



Cadillac Area

community foundationSM

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CADILLAC, MICHIGAN

AUDITED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
SEPTEMBER 30, 2021**

**CADILLAC AREA COMMUNITY FOUNDATION
FINANCIAL STATEMENTS**

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INDEPENDENT AUDITOR'S REPORT

April 20, 2022

Board of Directors
Cadillac Area Community Foundation
Cadillac, Michigan

We have audited the accompanying financial statements of the Cadillac Area Community Foundation (a Michigan nonprofit corporation), which comprise the statement of financial position as of September 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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 a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cadillac Area Community Foundation as of September 30, 2021, 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.

Emphasis of Matter

As discussed in Note O to the financial statements, in 2021, the Cadillac Area Community Foundation adopted new accounting guidance, FASB ASU No. 2014-09 (Topic 606), Revenue from Contracts with Customers, and FASB ASU No. 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions made. Our opinion is not modified with respect to this matter.

Respectfully submitted,

H&S Companies, P.C.

H&S Companies, P.C.
Certified Public Accountants
Reed City, Michigan

CADILLAC AREA COMMUNITY FOUNDATION

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2021

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 183,431
Investment in Marketable Securities	16,278,433
Accounts Receivable	3,070
Security Deposit Receivable	500
Current Portion of Student Loans Receivable	2,613
Total Current Assets	<u>16,468,047</u>

PROPERTY AND EQUIPMENT, NET

371

OTHER ASSETS

Student Loans Receivable, Net of Current Portion	<u>4,404</u>
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TOTAL ASSETS

\$ 16,472,822

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 2,223
Grants Payable	25,500
Total Current Liabilities	<u>27,723</u>

LONG-TERM LIABILITIES

Funds Held in Agency Endowments	<u>454,189</u>
Total Liabilities	<u>481,912</u>

NET ASSETS

Without Donor Restrictions	3,760,092
With Donor Restrictions	12,230,818
Total Net Assets	<u>15,990,910</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 16,472,822

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

CADILLAC AREA COMMUNITY FOUNDATION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
<u>REVENUE AND SUPPORT</u>			
Donations	\$ 40,108	\$ 304,813	\$ 344,921
Grant Income	250	-	250
Payroll Protection Plan	14,642	-	14,642
Interest and Dividends	116,808	383,738	500,546
Net Unrealized and Realized Gain on Investments	455,264	1,497,879	1,953,143
Oil Royalties	338	-	338
Administration Revenue from Agency Endowments	3,686	-	3,686
Net Assets Released from Restrictions	559,930	(559,930)	-
	<u>1,191,026</u>	<u>1,626,500</u>	<u>2,817,526</u>
<u>EXPENSES</u>			
Grants	468,816	-	468,816
Administrative	102,237	-	102,237
Investment Fees	25,470	-	25,470
	<u>596,523</u>	<u>-</u>	<u>596,523</u>
Net Increase in Net Assets	594,503	1,626,500	2,221,003
<u>NET ASSETS</u> - Beginning of Year	<u>3,165,589</u>	<u>10,604,318</u>	<u>13,769,907</u>
<u>NET ASSETS</u> - End of Year	<u>\$ 3,760,092</u>	<u>\$ 12,230,818</u>	<u>\$ 15,990,910</u>

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

CADILLAC AREA COMMUNITY FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	
Wages	\$ -	\$ 53,348	\$ -	\$ 53,348
Payroll Taxes	-	4,096	-	4,096
Grants	468,816	-	-	468,816
Legal and Accounting	-	14,750	-	14,750
Investment Expense	-	25,470	-	25,470
Advertising	-	1,143	-	1,143
Program Supplies	-	1,409	-	1,409
Dues and Fees	-	4,543	-	4,543
Insurance	-	2,979	-	2,979
Repairs and Maintenance	-	2,985	-	2,985
Occupancy	-	7,584	-	7,584
Telephone	-	2,269	-	2,269
Website	-	840	-	840
Miscellaneous	-	553	-	553
Contracted Services	-	1,770	-	1,770
Postage and Shipping	-	764	-	764
Depreciation	-	186	-	186
Software	-	1,080	-	1,080
Travel and Conferences	-	628	-	628
Promotional Expense	-	1,310	-	1,310
	<u>\$ 468,816</u>	<u>\$ 127,707</u>	<u>\$ -</u>	<u>\$ 596,523</u>

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

CADILLAC AREA COMMUNITY FOUNDATION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 2,221,003
Adjustments to Reconcile Change in Net Assets to Net Cash Provided/(Used)	
Operating Activities	
Increase in Assets Held for Endowments	(284,852)
Noncash Donation of Mineral Interest	(4,125)
Gain on Sale of Investments	(712,376)
Unrealized Gain on Investments	(1,288,106)
Paycheck protection program loan forgiveness	(14,642)
Depreciation	186
Increase in Funds Held in Agency Endowments	134,992
Changes in Operating Assets and Liabilities Which Provided/(Used) Cash	
Accounts Receivable	(1,259)
Payroll Withholdings	(764)
Accounts Payable	(183)
Grants Payable	8,423
	<hr/>
Net Cash Flows Provided/(Used) by Operating Activities	58,297

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Investments	(3,802,107)
Proceeds from Sale of Investments	3,453,033
Student Loan Repayments	2,884
	<hr/>
Net Cash Provided/(Used) by Investing Activities	(346,190)

CASH FLOWS FROM FINANCING ACTIVITIES

Endowment Donations	284,852
	<hr/>
Net Cash Provided/(Used) from Financing Activities	284,852

NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (3,041)

Cash and Cash Equivalents - Beginning of Year 186,472

Cash and Cash Equivalents - End of Year \$ 183,431

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

CADILLAC AREA COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE A - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Cadillac Area Community Foundation (the "Foundation") was incorporated as a Michigan nonprofit corporation on June 29, 1988 to acquire and manage a collection of unrestricted, field-of-interest and restricted endowment funds with income from these funds used to support the public welfare of the people of and around Cadillac, Michigan.

The Foundation also administers the assets of the Missaukee Area Community Foundation. The assets of this *Geographic Component Fund*, which is not a separate legal entity, are exclusively for the purpose of enhancing the quality of life for the residents of Missaukee County.

Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions and restrictions imposed by specific fund agreements. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net Assets with Donor Restrictions – These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

It is the Foundation's intent to honor donor instructions and stipulations regarding the use of gifts made to the Foundation. However, the Foundation Board has retained authority to vary the condition of any gift otherwise subject to donor-imposed conditions if adherence to any such conditions or stipulations would, in the judgment of the Board, be unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community served by the Foundation.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the current period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using low-risk interest rates applicable to the years in which the promises are to be received. The Foundation records donations of non-cash assets at their appraised or fair value at the date of the gift.

CADILLAC AREA COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

Donated Services

A portion of the Foundation's activities has been conducted by volunteers without compensation and by professional and business organizations at significantly reduced charges. Support for goods and services contributed has only been recognized to the extent that such contributions (1) require specialized skills (and are provided by individuals possessing those skills) and would typically be purchased if not provided by donation or (2) create or enhance the non-financial assets of the Foundation.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash deposits held in various checking and savings accounts. The Foundation considers all temporary investments with a maturity of three months or less to be cash equivalents. Cash amounts included in the investment portfolio are considered to be cash and cash equivalents for the purposes of the statement of cash flows.

Investments

Investments in marketable securities are stated at fair market value. Increases or decreases resulting from changes in market value of investments are included annually in the *Statement of Activities* whether or not realized by the sale of investments. Investments are recorded on the trade date of the transaction.

Student Loans Receivable

Student loans receivable are unsecured loans to students carrying a variable interest rate and commencing repayment six months after graduation or otherwise ceases to be a student in good standing. There is no allowance for uncollectible loans recorded because the Foundation does not expect such amounts to be significant.

The Foundation's practice is to charge off any loan or portion of a loan when the loan is determined by management to be uncollectible due to the borrower's failure to meet the repayment terms, the deteriorating or deteriorated financial conditions, or for any other reasons. For the fiscal year ending September 30, 2021, the Foundation did not consider any student loans to be uncollectible.

Property and Equipment

Property and equipment are stated at cost if purchased or at the estimated fair value if donated. The costs of additions and betterments are capitalized and expenditures for repairs and maintenance are expensed when paid. When items of property or equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in additions to or deductions from net assets.

CADILLAC AREA COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

Depreciation is recorded using the straight-line method over the estimated useful lives of the respective assets as follows:

Office Furniture and Equipment	5 years
Leasehold Improvements	15 years

Funds Held on Behalf of Agencies

A liability has been established for amounts received from other not-for-profit organizations that specify the donor organization or related organization as the beneficiary. Investment earnings or losses allocated to the funds and distributions paid to the beneficiary organization are recorded as increases and decreases, respectively, to the liability. Distributions from restricted organizational funds are subject to the current spending policies of the Foundation.

Grants Payable

Grants payable consist of grants approved for distribution and awarded but not paid to local non-profit organizations or individual scholarship recipients. All grants payable are current.

Tax Status

The Foundation has received determination from the Internal Revenue Service that it qualifies as a public charity and is tax exempt under Section 501(c)(3) of the Internal Revenue Code. Also, the Foundation has been certified as a community foundation by the State of Michigan and has received determination of the Foundation as “other than a private foundation” under Section 170(b)(1)(A)(vii) of the Internal Revenue Code.

The Foundation files income tax returns in the U.S. Federal jurisdiction. With few exceptions, the Foundation is no longer subject to U.S. Federal income tax examination by tax authorities for years before September 30, 2019.

Advertising

Advertising costs are charged in the year incurred and totaled \$1,143 in 2021.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles 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 amounts could differ from those estimates.

CADILLAC AREA COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE B – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation's primary sources of revenues are donations and investment income. Due to the nature of the pooled cash and investment accounts, it would be impractical and immaterial to allocate the available funds between the available cash and investments, therefore, the total available has been noted. The Foundation's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, are comprised of the following at September 30, 2021:

Cash and Investments	<u><u>\$ 1,639,267</u></u>
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NOTE C - INVESTMENTS AND DEPOSITS

The Foundation's cash and investments are held by financial institutions and consisted of the following at September 30, 2021:

	<u>Market Value</u>	<u>Cost</u>
Cash Equivalents		
Deposits and Cash Equivalent - Investments	<u>\$ 183,431</u>	<u>\$ 183,431</u>
Marketable Securities		
Equity Securities	3,195,587	1,403,724
Bond Securities	4,649,006	4,474,666
Mutual Funds - Equity	8,429,340	5,836,436
Other Investments		
Mineral Interests	<u>4,500</u>	<u>4,500</u>
Total Investments in Marketable Securities and Mineral Interests	<u>16,278,433</u>	<u>11,719,326</u>
Total Cash Equivalents and Investments	<u><u>\$16,461,864</u></u>	<u><u>\$11,902,757</u></u>

Concentration of Credit Risk

The Foundation maintains its cash in bank deposit accounts at various financial institutions. The balances, at times, may exceed federally insured limits. At September 30, 2021, the Foundation's cash balances were fully insured.

CADILLAC AREA COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

Concentration of Credit Risk - Investments

Brokerage accounts have insurance of \$500,000 per broker, provided by the Securities Investor Protection Corporation. The balance of investments exceeded insured limits by \$15.265 million at September 30, 2021.

NOTE D - FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial Accounting Standards Board Accounting Standards Codification 820-10 (FASB ASC 820-10), formerly Financial Accounting Standards Board Statement No. 157, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

Level 1—Quoted prices in active markets for identical assets. Assets in this level typically include publicly traded equities, mutual fund investments, cash equivalents, and listed derivatives.

Level 2—Quoted prices for similar assets in active or inactive markets, or inputs derived from observable market data such as published interest rates and yield curves, over-the-counter derivatives, market modeling, or other valuation methodologies. Assets in this level include debt securities and partnerships that hold Level 1 assets, provided that the Foundation has the ability to redeem the investment in the near term, and real estate held for investment if measured by a current appraisal.

Level 3—Unobservable inputs that reflect management’s assumptions and best estimates based on available data. Assets in this level include alternative investments, real estate held for investment if measured using management estimates, investments in partnerships and limited liability companies, and beneficial interests in charitable remainder trusts.

The asset’s or liability’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 used need to maximize the use of observable inputs to minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for asset measured at fair value. There have been no changes in the methodologies used at September 30, 2021.

Equity and bond securities: Valued at fair value based on quoted market prices.

Mutual funds: Valued at the net asset value (“NAV”) of shares held by the Foundation at year-end.

Mineral Interests: Valued at management’s estimate.

CADILLAC AREA COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while 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.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of September 30, 2021:

Assets at Fair Value as of September 30, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds				
Blended Funds	\$ 2,767,394	\$ -	\$ -	\$ 2,767,394
Bond Funds	4,649,006	-	-	4,649,006
Emerging Markets	125,025	-	-	125,025
Growth Funds	1,930,303	-	-	1,930,303
Income Funds	703,143	-	-	703,143
Index Funds	502,817	-	-	502,817
International Funds	1,156,121	-	-	1,156,121
Midcap Funds	764,386	-	-	764,386
Real Estate Funds	131,111	-	-	131,111
Small Cap Funds	349,040	-	-	349,040
Total Mutual Funds	<u>13,078,346</u>	<u>-</u>	<u>-</u>	<u>13,078,346</u>
Equity Securities				
Consumer Discretionary	623,865	-	-	623,865
Consumer Staples	192,303	-	-	192,303
Energy	58,196	-	-	58,196
Financials	467,545	-	-	467,545
Health Care	521,242	-	-	521,242
Industrials	189,125	-	-	189,125
Information Technology	669,931	-	-	669,931
Materials	111,060	-	-	111,060
Telecommunications	199,151	-	-	199,151
Utilities	163,169	-	-	163,169
Total Equity Securities	<u>3,195,587</u>	<u>-</u>	<u>-</u>	<u>3,195,587</u>
Mineral Interests	<u>-</u>	<u>-</u>	<u>4,500</u>	<u>4,500</u>
	<u>\$ 16,273,933</u>	<u>\$ -</u>	<u>\$ 4,500</u>	<u>\$ 16,278,433</u>

CADILLAC AREA COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE E - STUDENT LOANS RECEIVABLE

Student loans receivable are unsecured and has a variable interest rate from year to year based on outside student loan programs available. Terms of the loan state that the repayments begin six months after the recipient graduates or otherwise ceases to be a student in good standing. If the total amount of the recipient's student loans is less than \$5,000, the Foundation will establish a term for repayment not to exceed five years. If the total amount is \$5,000 or more, the Foundation will establish a term for repayment not to exceed ten years. At September 30, 2021, student loan receivables were \$7,017. Amounts are to be received as follows:

2021-2022	\$ 2,613
2022-2023	2,129
2023-2024	1,147
2024-2025	<u>1,128</u>
	<u>\$ 7,017</u>

NOTE F - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of September 30, 2021:

Office Furniture and Equipment	\$ 9,592
Leasehold Improvements	<u>1,856</u>
	11,448
Less Accumulated Depreciation	<u>(11,077)</u>
Total Property and Equipment	<u>\$ 371</u>

Depreciation expense for the year ending September 30, 2021 totaled \$186.

NOTE G – NET ASSETS WITH DONOR RESTRICTIONS

The Foundation's restricted net assets are available for the following purposes:

Available for Expenditure for:

Field of Interest	\$ 3,990,969
Donor Advised	5,028,710
Agency	2,091,701
Scholarships	<u>1,119,438</u>
	<u>\$ 12,230,818</u>

CADILLAC AREA COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE H - ENDOWMENT

The Foundation's endowment consists of individual funds that are donor restricted or board designated and have been established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net assets are classified as the following as of September 30, 2021:

Without Donor Restrictions	\$ 3,760,092
With Donor Restrictions	<u>11,356,938</u>
	<u>\$ 15,117,030</u>

The net changes in endowment net assets are as follows for September 30, 2021:

	<u>Board Designated Endowment Net Assets without Donor</u>	<u>Donor-Restricted Endowments Net Assets with Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ 3,151,864	\$ 9,730,434	\$ 12,882,298
Contributions	39,858	230,102	269,960
Grants	14,892	-	14,892
Oil Royalites	-	338	338
Administration Revenue	3,686	-	3,686
Distributions	(22,280)	(403,043)	(425,323)
Net Investment Return (loss)	572,072	1,799,107	2,371,179
Endowment Net Assets, End of Year	<u>\$ 3,760,092</u>	<u>\$ 11,356,938</u>	<u>\$ 15,117,030</u>

Interpretation of Relevant Law

The Foundation is subject to the Michigan Uniform Prudent Management of Institutional Funds Act (UPMIFA) (Act 87 of 2009), and, thus classifies amounts in its donor restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Foundation appropriates such amounts for expenditures. Most of those net assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Foundation has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor restricted endowment funds, the

CADILLAC AREA COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

contrary. As a result of this interpretation, when reviewing its donor restricted endowment funds, the Foundation considered a fund underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund, and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with prudent measures required under law. Additionally, in accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The durations and preservation of the fund
2. The purpose of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation (depreciation) of investments
6. Other resources of the organization
7. The investment policies of the Foundation.

Fund with Deficiencies

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. These deficiencies can result from unfavorable market fluctuations that occur shortly after the investment of new permanently restricted contributions and continued appropriations for certain programs deemed prudent by the Foundation. There were no funds with deficiencies at September 30, 2021.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to increase the purchasing power of the funds and to produce a reasonable return for distribution to meet current community needs. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period.

Strategies Employed for Achieving Objectives

To meet its investment objectives for endowment funds, the Foundation follows a total-return strategy; that is, investment decisions are made with the intent of maximizing the long-term total return of the entire portfolio both from market-value increases (realized and unrealized gains) and from current yield (interest and dividends). Assets may be invested among stocks, bonds, cash and other financial instruments in a manner that will produce the highest return without the constraint of producing a specified amount of income for distribution.

CADILLAC AREA COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year, in general, up to 5.0% of the fund's average quarterly balance, for the prior year. The quarterly balances used to calculate the 5.0% available to be distributed was September 30 and December 31 of the prior year and March 31, and June 30 of the current year. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 5.0% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE I - CHARITABLE REMAINDER TRUSTS

The Foundation has been named as the remainder beneficiary of certain trusts at the bequest of the various donors. The timing and method of disbursing the trusts' assets are governed by the provisions of the related legal documents. The amount of assets ultimately to be received and the date when these trusts' assets will be available to the Foundation is not determinable at this time.

NOTE J - OFFICE SPACE

The Foundation is currently paying \$546 per month for office space. Rent expense was \$6,477 for the year ending September 30, 2021. The Foundation pays for utilities and maintenance while the landlord pays for property taxes, insurance and repairs. The future minimum lease payments are as follows:

<u>Year Ending September 30,</u>	
2022	\$ 6,671
2023	2,814
	<u>\$ 9,485</u>

NOTE K – REVENUE RECOGNITION

The Foundation adopted the provisions of the FASB's ASC Topic 606, Revenue from Contracts with Customers, applying the retrospective method. Adoption of Topic 606 did not have a material impact on the financial statements and therefore did not result in a prior period adjustment.

The Foundation reviewed its revenue streams and concluded that none of them resulted from exchange transactions, and therefore, the revenue streams are not subject to ASU 2014-09.

CADILLAC AREA COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE L – PAYCHECK PROTECTION PROGRAM (PPP) LOAN

On May 9, 2020, the Foundation was granted a loan from TCF Bank in the aggregate amount of \$14,642, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The loan is uncollateralized and is fully guaranteed by the Federal government. The total loan forgiveness related to the PPP loan was \$14,642.

The Foundation initially recorded this loan as a refundable advance and has subsequently recognized the entire amount of the PPP loan received as conditional contribution under the guidance contained in the Financial Accounting Standards Board (FASB)'s Accounting Standards Codification (ASC) 958-605: Not-for-Profit Entities – Revenue Recognition. Under this standard, conditional contributions are recognized as revenue once the conditions associated with the contribution are considered to be substantially met. The Foundation believes the conditions associated with these proceeds were substantially met by September 30, 2021 and recognized these proceeds as revenues accordingly in the accompanying financial statements. The Foundation was granted forgiveness of this first PPP loan on January 7, 2021.

NOTE M – FUNDS HELD ON BEHALF OF AGENCIES

FAS 136 guidelines state that if an organization establishes a fund at a community foundation with its own monies 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 or designated funds.

Changes in the funds held on behalf of agencies during the year ended September 30, 2021 are as follows:

Beginning of Year	<u>\$ 319,197</u>
Donations	90,107
Interest and Dividends	12,779
Net Unrealized and Realized Gain on Investments	47,339
Grants	(10,892)
Investment Fees	(655)
Administrative Fees	<u>(3,686)</u>
Net Increase for the Year	<u>134,992</u>
End of Year	<u><u>\$ 454,189</u></u>

CADILLAC AREA COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE N – SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions to September 30, 2021 for potential recognition and disclosure through April 20, 2022 the date the financial statements were available to be issued.

NOTE O – NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled to in exchange for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance is effective for the Foundation for the year ended September 30, 2021. The Foundation implemented ASU 2014-09 in 2021 using the retrospective method. The adoption of ASU 2014-09 did not have a material impact on the Foundation's financial position, activities, net assets or cash flows as of the adoption date or for the year ended September 30, 2021. The adoption did not result in a restatement of previously reported net assets for the year ended September 30, 2020.

In addition, the Foundation adopted FASB ASU 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, during the fiscal year. The standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions, as well as determining whether a contribution is conditional. The adoption did not result in a restatement of previously reported net assets for the year ended September 30, 2020.

NOTE P – UNCERTAINTY

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The extent of the impact of COVID-19 on the Foundation's operational and financial performance will depend on certain developments, including the curation and spread of the outbreak and its impacts on the Foundation's customers, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Foundation's financial position and changes in net assets and cash flows is uncertain and the accompanying consolidated financial statements include no adjustments relating to the effects of this pandemic.