-	-	6,270
Accounting and legal fees	10,107	5,375	11,819	27,301	11,055
Office supplies	7,137	15,737	625	23,499	25,914
Travel	709	-	709	1,418	1,144
Dues and memberships	1,733	1,486	1,733	4,952	4,320
Insurance	792	1,585	792	3,169	3,204
Marketing	2,524	-	10,097	12,621	8,020
Telephone and web hosting fees	1,068	466	1,584	3,118	5,953
Postage and printing	2,738	1,597	3,270	7,605	14,328
Conferences and meetings	4,651	1,357	3,682	9,690	952
Depreciation	1,009	589	1,205	2,803	2,803
Miscellaneous	279	163	333	775	1,696
Occupancy	2,160	1,200	2,640	6,000	6,000
Total expenses	<u>\$ 888,434</u>	<u>\$ 68,717</u>	<u>\$ 161,188</u>	<u>\$ 1,118,339</u>	<u>\$ 1,039,536</u>

The Notes to Financial Statements are an integral part of this statement.

**COMMUNITY FOUNDATION FOR OCEANA COUNTY
PENTWATER, MICHIGAN**

STATEMENT OF CASH FLOWS
Year Ended December 31, 2021
(with comparative totals for 2020)

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 2,184,334	\$ 15,401,683
Adjustments to reconcile change in net assets to net cash used provided by operating activities:		
Depreciation	2,803	2,803
Net realized gain on sale of investments	(166,747)	(13,406)
Net unrealized appreciation of investments	(1,526,539)	(1,495,869)
<i>Changes in current assets and liabilities:</i>		
Prepaid expenses	1,310	(1,310)
Accrued expenses	(6,131)	10,883
Funds held as agency funds	56,019	580,591
Net cash provided by operating activities	<u>\$ 545,049</u>	<u>\$ 14,485,375</u>
Cash Flows from Investing Activities		
Proceeds from sale of investments	\$ 70,080	\$ 285,664
Purchase of investments	(896,874)	(14,133,864)
Net cash used in investing activities	<u>\$ (826,794)</u>	<u>\$ (13,848,200)</u>
Change in Cash and Cash Equivalents	\$ (281,745)	\$ 637,175
Cash and Cash Equivalents, Beginning of Year	637,175	-
Cash and Cash Equivalents, End of Year	<u>\$ 355,430</u>	<u>\$ 637,175</u>
Supplemental disclosure of cash flow information		
Donated securities from previous affiliate	<u>\$ -</u>	<u>\$ 13,603,822</u>

The Notes to Financial Statements are an integral part of this statement.

NOTE 1. NATURE OF BUSINESS

Community Foundation for Oceana County (the “Foundation”) is a public foundation established to aggregate funds created by individuals, families and corporations to benefit programs and services primarily for people in the Oceana County, Michigan area.

The Foundation accomplishes this mission by:

- Building endowments and other funds and providing a broad range of flexible and cost-effective donor services
- Delivering exceptional service and being an active participant in seeking solutions to real-life problems.
- Providing grants and scholarships to support a broad range of projects and programs that address community needs
- Serving as a leader, catalyst, and resource in our communities

Historically, the Foundation was operated as an affiliate under the Muskegon County Community Foundation. Starting in 2020 the Foundation the was set up as a Michigan Not-for-profit Corporation and now operates independently from the previous affiliation.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***Method of Accounting***

The financial statements of the Foundation have been prepared utilizing the accrual basis of accounting.

Financial Statement Presentation

The Foundation adheres to Financial Accounting Standards (“FASB”) Accounting Standards Codification (“ASC”) 958-205, which sets the standards for reporting on financial statements of non-profit organizations. ASC 958-205 requires the classification and presentation of net assets in two categories: net assets with donor restrictions and net assets without donor restrictions.

Net assets without donor restrictions are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Foundation’s management and Board of Directors.

Net assets with donor restrictions are subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires the use of management estimates and assumptions regarding certain types of assets, liabilities, support, revenues, and expenses.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED***Cash and Cash Equivalents***

Included in cash are all highly liquid investments purchased with an original maturity of three months or less, which the Foundation considers to be cash equivalents.

Investments

In accordance with the requirements of *Accounting for Certain Investments Held by Not-for-Profit Organizations* Topic of FASB ASC 958-320, the Foundation reports investments in equity securities with readily determinable fair values and all investments in debt securities at fair value in the Statement of Financial Position. Gains and losses are reflected as increases or decreases in the unrestricted class of net assets unless the donor or relevant laws place temporary or permanent restrictions on the gains and losses.

Donated securities are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of the sales proceeds received.

Property and Equipment

Property and equipment are stated at their estimated market value at the date donated or at cost, if purchased. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The Foundation has established a capitalization policy for all expenditures in excess of \$2,500 and an estimated useful life of greater than one year.

Contributions

The Foundation records contributions, including promises to give when the contribution is deemed unconditional. Contributions are reflected in the financial statements at the earlier of the transfer of the assets or at the time an unconditional promise to give is made.

Contributions received are considered to be available for current use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support that increases net assets with donor restrictions. A donor restriction expires when a stipulated time restriction ends or when a purpose restriction is accomplished. Upon expiration, 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. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restrictions are met in the fiscal year in which the contributions are received.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED

Functional Allocation of Expenses

The costs of providing the program and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated between program and supporting services based up personnel time and space utilized for the related activities.

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and wages; contracted services	Time and Effort

All other expenses are allocated using estimated usage

NOTE 3. FAIR VALUE MEASUREMENTS

The three levels of the fair value hierarchy under ASC 820 are described below:

- Level 1: Unadjusted quoted process in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2: Quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;
- Level 3: Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As required by ASC 820, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement:

Assets at Fair Value as of December 30, 2021				
	Total	(Level 1)	(Level 2)	(Level 3)
Investments:				
Corporate stocks	\$ 434,596	\$ 434,596	\$ -	\$ -
Equities and mutual funds	11,604,202	11,604,202	-	-
Real estate securities	949,616	949,616	-	-
Money market	1,082,088	1,082,088	-	-
Fixed income	3,794,498	3,794,498	-	-
Investments	<u>\$ 17,865,000</u>	<u>\$ 17,865,000</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities:				
Funds held as agency funds	\$ 636,610	\$ 636,610	\$ -	\$ -

NOTE 4. LIQUIDITY AND AVAILABILITY

As of December 31, 2021, the Foundation has negative working capital of \$285,932 and average day's cash on hand of 117.

Financial Assets available for general expenditure within one year of the balance sheet date:

Financial assets at year end:	
Cash and cash equivalents	\$ 355,430
Investments	17,865,000
Total financial assets	<u>\$ 18,220,430</u>
Financial assets available to meet general expenditures within one year	<u>\$ 18,220,430</u>

Our endowment funds consist of donor and organization endowments and funds designated by the board as endowments. These endowments are subject to a variable annual spending rate of 0-5% percent of the average market value over the previous twenty quarters. Although the donor and organization endowments' non spendable amounts are not available for general expenditure, these amounts could be made available, if necessary, if the circumstances adhere to the specific requirements for invoking variance power of the Board.

Our endowment of \$11,876,503 is subject to the variable annual spending rate. Although we do not intend to spend from this endowment (other than amounts appropriated for general expenditure as part of our Board's annual budget approval and appropriation), these amounts could be made available if necessary.

As part of our liquidity management plan, we assess our immediate liquidity needs weekly. This timeframe is used to accommodate timely payments for unpredictable donor grant recommendations as well as our regularly scheduled general expenses and grant programs. The Foundation invests cash in excess of daily requirements in an interest-bearing checking account and savings account.

NOTE 5. INCOME TAXES

The Internal Revenue Service has ruled that the Foundation is a publicly supported organization, as described in Section 509(a)(1), 509(a)(3), and 170(b)(1)(A)(iv) of the Internal Revenue Code. Consequently, the Foundation is exempt from federal income tax through Section 501(c)(3) and certain excise taxes imposed on private foundations.

NOTE 5. INCOME TAXES, CONCLUDED

Management has elected to apply the provisions of FASB ASC 740-10, *Income Taxes*. Under FASB ASC 740-10 an entity must determine whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any appeals or litigation processes, based on technical merits of the position. As of December 31, 2021, the Foundation had no known liability due to the uncertainty of income taxes. The Foundation is filing it's second year and has one prior return subject to examination.

NOTE 6. DONATED OCCUPANCY

Certain donated goods and services are recognized as contributions in accordance with FASB 958-605, *Accounting for Contributions Received and Contributions Made*. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. A substantial number of volunteers have made significant contributions of their time to the Foundation's program services. The value of this contributed time is not reflected in these financial statements since the volunteer time does not require specialized skills. The Foundation also receives donated goods and supplies for special events which assist in the accomplishment of its mission. These donations are recorded in the financial statements as contribution revenue and expenses at their estimated fair market value. Contribution revenue and expenses for occupancy were estimated to be \$6,000 for the year ended December 31, 2021.

NOTE 7. CONCENTRATION OF CREDIT RISK

The Foundation maintains a noninterest bearing checking account with one financial institution. The balance in this account is insured up to \$250,000 by the Federal Deposit Insurance Corporation as of December 31, 2021.

NOTE 8. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2021:

	Estimated Asset Life		
Equipment & software	5 years	\$	14,017
Less: allowance for depreciation			(7,068)
Net carrying amount		<u>\$</u>	<u>6,949</u>

Total depreciation expense for the year ended December 31, 2021 was \$2,803.

NOTE 9. FUNDS HELD AS AGENCY FUNDS

The Foundation follows the provisions of FASB ASC 958-605, *Accounting for Contributions Received and Contributions Made*. 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. FASB ASC 958-605 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 agency funds.

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 FASB ASC 958-605, a liability has been established for the fair value of the funds, which is generally equivalent to the present value of future payments which could possibly be made to the NPOs under certain conditions.

Agency activity by the Foundation consisted of the following for the year ended December 31, 2021:

Agency liability - beginning of year	<u>\$ 580,591</u>
Revenues	
Investment returns	<u>\$ 67,793</u>
Expenses	
Grants and other expenses	<u>\$ (11,774)</u>
Net change	<u>\$ 56,019</u>
Agency liability - end of year	<u><u>\$ 636,610</u></u>

NOTE 10. ENDOWMENTS

The Foundation's endowments consist of both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTE 10. ENDOWMENTS, CONTINUED

The State of Michigan adopted UPMIFA effective September 1, 2009.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation, the nature of the endowment fund, and donor restrictions
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

The Foundation's agreements with donors include a variance provision, giving the Board the power to vary the use of endowed funds if a restriction becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served by the Foundation. Based on these provisions, most contributions received by the Foundation are reported as unrestricted support. Any gift received that is not established in accordance with the aforementioned are subject to UPMIFA and are classified as either temporarily or permanently restricted assets.

Investment Policy

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets; the Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective of 4-5% through diversification of endowment assets.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term objectives within prudent risk parameters.

Spending Policy

The spending policy calculates the amount of money annually distributed from the Foundation's various endowment funds, for grant making, scholarships, and administration. The current spending policy is based on the previous twenty quarters' average balance of the market value of the endowment ending December 31, with a 0-5% payout amount. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional growth through

NOTE 10. ENDOWMENTS, CONTINUED

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ 10,324,678	\$ -	\$ 10,324,678
Contributions	\$ 429,978	\$ -	\$ 429,978
Interest and dividends	231,812	-	231,812
Realized gains (losses)	128,023	-	128,023
Unrealized gains (losses)	1,119,010	-	1,119,010
Amounts appropriated for expenditure	(618,384)	-	(618,384)
Reclassification from non-endowed	261,386	-	261,386
Change in Endowment Net Assets	\$ 1,551,825	\$ -	\$ 1,551,825
Endowment Net Assets, End of Year	\$ 11,876,503	\$ -	\$ 11,876,503

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Funds:			
Scholarship	\$ 7,367,487	\$ -	\$ 7,367,487
Designated	2,255,027	-	2,255,027
Field of interest	1,721,177	-	1,721,177
Unrestricted	520,512	-	520,512
Build-A-fund	12,300	-	12,300
Total	\$ 11,876,503	\$ -	\$ 11,876,503

NOTE 10. ENDOWMENTS, CONCLUDED

Net assets as of December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Funds	\$ 11,876,503	\$ -	\$ 11,876,503
Non-Endowed Funds	5,400,554	-	5,400,554
Board Designated - Quasi Endowments	308,960	-	308,960
Total Net Assets- End of year	<u>\$ 17,586,017</u>	<u>\$ -</u>	<u>\$ 17,586,017</u>

NOTE 11. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through August 27, 2022, the date the financial statements were available to be issued. No events or transactions occurred during this period which require recognition or disclosure in the financial statements.