Eastern Upper Peninsula Community Foundation Alliance, Inc.

dba

Chippewa County Community Foundation

Sault Ste. Marie, Michigan

Financial Statements

For the Year Ended December 31, 2022

EASTERN UPPER PENINSULA COMMUNITY
FOUNDATION ALLIANCE, INC.
DBA
CHIPPEWA COUNTY COMMUNITY FOUNDATION.
BOARD OF DIRECTORS

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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AMBER N. MACK, CPA, PRINCIPAL
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MEMBER AICPA
DIVISION FOR CPA FIRMS
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Eastern Upper Peninsula Community
Foundation Alliance, Inc.
dba / Chippewa County Community Foundation

Opinion

We have audited the accompanying financial statements of the Eastern Upper Peninsula Community Foundation Alliance, Inc., dba Chippewa County Community Foundation (a nonprofit corporation), which comprise the statement of financial position as of December 31, 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 financial statements referred to above present fairly, in all material respects, the financial position of the Eastern Upper Peninsula Community Foundation Alliance, Inc., dba Chippewa County Community Foundation as of December 31, 2022, and the changes in 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 the Eastern Upper Peninsula Community Foundation Alliance, Inc., dba Chippewa County 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, 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 Eastern Upper Peninsula Community Foundation Alliance, Inc., dba Chippewa County Community Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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To the Board of Directors of the
Eastern Upper Peninsula Community
Foundation Alliance, Inc.
dba / Chippewa County Community Foundation

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Eastern Upper Peninsula Community Foundation Alliance, Inc., dba Chippewa County Community Foundation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Eastern Upper Peninsula Community Foundation Alliance, Inc., dba Chippewa County Community Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Anderson Tackman & Co. PLC

Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

August 10, 2023

Financial Statements

Statement of Financial Position
December 31, 2022

ASSETS:		
Current assets:		
Cash and equivalents	$	532,945
Current portion of right-of-use operating lease asset		5,232
Prepaid expense		3,000
TOTAL CURRENT ASSETS		541,177
Investments		4,183,985
Beneficial interest in trust		404,395
Right-of-use operating lease asset, net of current portion		2,875
TOTAL ASSETS	$	5,132,432
LIABILITIES:		
Current liabilities:		
Accounts payable and accrued expenses	$	8,505
Current portion of right-of-use operating lease liability		5,232
Funds held under agency endowment agreements		204,342
TOTAL CURRENT LIABILITIES		218,079
Right-of-use operating lease liability, net of current portion		2,875
TOTAL LIABILITIES		220,954
NET ASSETS:		
Without donor restrictions		197,527
With donor restrictions		4,713,951
TOTAL NET ASSETS		4,911,478
TOTAL LIABILITIES AND NET ASSETS	$	5,132,432

See accompanying notes to financial statements.

Statement of Activities
For the Year Ended December 31, 2022

	Assets Without Donor Restrictions	Assets With Donor Restrictions	Total
Revenues and Other Support			
Contributions	$ 2,400	$ 211,340	$ 213,740
Fundraising	9,465	-	9,465
Administrative fees	101,977	-	101,977
Investment income	2,230	169,737	171,967
Realized and unrealized gains (losses) on investments, net of investment expenses	(13,300)	(1,032,068)	(1,045,368)
Net assets released from restrictions	555,244	(555,244)	-
Total Revenues and Other Support	658,016	(1,206,235)	(548,219)
Expenses			
Program services	404,309	-	404,309
Management and general	127,108	-	127,108
Fundraising expenses	16,964	-	16,964
Total Expenses	548,381	-	548,381
Changes in net assets	109,635	(1,206,235)	(1,096,600)
Net Assets, beginning of year	87,892	5,920,186	6,008,078
Net Assets, end of year	$ 197,527	$ 4,713,951	$ 4,911,478

See accompanying notes to financial statements.

Eastern Upper Peninsula Community Foundation Alliance, Inc.
dba/Chippewa County Community Foundation

Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program Services	Supporting Services		
	Endowment Funds	Management & General	Fundraising	Total
Grants to Community	$ 209,405	$ -	$ -	$ 209,405
Scholarships	110,060	-	-	110,060
Wages & Fringe	55,418	4,304	6,456	66,178
Administrative Fees	-	97,175	-	97,175
Insurance	1,560	558	112	2,230
Dues & Publications	2,344	837	167	3,348
Postage	1,384	494	99	1,977
Travel / Conferences / Meetings	6,942	2,481	496	9,919
Office Supplies	1,001	357	71	1,429
Bank Fees	273	98	20	391
Advertising & Marketing	567	202	40	809
Professional Services	5,493	11,635	-	17,128
Fundraising Supplies	-	-	8,926	8,926
Youth Advisory Committee	1,265	-	-	1,265
Telephone & Internet	1,611	576	115	2,302
Software Hosting	-	6,090	-	6,090
Rent Expense	3,662	1,308	262	5,232
Other	1,680	405	82	2,167
Depreciation	1,644	588	118	2,350
TOTAL	$ 404,309	$ 127,108	$ 16,964	$ 548,381

See accompanying notes to financial statements.

Statement of Cash Flows
For the Year Ended December 31, 2022

Cash Flows from Operating Activities	
Changes in net assets	$ (1,096,600)
Adjustments to reconcile changes in net assets to net cash and equivalents provided by operating activities:	
Net realized investment gains or losses	(77,493)
Net unrealized investment gains or losses	1,122,861
Depreciation	2,350
Cash provided (used) by changes in operating assets and liabilities	
Prepaid expenses	(1,000)
Beneficial interest in trust	119,208
Accounts payable and accrued expenses	4,541
Agency endowment agreements	(59,808)
Net cash provided by operating activities	14,059
Investing Activities:	
Proceeds from sale of investments	1,588,799
Purchases of investments	(1,316,249)
Net cash used in investing activities:	272,550
Net decrease in cash and equivalents	286,609
Cash and equivalents, beginning of year	246,336
Cash and equivalents, end of year	$ 532,945

See accompanying notes to financial statements.

Notes to Financial Statements

NOTE A - NATURE OF FOUNDATION AND PURPOSE:

The Eastern Upper Peninsula Community Foundation Alliance, Inc. dba Chippewa County Community Foundation was organized as a non-profit Michigan corporation October 27, 1994, under IRS code section 501(c)(3) and is exempt from federal and state income taxes.

The purpose of the Foundation is to receive and accept property to be administered exclusively for charitable purposes primarily in and for the benefit of the people of Chippewa, Mackinac, and Luce Counties, Michigan.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

The Foundation maintains its accounting records on the accrual basis, in accordance with U.S. generally accepted accounting principles. The Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

> Net Assets Without Donor Restriction – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.
>
> Net Assets With Donor Restriction – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related asset is limited by donor-imposed restrictions. Expenses are recorded as decreases in net assets without donor restriction. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use in restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated passage of time has elapsed) are reported as reclassifications between the applicable classes of net assets.

Revenue and Revenue Recognition

Contributions - Contributions, including cash, other assets, and unconditional promises to give, are recognized as revenues in the period received. Contributions whose restrictions are met in the same period they are received are recorded as revenue in net assets with donor restrictions and net assets released from restrictions. Unconditional pledges with terms greater than one year are initially recorded at fair value based on their estimated future cash flows. Pledges are discounted to present value using a discount rate commensurate with the risk involved. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Gifts of assets other than cash are recorded at their estimated fair value.

Grants and contracts – Private grant arrangements are evaluated and determined whether they are nonreciprocal, meaning the granting entity has not received a direct benefit of commensurate value in exchange for the resources provided. Instead, revenue is recognized like a conditional contribution, when the barrier to entitlement is overcome. The barrier to entitlement is considered overcome when expenditures associated with each grant are determined to be allowable and all other significant conditions of the grant are met.

Other revenue – Program fees consist of charges for services and are recorded when the service is provided.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash, and accounts payable and accrued expenses approximate their fair values because of the relatively short maturity of these instruments.

Cash and Equivalents

For purposes of the statements of position and cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash and equivalents.

Investments and Fair Value

Investments and Fair Value Investments, primarily consisting of mutual funds, are stated at fair value. Investments in equity securities and mutual funds with readily determinable values are valued based on quoted market prices in active markets in which the securities are traded. Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the statements of activities as increases or decreases in net assets without donor restrictions unless the use was restricted by explicit donor stipulations.

The Foundation applies the U.S. GAAP authoritative guidance for Fair Value Measurements and Disclosures, which defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. The standard describes three levels of inputs that may be used to measure fair value:

Level 1—Quoted prices in active markets for identical assets or liabilities.

Level 2—Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Valuation techniques used in fair value measurements need to maximize the use of observable inputs and minimize the use of unobservable inputs. A valuation method may produce a fair value measurement that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions could result in different fair value measurements at the reporting date. There have been no changes in the methodologies used during the year ended December 31, 2022.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Valuation of Long-Lived Assets

In accordance with the provisions of the accounting pronouncement on accounting for the impairment or disposal of long-lived assets, the Foundation reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Management has determined that no assessment was required for the period presented in the financial statements.

Property and Equipment

It is the Foundation's policy to capitalize property and equipment if cost is over $500 and the estimated useful life is more than one year. The Foundation's fixed assets are carried at cost or fair market value, if donated. Maintenance and repairs are charged to expense as incurred. Major renewals or betterments are capitalized. Property, equipment, and improvements are depreciated using the straight-line method over the following useful lives:

Office furniture and equipment	3 to 7 years
Software	3 years

Agency Endowment Funds

The Foundation may accept contributions from another nonprofit organization and agree to transfer those assets, and return on investment of those assets, or both, back to the nonprofit organization at some point in the future.

Because the Foundation maintains variance power and fiduciary responsibility for all funds held under agency endowment agreements, these funds continue to be reported as assets. However, a liability, Funds Held under Agency Endowment Agreements, has been established for the fair value of the funds.

Contributed Services

The Foundation receives donated services from unpaid volunteers who perform a variety of tasks that support the Foundation's activities. No amounts have been recognized for these services in the statement of activities since the criteria for recognition have not been satisfied.

Functional Expenses

The costs of program and supporting service activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain costs are attributed to more than one program or supporting function and, therefore, require allocation among the programs and supporting services benefited. Management believes their allocations are done on a reasonable and consistent basis. Most personnel costs, office expenses, professional services, and other expenses are identified with a specific program or supporting function at the time they are incurred and are reported accordingly. However, some of these expenses require allocation, which is done based on estimates of time and effort.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Income Taxes

The Foundation is a not-for-profit organization that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision or liability for federal taxes has been included in the accompanying financial statements. The Foundation is exempt from federal income tax on all income except unrelated business income as noted under Section 511 of the Internal Revenue Code. Internal Revenue code section 513(a) defines an unrelated trade or business of an exempt organization as any trade or business which is not substantially related to the exercise or performance of its exempt purpose. The Foundation does not have any unrelated business income.

Related Parties

The Foundation, through its wholly owned subsidiary CCCF Manager 1, LLC, owns a 10% interest in the CHN Garfield Limited Dividend Housing Association Limited Partnership ("Garfield"). CCCF Manager 1, LLC is the General Partner of Garfield. The Foundation will provide administrative assistance to Garfield. During the year ended December 31, 2022, the Foundation made no payments on behalf of, or was reimbursed by Garfield for utilities, building maintenance, or salaries and benefits. The Foundation is a party to an agreement with Garfield where it is committed to loan them $300,000 at a 6% interest rate for a 17-year term contingent on cash flows. As of December 31, 2022, the loan has not been funded due to a delay in the project.

The board of the Foundation created an affiliated limited liability company, CCCF Developer, LLC, to sign a development service agreement with Garfield, provide development services, serve as developers, and receive 10% of the developer fees paid by Garfield. As of December 31, 2022, no development service agreement has been signed and no developer fees paid due to a delay in the project.

The above wholly owned subsidiaries are to be consolidated in the financial statements of Chippewa County Community Foundation; however, there are no assets, liabilities or partner's equity for either subsidiary as of December 31, 2022. Additionally, there has been no profit or loss activity in the year December 31, 2022.

Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through August 10, 2023.

New Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842;* ASU 2018-10, *Codification Improvements to Topic 842, Leases;* ASU 2018-11, *Leases (Topic 842): Targeted Improvements;* ASU 2018-20, *Narrow-scope Improvements for Lessors;* and ASU 2019-01, *Leases (Topic 842): Codification Improvements*; ASU 2020-05, *Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments*; and ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the statement of financial position.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

The Foundation elected to adopt these ASUs effective January 1, 2022 and utilized all of the available practical expedients. The adoption had a material impact on the Organization's statement of financial position but did not have a material impact on the statement of activities. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases. The accounting for finance leases remained substantially unchanged.

NOTE C - CASH AND INVESTMENTS:

The financial position accounts and types of cash items as of December 31, 2022 are presented below:

Financial Position Account	Amount	Cash Items	Amounts
Cash and Equivalents	$ 532,945	Checking & Savings	$ 20,556
		Money Market Savings	512,389
			$ 532,945

At year end, the carrying amount of deposits with financial institutions was $552,348, which excludes deposits in transit and outstanding checks. 52% of the balance was covered by federal depository insurance.

Investments consist of the following on December 31, 2022 (all Level 1):

	Fair Value
Mutual Funds	$ 3,825,755
Exchange Traded Funds	358,230
Total	$ 4,183,985

As of December 31, 2022, all of the Foundation's investments are in external investment pools.

Interest rate risk. The Foundation has a formal investment policy; however, it does not have a section that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial credit risk. Investment custodial credit risk is the risk that in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investment of securities that are in the possession of an outside party. Of the Foundation's $4,183,985 in investments, $204,342 is not in the name of the Foundation but in the name of the agent.

The following schedule summarizes the investment return for the year ended December 31, 2022:

Realized Gains (Losses)	$ 77,493
Unrealized Gains (Losses)	(1,088,103)
Investment Fees	(34,758)
Total Investment Return	$ (1,045,368)

NOTE D - AVAILABILITY AND LIQUIDITY:

The following represents the Foundation's financial assets at December 31, 2022.

Financial assets at year-end:		
Cash and equivalents	$	532,945
Investments		4,183,985
Total financial assets		4,716,930
Less:		
Financial assets with donor restrictions		4,309,556
Financial assets available to meet general expenditures over the next twelve months	$	407,374

The Foundation's goal is generally to maintain financial assets to meet 90 days of operating expenses.

NOTE E - PROPERTY AND EQUIPMENT:

A summary of property and equipment as of and for the year ended December 31, 2022 is as follows:

	Balance 1/1/2022	Additions	Balance 12/31/2022
Office Equipment	$ 10,070	$ -	$ 10,070
Less: Accumulated depreciation	(7,720)	(2,350)	(10,070)
Net Property and Equipment	$ 2,350	$ (2,350)	$ -

Depreciation expense charged to operations for the year ended December 31, 2022 was $2,350.

NOTE F - FUNDS HELD UNDER AGENCY ENDOWMENT AGREEMENTS:

Although commingled with the Foundation's investments, the funds held under the agency endowment agreements are separately accounted for because the Foundation has agreed to transfer those assets, and return on investment of assets, or both to the nonprofit organizations at some point in the future. Activity for December 31, 2022 is as follows:

Beginning balance	$	264,150
Additions:		
Contributions		25
Investment income and gains (losses)		(42,927)
Total additions		(42,902)
Deductions:		
Grants		(12,099)
Service fees assessed		(4,807)
Total deductions		(16,906)
Ending balance	$	204,342

NOTE G - CHARITABLE REMAINDER UNITRUST:

The Foundation has been named a remainder beneficiary of a charitable remainder unitrust, which was created in 2015. One income beneficiary is to receive 5.00% of the net fair market value of the assets in the trust on the first day of the trust year annually. Upon the death of the income beneficiary, the remaining principal and income of the trust is to be distributed to the Foundation. A non-current asset for the charitable remainder trust was recognized at the fair market value. The expected future cash flow of $404,395 represents the Foundation's share of the fair market value of the trust as of December 31, 2022. This balance has been recorded as a donor-restricted contribution. The present value has been calculated using a discount rate of 5% and a term of nine years.

NOTE H - ENDOWMENTS:

The Foundation's endowments consist of approximately seventy-five individual funds established for a variety of purposes. The endowments include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. 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.

For donor-restricted endowment funds, the Board of Directors of the Foundation have interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gifts as of the gift date absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classify as permanently restricted assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified at temporarily restricted net assets until those amounts are appropriated for expenditures by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund.

(2) The purposes of the Foundation 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 of investments.

(6) Other resources of the Foundation.

(7) The investment policies of the Foundation.

NOTE H - ENDOWMENTS: (Continued)

Investment Return Objectives, Risk Parameters and Strategies. The Foundation has adopted investment and spending policies for endowment assets that attempt to accumulate a pool of assets sufficient to build community capital for future use with the corresponding obligation to support current and future community needs. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under the Foundation's policies, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that meet or exceed a target balanced index composed of: 40% of the S&P500 index, 15% Morgan Stanley Capital International Europe, Australia, Far East Index "EAFE" (international equity) and 30% of the LB Aggregate Bond Index (fixed income).

Spending Policy. The Foundation has a spending policy which determines the amount available for granting only once each year. The spending policy formula is applied against the net asset value of all endowed funds as of the previous calendar year end. The amount available for spending was calculated on the simple moving average, based on the number of quarters each fund has been in existence up to twelve quarters. After a fund has been in existence twelve quarters, the most recent twelve quarters will be used. It will be calculated as a twelve-quarter rolling average of the market value in the future. The available amount for spending from the fund's market value, for distribution and administration, will be up to five percent for granting purposes plus the current administrative fee rate. The fund's endowed principal will not be invaded for distribution except as allowed by the fund agreement.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Board of Directors of the Foundation has interpreted SPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

Endowment asset composition by type of fund as of December 31, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Donor-restricted endowment funds	$ -	$ 4,008,864	$ 4,008,864
Board-designated endowment funds	125,451	-	125,451
Total Funds	$ 125,451	$ 4,008,864	$ 4,134,315

Included in donor-restricted endowment funds is $62,098 of accumulated losses on underwater endowment funds. Underwater endowment funds had a original gift value of $888,254, a fair value of $826,155, and deficiencies of $62,098.

NOTE H - ENDOWMENTS: (Continued)

Changes in endowment net assets for the fiscal year ended December 31, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment net assets, beginning of year	$ 148,246	$ 4,969,563	$ 5,117,809
Investment return:			
Interest and dividends	4,994	161,931	166,925
Net gain (loss) – realized and unrealized	(29,583)	(987,294)	(1,016,877)
Total investment return	(24,589)	(825,363)	(849,952)
Contributions	3,981	99,162	103,143
Appropriation for expenditure - special	(900)	(144,050)	(144,950)
Fees	(1,287)	(90,448)	(91,735)
Endowment net assets, end of year	$ 125,451	$ 4,008,864	$ 4,134,315

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions at December 31, 2022 are made up of the following:

	With Donor Restriction
Endowment Funds	$ 4,008,864
Special Project Funds	705,087
Total	$ 4,713,951

Net assets with donor restrictions at December 31, 2022 are available for the following purposes:

	With Donor Restriction
Scholarships	$ 2,596,256
Youth	783,987
Health and Well-Being	197,445
Education	193,166
Community Development	184,839
Environmental	130,567
Arts/Culture/History	118,218
Recreation	64,374
Veterans	3,411
Other	441,688
Total	$ 4,713,951

NOTE J - LEASE:

The Foundation has an operating lease of office space. The lease has a remaining lease term of 19 months and includes the option to renew with notice three months prior to the end of the term and a formal amendment. The operating lease does not provide an implicit rate. The lease asset and liability were calculated utilizing the risk-free discount rate (2.90%), according to the Foundation's elected policy.

The following summarizes the line items in the statements of financial position which include amounts for the operating lease as of December 31, 2022:

Operating lease right-of-use-asset	$ 8,107
Operating lease liability	$ 8,107

The maturities of the operating lease liability as of December 31, 2022 were as follows:

Year Ending December 31:	
2023	$ 5,232
2024	3,052
Total lease payments	8,284
Less: interest	177
Present value of operating lease liability	$ 8,107

The following summarizes the line items in the statements of activities which include the components of lease expense for the year ended December 31, 2022:

Operating lease expense included in program services	$ 3,663
Operating lease expense included in management and general	1,308
Operating lease expense included in fundraising	262
	$ 5,233

The following summarizes cash flow information related to leases for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liability:	
Operating cash flows from operating lease	$ 5,233
Lease asset obtained in exchange for lease obligation:	
Operating lease	$ 8,107

NOTE K - CONCENTRATIONS OF CREDIT RISK:

The majority of the Foundation's contributions are received from donors located in the Eastern Upper Peninsula. As such, the Foundation's ability to generate resources via contributions is dependent upon the economic health of that area. An economic downturn could cause a decrease in contributions that coincides with an increase in need among the not-for-profit organizations that the Foundation supports.

Financial instruments that are exposed to concentrations of credit risk consist of cash and investments. The cash and investments in external investment pools at high quality institutions and companies with high credit ratings. Cash and investments are based on quoted market prices. As of December 31, 2022, the Foundation had no significant concentrations of credit risk.

NOTE L - SUBSEQUENT EVENTS:

In August 2022, the Foundation executed a loan agreement with CHN Garfield Limited Dividend Housing Association Limited Partnership in the amount of $300,000, which acts as an investment in the partnership. The funds have been released in January 2023.

ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE
KENNETH A. TALSMA, CPA, PRINCIPAL
AMBER N. MACK, CPA, PRINCIPAL
TORI N. KRUISE, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS
MEMBER MICPA
OFFICES IN MICHIGAN

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Board of Directors of the
Eastern Upper Peninsula Community
Foundation Alliance, Inc.
dba / Chippewa County Community Foundation
P.O. Box 1979
Sault Ste. Marie, MI 49783

We have audited the financial statements of the Eastern Upper Peninsula Community Foundation Alliance, Inc., dba Chippewa County Community Foundation, for the year ended December 31, 2022, and have issued our report thereon dated August 10, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 12, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Eastern Upper Peninsula Community Foundation Alliance, Inc., dba Chippewa County Community Foundation are described in Note A to the financial statements. As described in Note A, the Foundation changed accounting policies related to leases by adopting FASB Accounting Standards Update (ASU) No. 2016-02, Leases (Topic (842), in 2022. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

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- Management's estimate of depreciation expense is based on the estimated useful life of the depreciable long-lived asset. We evaluated the key factors and assumptions used to develop depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's estimate of the valuation of investment securities is based on quoted market prices for publicly traded securities as provided by investment managers, brokers and bank trust departments. We evaluated the key factors and assumptions used to develop the estimate of the fair value of investments in determining that they are reasonable in relation to the financial statements taken as a whole.

- Management's estimate of the allocation of expenses in the statement of functional expenses is based upon both specific identification of expenses used for programs as well as an estimated allocation of working hours. We evaluated the key factors and assumptions used to develop this allocation in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreement with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 10, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us as to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

Comments and Recommendations

Journal Entries (Prior Year)

It was noted in our testing that journal entries posted lacked supporting documentation. It is recommended as a best practice that journal entries posted be printed and attached to the support used to make such entries. In the event that this support is in electronic form, we recommend printing a hard copy. Additionally, we recommend developing a process of journal entry review/approval.

Status: In process of being corrected.

Dual Signatures (Prior Year)

During our review of policies and procedures, we noted the change to single signature by the Executive Director from the prior procedure of dual signature. Dual signatures was a compensating control for the lack of segregation of duties due to the small size of the Organization. During the COVID-19 shutdown, the change was made since Debbie was working from home. Although lack of segregation of duties still exists, we recommend the board review a list of bills to be paid prior to cutting the check.

Status: The Foundation has made accounting policy changes, which include dual signatures now that the current staff load allows for such segregation of duties.

Other Matters

This information is intended solely for the use of the Board of Directors and management of the Eastern Upper Peninsula Community Foundation Alliance, Inc., dba Chippewa County Community Foundation and is not intended to be and should not be used by anyone other than these specified parties.

We would like to express our appreciation, as well as that our staff, for the excellent cooperation we received while performing the audit. If we can be of any assistance in implementing the above recommendations, please contact us.

Very truly yours,

Anderson Tackman & Co. PLC

Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

August 10, 2023

Chippewa County Community Foundation

SUMMARY OF AUDIT DIFFERENCES

Year Ended December 31, 2022

Statement of activities misstatements:		**Current Year Over (Under) Statement**
Contributions	$	25
Investment income		8,308
Realized and unrealized gains (losses) on investments, net of investment fees		(51,235)
Travel / Conferences / Meetings		4,000
Grants to community		12,099
Administrative fees		4,807
Cumulative effect	$	(63,808)

Statement of financial position misstatements (including reclassifications):

Current liabilities	$	4,000
Net assets:		
Beginning		-
Ending		(63,808)