Eastern Upper Peninsula Community Foundation Alliance, Inc.

dba
Chippewa County Community Foundation
Sault Ste. Marie, Michigan

Financial Statements
For the Year Ended December 31, 2023

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

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

TORI N. KRUISE, CPA

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, 2023, 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, 2023, 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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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

October 30, 2024

Financial Statements

Statement of Financial Position
December 31, 2023

ASSETS:		
Current assets:		
Cash and equivalents	$	250,940
Accrued interest receivable		18,000
Current portion of right-of-use operating lease asset		1,738
Prepaid expense		3,000
TOTAL CURRENT ASSETS		273,678
Investments		4,888,030
Loan receivable		300,000
Beneficial interest in trust		425,564
Property and equipment, net		4,229
TOTAL ASSETS	$	5,891,501
LIABILITIES:		
Current liabilities:		
Accounts payable and accrued expenses	$	8,266
Current portion of right-of-use operating lease liability		1,738
Funds held under agency endowment agreements		232,377
TOTAL CURRENT LIABILITIES		242,381
NET ASSETS:		
Without donor restrictions		319,411
With donor restrictions		5,329,709
TOTAL NET ASSETS		5,649,120
TOTAL LIABILITIES AND NET ASSETS	$	5,891,501

See accompanying notes to financial statements.

Statement of Activities
For the Year Ended December 31, 2023

	Assets Without Donor Restrictions	Assets With Donor Restrictions	Total
Revenues and Other Support			
Contributions	$ 46,203	$ 318,004	$ 364,207
Fundraising	14,456	-	14,456
Administrative fees	100,168	-	100,168
Developer fee	70,541	-	70,541
Interest on Loan Receivable	-	18,000	18,000
Investment income	21,354	99,150	120,504
Realized and unrealized gains (losses) on investments, net of investment expenses	11,860	555,523	567,383
Net assets released from restrictions	374,919	(374,919)	-
Total Revenues and Other Support	639,501	615,758	1,255,259
Expenses			
Program services	365,934	-	365,934
Management and general	131,489	-	131,489
Fundraising expenses	20,194	-	20,194
Total Expenses	517,617	-	517,617
Changes in net assets	121,884	615,758	737,642
Net Assets, beginning of year	197,527	4,713,951	4,911,478
Net Assets, end of year	$ 319,411	$ 5,329,709	$ 5,649,120

See accompanying notes to financial statements.

Statement of Functional Expenses
For the Year Ended December 31, 2023

	Program Services	Supporting Services		
	Endowment Funds	Management & General	Fundraising	Total
Grants to Community	$ 158,940	$ -	$ -	$ 158,940
Scholarships	120,575	-	-	120,575
Wages & Fringe	58,818	11,006	10,882	80,706
Administrative Fees	-	95,622	-	95,622
Insurance	1,329	475	95	1,899
Dues & Publications	2,001	715	143	2,859
Postage	1,131	404	81	1,616
Travel / Conferences / Meetings	3,613	1,291	259	5,163
Office Supplies	1,122	665	133	1,920
Bank Fees	446	159	32	637
Advertising & Marketing	901	322	64	1,287
Professional Services	-	17,110	-	17,110
Fundraising Supplies	-	-	7,954	7,954
Youth Advisory Committee	2,017	-	-	2,017
Telephone & Internet	1,631	583	117	2,331
Software Hosting	7,338	-	-	7,338
Rent Expense	4,578	1,635	327	6,540
Other	1,494	1,228	107	2,829
Depreciation	-	274	-	274
TOTAL	$ 365,934	$ 131,489	$ 20,194	$ 517,617

See accompanying notes to financial statements.

Statement of Cash Flows
For the Year Ended December 31, 2023

Cash Flows from Operating Activities		
Changes in net assets	$	737,642
Adjustments to reconcile changes in net assets to net cash and equivalents provided by operating activities:		
Net realized investment gains or losses		53,257
Net unrealized investment gains or losses		(620,640)
Depreciation		274
Cash provided (used) by changes in operating assets and liabilities		
Accrued interest receivable		(18,000)
Beneficial interest in trust		21,169
Accounts payable and accrued expenses		(239)
Agency endowment agreements		28,035
Net cash provided by operating activities		201,498
Investing Activities:		
Issuance of notes receivable		(300,000)
Proceeds from sale of investments		299,371
Purchases of investments		(478,371)
Purchase of property and equipment		(4,503)
Net cash used in investing activities:		(483,503)
Net decrease in cash and equivalents		(282,005)
Cash and equivalents, beginning of year		532,945
Cash and equivalents, end of year	$	250,940

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, 2023.

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

Loans Receivable

Loans receivable are carried at unpaid principal balances, less an allowance for loan. The allowance for loan losses is increased by charges to the change in net assets and decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on the Foundation's past loan loss experience, specific impaired loans, adverse situations that may affect the borrower's ability to repay, and current economic conditions. Past due status is determined based on contractual terms. Loans are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms. 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 repayment terms, the borrower's deteriorating or deteriorated financial condition, or for other reasons. The allowance for loan losses has been determined by management to be $0 at December 31, 2023.

Loans are placed on nonaccrual when management believes, after considering economic conditions, business conditions, and collection efforts that the loans are impaired or collection of interest is doubtful. Uncollected interest previously accrued is charged off or an allowance is established by a charge to interest income. Interest income on nonaccrual loans is recognized only to the extent cash payments are received.

Interest on the loan is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

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.

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

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.

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, 2023, 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, 2023, the loan has been fully funded.

The above wholly owned subsidiary is 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, 2023. Additionally, there has been no profit or loss activity in the year December 31, 2023.

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 October 30, 2024.

NOTE C - CASH AND INVESTMENTS:

The financial position accounts and types of cash items as of December 31, 2023 are presented below:

Financial Position Account	Amount	Cash Items	Amounts
Cash and Equivalents	$ 250,940	Checking & Savings	$ 38,046
		Certificate of Deposit	109,876
		Money Market Savings	97,310
		Undeposited Funds	5,708
			$ 250,940

At year end, the carrying amount of deposits with financial institutions was $235,572, which excludes deposits in transit and outstanding checks. 100% of the balance was covered by federal depository insurance.

Investments consist of the following on December 31, 2023 (all Level 1):

	Fair Value
Mutual Funds	$ 4,691,618
Exchange Traded Funds	196,412
Total	$ 4,888,030

As of December 31, 2023, 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 $4,888,030 in investments, $232,377 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, 2023:

Interest and Dividends	$ 153,784
Realized Gains (Losses)	(53,257)
Unrealized Gains (Losses)	620,640
Investment Fees	(33,280)
Total Investment Return	$ 687,887

NOTE D - AVAILABILITY AND LIQUIDITY:

The following represents the Foundation's financial assets at December 31, 2023.

Financial assets at year-end:		
Cash and equivalents	$	250,940
Investments		4,888,030
Total financial assets		5,138,970
Less:		
Financial assets with donor restrictions		4,904,145
Financial assets available to meet general expenditures over the next twelve months	$	234,825

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, 2023 is as follows:

	Balance 1/1/2023	Additions	Balance 12/31/2023
Office Equipment	$ 10,070	$ 4,503	$ 14,573
Less: Accumulated depreciation	(10,070)	(274)	(10,344)
Net Property and Equipment	$ -	$ 4,229	$ 4,229

Depreciation expense charged to operations for the year ended December 31, 2023 was $274.

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, 2023 is as follows:

Beginning balance	$	204,342
Additions:		
Contributions		100
Investment income and gains (losses)		32,482
Total additions		32,582
Deductions:		
Service fees assessed		(4,547)
Ending balance	$	232,377

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 $425,564 represents the Foundation’s share of the fair market value (Level 1) of the trust as of December 31, 2023. 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, 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Donor-restricted endowment funds	$ -	$ 4,771,735	$ 4,771,735
Board-designated endowment funds	146,213	-	146,213
Total Funds	$ 146,213	$ 4,771,735	$ 4,917,948

Changes in endowment net assets for the fiscal year ended December 31, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment net assets, beginning of year*	$ 125,451	$ 4,196,660	$ 4,322,111
Investment return:			
Interest and dividends	3,534	116,658	120,192
Net gain (loss) – realized and unrealized	16,373	552,650	569,023
Total investment return	19,907	669,308	689,215
Contributions	3,157	147,304	150,461
Appropriation for expenditure - special	(1,000)	(149,177)	(150,177)
Fees	(1,302)	(92,360)	(93,662)
Endowment net assets, end of year	$ 146,213	$ 4,771,735	$ 4,971,948

NOTE H - ENDOWMENTS: (Continued)

*Beginning endowment net assets with donor restrictions has been restated by $187,796 due to an error in the prior year calculation. The effects of this change are limited to this disclosure and do not require a prior period adjustment to the financial statements.

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions at December 31, 2023 are made up of the following:

	With Donor Restriction
Endowment Funds	$ 4,771,735
Special Project Funds	557,974
Total	$ 5,329,709

Net assets with donor restrictions at December 31, 2023 are available for the following purposes:

	With Donor Restriction
Scholarships	$ 2,928,542
Youth	881,128
Health and Well-Being	251,973
Education	249,666
Community Development	223,391
Environmental	142,486
Arts/Culture/History	152,495
Recreation	29,924
Veterans	7,651
Other	462,453
Total	$ 5,329,709

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, 2023:

Operating lease right-of-use-asset	$ 1,738
Operating lease liability	$ 1,738

NOTE J - LEASE: (Continued)

The maturities of the operating lease liability as of December 31, 2023 were as follows:

Year Ending December 31:		
2024	$	1,744
Total lease payments		1,744
Less: interest		6
Present value of operating lease liability	$	1,738

The following summarizes the line items in the statements of activities which include the components of lease expense for the year ended December 31, 2023:

Operating lease expense included in program services	$	4,578
Operating lease expense included in management and general		1,635
Operating lease expense included in fundraising		327
	$	6,540

The following summarizes cash flow information related to leases for the year ended December 31, 2023:

Cash paid for amounts included in the measurement of lease liability:		
Operating cash flows from operating lease	$	6,540

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, 2023, the Foundation had no significant concentrations of credit risk.