

**KEWEENAW COMMUNITY FOUNDATION
HOUGHTON, MICHIGAN**

**REPORT ON FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	3
BASIC FINANCIAL STATEMENTS	
Statements of Net Position.....	5
Statements of Activities and Changes in Net Assets.....	6
Statements of Functional Expenses.....	7
Statements of Cash Flows.....	8
NOTES TO FINANCIAL STATEMENTS	9
COMMUNICATIONS SECTION	
Communication with Those Charged With Governance.....	17

RUKKILA I NEGRO AND ASSOCIATES

Certified Public Accountants, PC
310 Sheldon Avenue, Houghton, Michigan 49931
906.482.6601 906.482.9046 fax www.rukkilanegro.com

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Keweenaw Community Foundation
Houghton, Michigan

Opinion

We have audited the accompanying financial statements of Keweenaw Community Foundation (a nonprofit organization), which comprise the statements of financial position as of March 31, 2022 and 2021, and the related statements of activities and changes in net assets, 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 Keweenaw Community Foundation as of March 31, 2022, and 2021 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Keweenaw 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Keweenaw 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.

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 Keweenaw 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 Keweenaw 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.

*Rukkila, Negro and Associates,
Certified Public Accountants, PC*

June 30, 2023

KEWEENAW COMMUNITY FOUNDATION
STATEMENTS OF NET POSITION
March 31, 2022 and 2021

	2022	2021
Assets		
Unrestricted:		
Cash and equivalents	\$ 180,701	\$ 280,812
Investments, at fair value	746,371	9,762,905
Property and equipment, net	-	2,715
Total Unrestricted	927,072	10,046,432
Restricted:		
Investments held as trustee, at fair value	-	875,767
Total Assets	\$ 927,072	\$ 10,922,199
Liabilities		
Annuities payable	\$ 380,006	\$ 395,086
Accounts payable	-	1,339
Funds held as agency endowments	-	306,377
Trust funds payable--charitable remainder unitrust	-	706,884
Total Liabilities	380,006	1,409,686
Net Assets		
Without donor restrictions	547,066	9,343,630
With donor restrictions	-	168,883
Total Net Assets	547,066	9,512,513
Total Liabilities and Net Assets	\$ 927,072	\$ 10,922,199

The accompanying notes to the financial statements are an integral part of this statement.

KEWEENAW COMMUNITY FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended March 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Changes in net assets without donor restrictions		
Revenues and other support:		
Contributions, net	\$ 2,077	\$ 222,934
Interest and dividends	62,817	262,207
Realized gain (loss) on investment securities	150,898	141,470
Unrealized gain (loss) on investment securities	442,528	2,552,722
Administration fees on agency and unitrust funds	-	4,016
Grant income	-	2,500
Miscellaneous revenue	-	20,600
Change in value of split interest agreements	<u>(28,797)</u>	<u>(24,353)</u>
Total revenues and other support	<u>629,523</u>	<u>3,182,096</u>
Expenses		
Program expenses	26,719	235,077
Administrative expenses	96,218	203,319
Fundraising expenses	-	500
Total Expenses	<u>122,937</u>	<u>438,896</u>
Increase (decrease) in net assets without donor restrictions before transfer	506,586	2,743,200
Asset transfer to CFUP	<u>(9,303,150)</u>	<u>-</u>
Increase (decrease) in net assets without donor restrictions after transfer	<u>(8,796,564)</u>	<u>2,743,200</u>
Changes in net assets with donor restrictions		
Change in value of split interest agreements	7,057	49,246
Asset transfer to CFUP	<u>(175,940)</u>	<u>-</u>
Increase (decrease) in net assets with donor restrictions	<u>(168,883)</u>	<u>49,246</u>
Increase (decrease) in net assets	<u>(8,965,447)</u>	<u>2,792,446</u>
Net assets, beginning of year	<u>9,512,513</u>	<u>6,720,067</u>
Net assets, end of year	<u>\$ 547,066</u>	<u>\$ 9,512,513</u>

The accompanying notes to the financial statements are an integral part of this statement.

KEWEENAW COMMUNITY FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended March 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Program Expenses		
Designated grant/Endowment disbursements	\$ 19,219	\$ 153,977
Scholarships	1,500	2,400
Donor advised grants	6,000	78,700
Total program expenses	<u>26,719</u>	<u>235,077</u>
Administrative Expenses		
Salaries and benefits	25,930	98,519
Advertising	-	3,821
Audit and accounting services	8,600	21,951
Bank and credit card fees	196	116
Dues, conference fees, and registration	130	3,085
Investment management fees	10,778	19,311
Insurance	2,619	2,541
Software	14,965	17,781
Telephone and internet	4,355	4,532
Office supplies	2,942	19,050
Occupancy	5,666	7,399
Postage and printing	413	248
Events, meetings, travel	-	231
Contracted services	16,909	1,150
Depreciation	2,715	3,584
Total administrative expenses	<u>96,218</u>	<u>203,319</u>
Fundraising Expenses		
Fundraising expenses	-	500
Total fundraising expenses	<u>-</u>	<u>500</u>
Total Expenses	<u>\$ 122,937</u>	<u>\$ 438,896</u>

The accompanying notes to the financial statements are an integral part of this statement.

KEWEENAW COMMUNITY FOUNDATION
STATEMENTS OF CASH FLOWS
For the Years Ended March 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from Operating Activities		
Change in net assets	\$ (8,965,447)	\$ 2,792,446
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Asset transfer to CFUP	9,479,090	-
Depreciation	2,715	3,584
Realized (gain) loss on investments	(150,898)	(141,470)
Unrealized (gain) loss on investments	(442,528)	(2,552,722)
Increase (decrease) accounts payable	(1,339)	1,339
Increase (decrease) annuities payable	(15,080)	(15,249)
Net Cash from Operating Activities	<u>(93,487)</u>	<u>87,928</u>
 Cash flows from Investing Activities		
Purchases of investment securities	(213,602)	(1,215,025)
Proceeds from sales and maturities of investment securities	206,978	1,152,281
Net Cash from Investing Activities	<u>(6,624)</u>	<u>(62,744)</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	(100,111)	25,184
 Cash and cash equivalents at beginning of year	280,812	255,628
Cash and cash equivalents at end of year	<u>\$ 180,701</u>	<u>\$ 280,812</u>

The accompanying notes to the financial statements are an integral part of this statement.

KEWEENAW COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS - March 31, 2022

The Keweenaw Community Foundation (Foundation) is a non-profit organization committed to serving the residents of Houghton and Keweenaw counties, as well as any portions of adjacent counties not served by other affiliated Community Funds or Community Foundations. The Foundation's primary sources of revenue are public contributions and investment income. The Foundation's mission is:

- To develop permanent endowments to provide stable local funding sources for grants to especially vital local projects and programs.
- To increase charitable giving to a broad range of non-profit organizations serving the greater Keweenaw community.
- To provide a flexible philanthropic vehicle capable of adapting to changing community needs and conditions while fulfilling donors' wishes.
- To serve as a conveyor-catalyst, nurturing community leadership, devising creative and effective strategies for addressing community problems and enhancing the local quality of life.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with the requirements of FASB ASC 958-605, Accounting for Contributions Received and Contributions Made; FASB ASC 958, Financial Statements of Not-for-Profit Organizations; FASB ASC 958-320, Accounting for Certain Investments Held by Not-for-Profit Organizations; and FASB ASC 9520, Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others. For the year end March 31, 2019 and applied retrospectively to all periods presented, the presentation of the financial statements of Keweenaw Community Foundation follow the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (ASC) 958 dated August 2016, and provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). ASC 958 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017.

In accordance with FASB ASC 958, Keweenaw Community Foundation net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions - Net assets that are not subject to use or time and may be expended for any purpose in performing the primary objectives of Keweenaw Community Foundation. The board may designate assets without restrictions for specific operational purposes from time to time. The various fund agreements of the Foundation include a variance provision and powers of modification, giving the Board the power to modify donor-imposed restrictions and conditions on the distribution of the funds, including the invasion of corpus, if, in its sole judgment and discretion, such restrictions or conditions become, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. Based on that provision, the Foundation classifies contributions, except as noted below, as without donor restrictions for financial statement purposes.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors as to specific use or the occurrence of a certain future event. Those restrictions will be met by actions of Keweenaw Community Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. When a donor restriction expires (such as when a stipulated time restriction ends), restricted net assets are released to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

KEWEENAW COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS - March 31, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents – Cash and cash equivalents are comprised of demand deposits and time deposits with original maturities of three months or less. The carrying value of cash and cash equivalents approximates fair market value because of the short maturities of those financial investments.

Investment Securities – Investments are carried at fair value, determined by quoted market prices.

Pledges Receivable – Pledges receivable represent written or verbal promises to contribute cash or other assets. Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. The Foundation uses the allowance method to estimate uncollectible pledges receivable based on management's analysis of specific pledges made.

Property and Equipment – Property and equipment are recorded at cost, or if donated, at approximate fair value at the date of donation. Provisions for depreciation are computed using the straight-line method over the estimated useful lives of the assets. Capital items in excess of \$5,000 are capitalized.

Contributions – The Foundation reports gifts of cash and other assets as revenue as they occur and are measured at fair value and classified as not restricted or restricted based on.

The Foundation reports gifts of cash and other assets as temporarily restricted when they are received with donor stipulations that limit the use of the donated assets. When the intent of the donor is that the assets are to remain in perpetuity and the Foundation does not have the right to invade the original principal, the assets are reported as restricted.

Grants – Grants are recorded as expenses when they are approved by the Board of Trustees for payment.

Donated Services and Facilities – Contributed professional services are recognized if the services received a) create or enhance non-financial assets or b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Recently Adopted Accounting Pronouncements - In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which applies to all entities that receive or make contributions. The criteria for evaluating whether contributions are unconditional (and thus recognized immediately in income) or conditional (for which income recognition is deferred) have been clarified. The focus is whether a gift or grant agreement both (1) specifies a "barrier or hurdle" that the recipient must overcome to be entitled to the resources, and (2) releases the donor from its obligation to transfer resources (or if assets are advanced, a right to demand their return) if the barrier or hurdle is not achieved. An agreement that contains both is a conditional contribution. An agreement that omits one or both is unconditional. No new disclosures are required. For grants/contributions made, donors will use the same criteria as recipients (i.e., a barrier or hurdle coupled with a right of return/release) to determine whether gifts or grants are conditional or unconditional.

KEWEENAW COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS - March 31, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements - In February 2016, the FASB issued ASU 2016-02 *Leases (Topic 842)*. ASU 2016-02 requires recognition of operating leases with lease terms of more than 12 months on the statement of financial position as both assets and liabilities for the obligations created by the leases. Topic 842 also requires disclosures that provide qualitative and quantitative information for the lease assets and liabilities recorded in the financial statements. In June 2020, the FASB issued an update to ASU 2016-02, ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, extending the effective date to fiscal years beginning after December 15, 2021.

NOTE B - CASH

Cash includes cash on hand and checking accounts. As of March 31, 2022, \$0 of the Foundation's bank balance of \$180,701 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent. Deposits are insured by the Federal Deposit Insurance Corp. (FDIC) at March 31, 2022, per FDIC regulation number 330.8.

NOTE C - INVESTMENTS

The cost, market value, and unrealized appreciation (depreciation) of investment securities are as follows:

	2022		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Short-term investments	\$ -	\$ -	\$ -
Corporate bonds and notes	-	-	-
Mutual funds/Exchange traded funds	587,712	746,371	158,659
Common stocks	-	-	-
Total Investments	<u>\$ 587,712</u>	<u>\$ 746,371</u>	<u>\$ 158,659</u>
	2021		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Short-term investments	\$ 110,489	\$ 110,489	\$ -
Mutual funds/Exchange traded funds	6,475,818	8,306,894	1,831,076
Common stocks	933,398	1,345,522	412,124
Total Investments	<u>\$ 7,519,705</u>	<u>\$ 9,762,905</u>	<u>\$ 2,243,200</u>

KEWEENAW COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS - March 31, 2022

NOTE C - INVESTMENTS (Continued)

The following table presents information about the Foundation's investments measured at fair value on a recurring basis and the valuation techniques used by the Foundation to determine those fair values. The FASB ASC 820 Fair Value Measurements establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels:

- Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority;
- Level 2 inputs consist of observable inputs other than quoted prices for identical assets;
- Level 3 inputs consist of unobservable inputs and have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

2022				
	Fair Value	Level 1	Level 2	Level 3
Short-term investments	\$ -	\$ -	\$ -	\$ -
Corporate bonds and notes	-	-	-	-
Mutual funds/Exchange traded funds	746,371	746,371	-	-
Common stocks	-	-	-	-
Total Investments	<u>\$ 746,371</u>	<u>\$ 746,371</u>	<u>\$ -</u>	<u>\$ -</u>
2021				
	Fair Value	Level 1	Level 2	Level 3
Short-term investments	\$ 110,489	-	\$ 110,489	\$ -
Corporate bonds and notes	-	-	-	-
Mutual funds/Exchange traded funds	8,306,894	8,306,894	-	-
Common stocks	1,345,522	1,345,522	-	-
Total Investments	<u>\$ 9,762,905</u>	<u>\$ 9,652,416</u>	<u>\$ 110,489</u>	<u>\$ -</u>

NOTE D - PROPERTY AND EQUIPMENT

Capital Asset activity of Keweenaw Community Foundation was as follows:

	Balance 4/1/2021	Additions	Deletions	Balance 3/31/2022
Capital assets, being depreciated:				
Equipment and software	\$ 20,339	\$ -	\$ 19,095	\$ 1,244
Furniture and fixtures	99	-	-	99
Subtotal	<u>20,438</u>	<u>\$ -</u>	<u>\$ 19,095</u>	<u>1,343</u>
Accumulated depreciation:				
Equipment and software	17,624	2,715	19,095	1,244
Furniture and fixtures	99	-	-	99
Subtotal	<u>17,723</u>	<u>\$ 2,715</u>	<u>\$ 19,095</u>	<u>1,343</u>
Net capital assets being depreciated	<u>\$ 2,715</u>			<u>\$ -</u>

Depreciation expense for the years ending March 31, 2022 and 2021 were \$2,715 and \$3,584 respectively.

NOTE E - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

KEWEENAW COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS - March 31, 2022

NOTE F - SPLIT INTEREST AGREEMENTS

The Foundation administers various charitable gift annuities. A charitable gift annuity provides for the payment of distributions to the grantor or a designated beneficiary over the annuity term (usually the designated beneficiary's lifetime). At the end of the annuity's term, the remaining assets are available for the Foundation's or other designated beneficiary's use. Assets received are recorded at fair value at the date the agreement is recognized, and a liability equal to the present value of the future distributions is recorded. The difference between the fair value of the assets received and the liability to the donor or other beneficiaries is recognized as contribution revenue. The Foundation recognized contributions of \$0 for the years ended March 31, 2022 and 2021. As of March 31, 2022 and 2021, the fair market value of charitable gift annuity investments totaled \$746,371 and \$733,338 respectively, based on quoted market prices and is included with investments in the Foundation's statement of financial position. The Foundation will periodically re-value the liability based on applicable mortality tables and discount rates ranging between 3.2 percent and 8.0 percent.

NOTE G - AGENCY ENDOWMENT FUNDS

Agency endowment funds are unrestricted funds received from non-profit organizations that designate themselves as beneficiaries. Accordingly, agency endowment funds are reported as liabilities rather than net assets of the Foundation.

The activities related to agency endowment funds are summarized as follows:

	2022	2021
Balance at beginning of year	\$ 306,377	\$ 224,745
Interest and dividend income	-	7,032
Realized gains	-	3,126
Unrealized gains	-	82,257
Grants	-	(6,409)
Agency activity transfer	(306,377)	-
Custodial and investment management fees	-	(359)
Administrative expense allocation	-	(4,015)
Balance at end of year	<u>\$ -</u>	<u>\$ 306,377</u>

NOTE H - CHARITABLE REMAINDER UNITRUST

The Foundation is the trustee for two charitable remainder unitrusts. Under the terms of the unitrust agreement (Agreement) the trustee shall make quarterly payments to the designated Unitrust recipients based on the provisions set forth in the Agreement.

The Agreements currently name the Foundation as a partial remainder beneficiary of the trusts; however, one Agreement allows the grantors to revoke or terminate the interest of any of the remainder beneficiaries. Therefore, the Foundation has recorded a liability equal to the fair market value of that unitrust assets and, accordingly, no income or expense relating to the receipt of the unitrust assets and/or any other unitrust activity has been reflected in the Foundation's statement of activities. The other unitrust names the foundation as a partial (two-thirds) remainder beneficiary.

The Foundation has elected to invest the assets of the unitrust in various financial assets which are carried at fair value.

These assets and the respective liabilities were transferred to CFUP in the current fiscal year.

KEWEENAW COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS - March 31, 2022

NOTE I - NET ASSETS

Net assets consist of the following at March 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Without donor restrictions:		
Operating	\$ 180,701	\$ 167,658
Scholarship funds	-	627,020
Donor designated funds	-	4,850,361
Donor advised funds	-	1,613,585
Field-of-interest funds	-	1,746,754
Annuity funds	<u>366,365</u>	<u>338,252</u>
	547,066	9,343,630
With donor restrictions:		
Time restricted:		
Charitable remainder unitrust	-	168,883
Total	<u>\$ 547,066</u>	<u>\$ 9,512,513</u>

NOTE J - INCOME TAXES

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization other than a private foundation under Section 509(a)(2).

The Foundation files Form 990 with the Internal Revenue Service. The Foundation believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Foundation's financial condition, results of operations, or cash flows. The Foundation's returns are generally no longer subject to examination by the Internal Revenue Service for years before 2019.

NOTE K - LEASES

The Foundation leases office space under an operating lease that expires each December. Total expense for the rental of office space was \$5,200 and \$5,650 for the years ended March 31, 2022 and 2021. Future minimum rental commitments under this operating lease approximate \$5,850.

NOTE L - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation has \$180,701 of financial assets available within 1 year of the balance sheet date to meet cash needs for general expenditures exclusive of program grants. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the balance sheet date. The Foundation's working capital and cash flows are consistent throughout the year. As part of their liquidity management, they have a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

KEWEENAW COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS - March 31, 2022

NOTE M - PPP LOAN FORGIVENESS

On April 16, 2020, the Company was granted a loan from mBank in the amount of \$20,600, pursuant to the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), which was enacted March 27, 2020.

The loan matures on April 26 2022 and bears interest at the rate of 1.00% per annum, payable monthly commencing on November 6, 2020. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

On October 7, 2020 the loan was fully forgiven by the U.S. Small Business Administration (SBA). Accordingly, this amount has been recognized as income on the statement of activities and changes in net assets.

NOTE N - AFFILIATION AGREEMENT

The Foundation entered into an agreement with the Community Foundation of the Upper Peninsula (CFUP) as of September 1, 2021 to establish The Keweenaw Community Foundation Fund which holds the Foundation component funds or sub-funds. CFUP will honor donor intent of the transferred funds, subject to CFUP's variance power and applicable law. The affiliate will operate under the auspices of CFUP and the affiliate fund will be held by CFUP in its corporate capacity.

During the current fiscal year \$9,479,090 of net assets were transferred to CFUP.

NOTE O - 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 the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

Non-Profit Status - The Foundation's Federal tax returns had been incomplete for fiscal years 2019 and 2020. Once completed its 501(c)3 non-profit status was successfully reinstated as of July 21, 2022 with an effective date of August 15, 2020. The Foundation's (state) License to Solicit had lapsed but was reinstated on October 20, 2022. Their current affiliation with Community Foundations of the Upper Peninsula (CFUP) allowed them to continue with solicitation under CFUP's state license during the lapsed period.