Cadillac Area

community foundation

For good. For ever.

CADILLAC, MICHIGAN

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
SEPTEMBER 30, 2022

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Cadillac Area Community Foundation
Cadillac, Michigan

Opinion

We have audited the financial statements of Cadillac Area Community Foundation, which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Cadillac Area Community Foundation as of September 30, 2022, 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 (GAAS). 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 Cadillac Area Community Foundation 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 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.

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 Cadillac Area Community Foundation's ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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 GAAS, 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 Cadillac Area 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 Cadillac Area 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.

Emphasis of Matter

As discussed in Note N to the financial statements, in 2022, the Cadillac Area Community Foundation adopted new accounting guidance, FASB ASU No. 2020-07 (Topic 958), Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets. Our opinion is not modified with respect to this matter.

H&S Companies, P.C.

H&S Companies, P.C.
Cadillac, Michigan

January 30, 2023

CADILLAC AREA COMMUNITY FOUNDATION
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2022

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	$ 367,724
Investment in Marketable Securities	13,505,675
Security Deposit Receivable	500
Current Portion of Student Loans Receivable	2,326
Total Current Assets	13,876,225
PROPERTY AND EQUIPMENT, NET	186
TOTAL ASSETS	$ 13,876,411
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	$ 7,123
Grants Payable	18,950
Total Current Liabilities	26,073
LONG-TERM LIABILITIES	
Funds Held in Agency Endowments	379,605
Total Liabilities	405,678
NET ASSETS	
Without Donor Restrictions	3,204,542
With Donor Restrictions	10,266,191
Total Net Assets	13,470,733
TOTAL LIABILITIES AND NET ASSETS	$ 13,876,411

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

CADILLAC AREA COMMUNITY FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Donations	$ 85,080	$ 585,669	$ 670,749
Interest and Dividends	181,939	585,694	767,633
Net Unrealized and Realized Gain on Investments	(796,335)	(2,546,254)	(3,342,589)
Oil Royalties	-	1,226	1,226
Fundraising		1,219	1,219
Administration Revenue from Agency Endowments	4,399	-	4,399
Net Assets Released from Restrictions	592,181	(592,181)	-
Total Revenue and Support	67,264	(1,964,627)	(1,897,363)
EXPENSES			
Grants	484,163	-	484,163
Administrative	115,410	-	115,410
Fundraising	1,622	-	1,622
Investment Fees	21,619	-	21,619
Total Expenses	622,814	-	622,814
Net Increase (Decrease) in Net Assets	(555,550)	(1,964,627)	(2,520,177)
NET ASSETS - Beginning of Year	3,760,092	12,230,818	15,990,910
NET ASSETS - End of Year	$ 3,204,542	$ 10,266,191	$ 13,470,733

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, 2022

		Supporting Services		
	Program Services	Management and General	Fund Raising	Total
Wages	$ -	$ 59,825	$ -	$ 59,825
Payroll Taxes	-	4,591	-	4,591
Grants	484,163	-	-	484,163
Legal and Accounting	-	15,400	-	15,400
Investment Expense	-	21,619	-	21,619
Advertising	-	1,632	-	1,632
Program Supplies	-	2,570	-	2,570
Dues and Fees	-	5,430	-	5,430
Insurance	-	3,080	-	3,080
Repairs and Maintenance	-	3,014	-	3,014
Occupancy	-	7,605	-	7,605
Telephone	-	2,259	-	2,259
Website	-	886	-	886
Miscellaneous	-	713	-	713
Contracted Services	-	1,634	-	1,634
Postage and Shipping	-	715	-	715
Depreciation	-	185	-	185
Software	-	1,080	-	1,080
Travel and Conferences	-	1,534	-	1,534
Promotional Expense	-	3,257	1,622	4,879
	$ 484,163	$ 137,029	$ 1,622	$ 622,814

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, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	$ (2,520,177)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided/(Used)	
Operating Activities	
Increase in Assets Held for Endowments	(440,282)
Gain on Sale of Investments	(529,395)
Unrealized Gain on Investments	3,966,917
Paycheck protection program loan forgiveness	
Depreciation	185
Decrease in Funds Held in Agency Endowments	(74,584)
Changes in Operating Assets and Liabilities Which Provided/(Used) Cash	
Accounts Receivable	3,070
Accounts Payable	4,900
Grants Payable	(6,550)
Net Cash Flows Provided/(Used) by Operating Activities	404,084
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Investments	(2,197,735)
Proceeds from Sale of Investments	1,532,971
Student Loan Repayments	4,691
Net Cash Provided/(Used) by Investing Activities	(660,073)
CASH FLOWS FROM FINANCING ACTIVITIES	
Endowment Donations	440,282
Net Cash Provided/(Used) from Financing Activities	440,282
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	184,293
Cash and Cash Equivalents - Beginning of Year	183,431
Cash and Cash Equivalents - End of Year	$ 367,724

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

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.

Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation for by law.

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.

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.

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, 2022, 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.

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, 2020.

Advertising

Advertising costs are charged in the year incurred and totaled $1,632 in 2022.

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.

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, 2022:

Cash and Investments	$ 999,637

NOTE C - INVESTMENTS AND DEPOSITS

The Foundation's cash and investments are held by financial institutions and consisted of the following at September 30, 2022:

	Market Value	Cost
Cash Equivalents		
Deposits and Cash Equivalent - Investments	$ 367,724	$ 367,724
Marketable Securities		
Equity Securities	2,526,991	1,423,170
Bond Securities	4,373,274	4,919,124
Mutual Funds - Equity	6,600,910	6,566,691
Other Investments		
Mineral Interests	4,500	4,500
Total Investments in Marketable Securities and Mineral Interests	13,505,675	12,913,485
Total Cash Equivalents and Investments	$ 13,873,399	$ 13,281,209

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, 2022, the Foundation's cash balances were fully insured.

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 $12.541 million at September 30, 2022.

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, 2022.

Equity and U.S. government agency obligations: Valued at fair value based on quoted market prices.

Corporate bonds: Valued using pricing information from various sources including pricing vendors and investment managers

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.

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.

This section intentionally left blank

CADILLAC AREA COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of September 30, 2022:

	Level 1	Level 2	Level 3	Total
Mutual Funds				
Blended Funds	$ 1,903,881	-	-	$ 1,903,881
Emerging Markets	91,225	-	-	91,225
Growth Funds	1,304,057	-	-	1,304,057
Income Funds	1,115,808	-	-	1,115,808
Index Funds	598,534	-	-	598,534
International Funds	635,423	-	-	635,423
Midcap Funds	570,878	-	-	570,878
Real Estate Funds	108,711	-	-	108,711
Small Cap Funds	272,393	-	-	272,393
Total Mutual Funds	6,600,910	-	-	6,600,910
Equity Securities				
Consumer Discretionary	394,476	-	-	394,476
Consumer Staples	217,636	-	-	217,636
Energy	157,444	-	-	157,444
Financials	371,073	-	-	371,073
Health Care	452,775	-	-	452,775
Industrials	121,763	-	-	121,763
Information Technology	590,283	-	-	590,283
Materials	89,633	-	-	89,633
Utilities	131,908	-	-	131,908
Total Equity Securities	2,526,991	-	-	2,526,991
U.S. Government Agency Obligations	50,386	-	-	50,386
Corporate Bonds	-	4,322,888	-	4,322,888
Mineral Interests	-	-	4,500	4,500
	$ 9,178,287	$ 4,322,888	$ 4,500	$ 13,505,675

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, 2022, student loan receivables were $2,326. Amounts are to be received as follows:

2022-2023	$	2,326

NOTE F - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of September 30, 2022:

Office Furniture and Equipment	$	9,592
Leasehold Improvements		1,856
		11,448
Less Accumulated Depreciation		(11,262)
Total Property and Equipment	$	186

Depreciation expense for the year ending September 30, 2022 totaled $185.

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	$	3,478,010
Donor Advised		4,043,562
Agency		1,810,189
Scholarships		934,430
		10,266,191

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, 2022:

Without Donor Restrictions	$	3,204,542
With Donor Restrictions		9,424,338
	$	12,628,880

The net changes in endowment net assets are as follows for September 30, 2022:

	Board Designated Endowment	Donor-Restricted Endowments	
	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	$ 3,760,092	$ 11,356,938	$ 15,117,030
Contributions	85,080	355,202	440,282
Fundraising	-	1,219	1,219
Oil Royalites	-	1,226	1,226
Administration Revenue	4,399	-	4,399
Distributions	(30,633)	(438,860)	(469,493)
Net Investment Return (loss)	(614,396)	(1,851,387)	(2,465,783)
Endowment Net Assets, End of Year	$ 3,204,542	$ 9,424,338	$ 12,628,880

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 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. A deficiency of this nature exists in nine donor-restricted funds, which have a total original gift value of $344,849, and a deficiency of $52,977. Additionally, there is one donor-restricted fund, which has an original gift value of $100,000, and a deficiency of $16,242. This deficiency is the result of unfavorable market conditions as well as the fact that the fund agreement allows the Foundation to use the restricted portion of the funds to make grants when the fund is considered underwater.

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.

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 $563 per month for office space. Rent expense was $6,671 for the year ending September 30, 2022. 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:

Year Ending September 30,	
2023	$ 2,814

NOTE K – 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.

This section intentionally left blank

Changes in the funds held on behalf of agencies during the year ended September 30, 2022 are as follows:

Beginning of Year	$	454,189
Donations		3,500
Interest and Dividends		21,863
Net Unrealized and Realized Gain on Investments		(94,933)
Investment Fees		(615)
Administrative Fees		(4,399)
Net Decrease for the Year		(74,584)
End of Year	$	379,605

NOTE L – SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions to September 30, 2022 for potential recognition and disclosure through January 30, 2023 the date the financial statements were available to be issued.

NOTE M – RELATED PARTY

The Foundation has a contract with Baird, Cotter & Bishop, P.C. to perform accounting services. One of the Foundation's board members is partner and partial owner at the company. During the fiscal year, the contracted services totaled $11,200.

NOTE N – NEW ACCOUNTING PRONOUNCEMENT

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*, which is effective for fiscal years beginning after June 15, 2021, with early adoption permitted, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. The Foundation implemented ASU 2020-07 using the retrospective method. The adoption of ASU 2020-07 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, 2022. The adoption did not result in a restatement of previously reported net assets for the year ended September 30, 2021.

NOTE O – UPCOMING ACCOUNTING PRONOUNCEMENT

The FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which replaces existing lease accounting guidance. This new guidance is intended to provide enhanced transparency and comparability by requiring lessees to record right-of-use assets and corresponding lease liabilities on the statement of financial position. The guidance will also require additional disclosures to better inform financial statement users of the amount, timing, and uncertainty of cash flows, arising from leases. The primary impact of this guidance, which will be effective for the Foundation's year ending September 30, 2023, will be to record right-of-use assets and lease obligations for current operating leases. The impact of this standard on the Foundation's financial statements is being evaluated.