

COMMUNITY FOUNDATION of MARQUETTE COUNTY

AUDITED FINANCIAL STATEMENTS

For the Years Ended December 31, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Community Foundation of Marquette County
250 N. McClellan Avenue, Suite B
Marquette, Michigan 49855

We have audited the accompanying financial statements of the Community Foundation of Marquette County (a non-profit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Trustees of the
Community Foundation of Marquette County

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Foundation of Marquette County as of December 31, 2018 and 2017, and the changes in its net assets, its functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

Marquette, MI
July 31, 2019

Community Foundation of Marquette County

STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

	<u>December 31</u>	
ASSETS	<u>2018</u>	<u>2017</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 432,313	\$ 467,102
Investments	15,585,516	16,708,587
Cash surrender value of life insurance	233,254	278,206
Pledges receivable-current portion	1,375	373
TOTAL CURRENT ASSETS	<u>16,252,458</u>	<u>17,454,268</u>
TOTAL ASSETS	<u>\$ 16,252,458</u>	<u>\$ 17,454,268</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 5,575	\$ 5,433
Grants payable	-	33,607
TOTAL CURRENT LIABILITIES	<u>5,575</u>	<u>39,040</u>
NET ASSETS:		
Net assets without donor restrictions	15,900,694	17,187,750
Net assets with donor restrictions	346,189	227,478
TOTAL NET ASSETS	<u>16,246,883</u>	<u>17,415,228</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,252,458</u>	<u>\$ 17,454,268</u>

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

Community Foundation of Marquette County

STATEMENTS OF ACTIVITIES

For the years ended December 31, 2018 and 2017

	December 31					
	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
CHANGES IN NET ASSETS:						
Revenues and support:						
Contributions	\$ 545,416	\$ 383,971	\$ 929,387	\$ 434,453	\$ 319,940	\$ 754,393
Income on investments	939,673	-	939,673	1,713,331	-	1,713,331
Investment return	(2,084,720)	-	(2,084,720)	609,919	-	609,919
Income on life insurance	(44,951)	-	(44,951)	14,132	-	14,132
Other revenue	55,215	-	55,215	58,050	-	58,050
Net assets released from restrictions	265,260	(265,260)	-	321,039	(321,039)	-
TOTAL REVENUES AND SUPPORT	(324,107)	118,711	(205,396)	3,150,924	(1,099)	3,149,825
EXPENSES:						
Program services	758,081	-	758,081	891,811	-	891,811
Administration	120,032	-	120,032	123,090	-	123,090
Fundraising	84,836	-	84,836	73,628	-	73,628
TOTAL EXPENSES	962,949	-	962,949	1,088,529	-	1,088,529
CHANGES IN NET ASSETS	(1,287,056)	118,711	(1,168,345)	2,062,395	(1,099)	2,061,296
Net assets beginning of year	17,187,750	227,478	17,415,228	15,125,355	228,577	15,353,932
NET ASSETS END OF YEAR	\$ 15,900,694	\$ 346,189	\$ 16,246,883	\$ 17,187,750	\$ 227,478	\$ 17,415,228

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

Community Foundation of Marquette County

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2018 and 2017

	December 31	
	<u>2018</u>	<u>2017</u>
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES:		
Change in net assets	\$ (1,168,345)	\$ 2,061,296
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in contributions receivable	(1,002)	(373)
Change in cash surrender value of life insurance	44,952	(14,133)
Investment return (gain) loss	2,084,720	(609,919)
Change in accounts payable	142	117
Change in grants payable	(33,607)	33,607
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>926,860</u>	<u>1,470,595</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	5,161,585	19,527,580
Purchase of investments	(6,123,234)	(21,072,499)
NET CASH USED BY INVESTING ACTIVITIES	<u>(961,649)</u>	<u>(1,544,919)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(34,789)	(74,324)
Cash and cash equivalents at beginning of year	<u>467,102</u>	<u>541,426</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 432,313</u>	<u>\$ 467,102</u>
NON CASH ACTIVITIES:		
Donation of investments	\$ -	\$ -
NET NON CASH ACTIVITIES	<u>\$ -</u>	<u>\$ -</u>

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

Community Foundation of Marquette County

STATEMENTS OF FUNCTIONAL EXPENSES

For the years ended December 31, 2018 and 2017

	2018				2017			
	Program	Administrative	Fundraising	Total	Program	Administrative	Fundraising	Total
Operating Expenses:								
Salaries	\$ 73,952	\$ 29,581	\$ 44,372	\$ 147,905	\$ 70,721	\$ 28,288	\$ 42,432	\$ 141,441
Payroll taxes	5,732	2,293	3,439	11,464	5,426	2,171	3,256	10,853
Employee benefits	3,446	1,378	2,067	6,891	3,695	1,478	2,217	7,390
Accounting services	21,917	21,917	-	43,834	20,589	20,590	-	41,179
Legal services	-	-	-	-	-	-	-	-
Office supplies	-	3,779	2,997	6,776	-	3,584	-	3,584
Telephone	-	3,964	-	3,964	-	4,225	-	4,225
Postage and shipping	-	922	922	1,844	-	1,099	1,099	2,198
Occupancy	-	21,600	-	21,600	-	21,200	-	21,200
Equipment rental and maintenance	-	3,515	-	3,515	-	2,170	-	2,170
Annual report	-	2,054	-	2,054	-	4,350	-	4,350
Donor newsletter	-	-	7,607	7,607	-	-	6,094	6,094
Travel	-	3,067	-	3,067	-	5,149	-	5,149
Meetings and special events	-	9,781	9,781	19,562	-	12,766	12,766	25,532
Dues, fees, and registration	-	7,043	-	7,043	-	6,795	-	6,795
Training and classes	-	2,010	-	2,010	-	2,700	-	2,700
Insurance	-	4,035	-	4,035	-	2,870	-	2,870
Miscellaneous expense	-	3,093	13,651	16,744	-	3,655	5,764	9,419
Total Operating Expenses	105,047	120,032	84,836	309,915	100,431	123,090	73,628	297,149
Grant Expenses								
Grants voted	653,034	-	-	653,034	791,380	-	-	791,380
TOTAL EXPENSES	\$ 758,081	\$ 120,032	\$ 84,836	\$ 962,949	\$ 891,811	\$ 123,090	\$ 73,628	\$ 1,088,529

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

COMMUNITY FOUNDATION OF MARQUETTE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES:

The Community Foundation of Marquette County (the Foundation) is a non-profit organization, which seeks to provide a means by which individuals can join together to create an endowment. Through sound management the Foundation will provide sufficient income to support charitable activities within the Marquette area. The Foundation seeks to enhance the quality of life in the greater Marquette area by improving the educational, cultural, recreational, environmental, and social welfare resources of the area and developing youth for community leadership.

Basis of Presentation

Financial statement presentation follows the provisions of Accounting Standards Codification FASB ASC 958-205-45-2 as amended by ASU 2016-14. In accordance these provisions, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

The Foundation has adopted ASU 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities* for the year ended December 31, 2018 and changes have been applied retrospectively as required by the Accounting Standard Update. Changes include: presentation of investment expenses netted with investment income and net assets being reported in two categories, as net assets with donor restrictions and net assets without donor restrictions.

All fund agreements held with the Foundation contain a “variance statement”. This statement is in place to authorize the Foundation’s Board of Trustees ultimate authority over the distribution of funds to ensure the intent of the funds can be honored over time. Because the Foundation holds variance power, from an accounting perspective, all funds are classified as net assets without donor restrictions, except those with time or purpose restrictions.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. The financial statements are prepared in accordance with the specialized requirements of FASB ASC 958-605-45-3 Contributions Received as amended by ASU 2016-14; FASB ASC 958-205-45-2 Presentation of Financial Statements as amended by ASU 2016-14; and FASB ASU 2016-14 as it relates to Reporting Investment Gains, Losses, and Income.

Cash and Cash Equivalents

Cash and cash equivalents consist of checking accounts and money market funds, which are carried at cost which approximate fair value. The Foundation maintains demand deposits in banks, and in the normal course of business, amounts may exceed federal insured limits. Management believes the Foundation is not exposed to any significant interest rate or other financial risk on these deposits.

Investments

Investments are carried at fair value using quoted market prices. Net realized gains and losses and unrealized increases or decreases resulting from changes in the market value of investments are included in the statement of activities. The realized gain or loss on the sale of investments is the difference between the proceeds received and the cost of specific investments sold.

**NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued):**

Donated Investments

Donated investments are recorded as contributions at their estimated fair values at the date of donation.

Property, Plant and Equipment

All property, plant and equipment is recorded at historical cost as of the date acquired. Tangible assets costing below the threshold of \$3,000 or having a useful life of twelve months or less are not capitalized and are recorded as an expense on the financial statements.

Grants Payable

Grants are recognized as an expense when approved by the governing board of the Foundation and its supporting organizations if unconditional, or when the related conditions are met by the recipient, if conditional. Grants payable recorded in the accompanying statements of financial position are generally expected to be paid within one year.

Net Asset Classifications

The net asset groups used for reporting purposes in the accompanying financial statements are as follows:

Net Assets Without Donor Restrictions – Consist of contributed assets that have not been restricted as to use by donors. Certain of these assets may be designated by the governing board of the Foundation and its supporting organizations to be used for a specific purpose.

Net Assets With Donor Restrictions – Consist of contributed assets for which the use by the Foundation and its supporting organizations has been limited by donors for a specific time period or purpose.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

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 July 31, 2019 which is the date the financial statements were available to be issued.

NOTE B – 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). Accordingly, no provision has been made for income taxes in the accompanying financial statements. The tax periods open for examination by the Internal Revenue Service are calendar years ending December 31, 2016, 2017 and 2018.

NOTE C – INVESTMENTS:

The cost, fair value, and unrealized appreciation (depreciation) of investment securities as of December 31, 2018 and 2017 are as follows:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
December 31, 2018			
Certificates of Deposit	\$900,000	\$895,841	(\$4,159)
Mutual funds	14,936,630	13,686,062	(1,250,568)
Index funds and other assets	1,042,701	1,003,613	(39,088)
Total Investments	<u>\$16,879,331</u>	<u>\$15,585,516</u>	<u>(\$1,293,815)</u>
December 31, 2017			
Certificates of Deposit	\$820,000	\$818,111	(\$1,889)
Mutual funds	14,436,582	15,059,009	622,427
Index funds and other assets	842,086	831,467	(10,619)
Total Investments	<u>\$16,098,668</u>	<u>\$16,708,587</u>	<u>\$609,919</u>

The schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31, 2018 and 2017:

	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2018			
Income on investments:			
Dividends, interest and realized gains	\$995,750	\$-	\$995,750
Less: Investment expenses	(56,077)	-	(56,077)
Total	<u>\$939,673</u>	<u>-</u>	<u>\$939,673</u>
Investment return			
Unrealized gain (loss) on investments	(\$2,084,720)	\$-	(\$2,084,720)
Less: Investment expenses	-	-	-
Total	<u>(\$2,084,720)</u>	<u>\$-</u>	<u>(\$2,084,720)</u>
December 31, 2017			
Income on investments:			
Dividends, interest, and realized gains	\$1,811,760	\$-	\$1,811,760
Less: Investment expenses	(98,429)	-	(98,429)
Total	<u>\$1,713,331</u>	<u>\$-</u>	<u>\$1,713,331</u>
Investment return			
Unrealized gain (loss) on investments	\$609,919	\$-	\$609,919
Less: Investment expenses	-	-	-
Total	<u>\$609,919</u>	<u>\$-</u>	<u>\$609,919</u>

NOTE D – FAIR VALUE:

The Foundation utilizes fair value measurements to record fair value adjustments to its investments and to determine fair value disclosures. These assets are recorded at fair value on a recurring basis.

The Foundation groups its investments at fair value into three levels (termed the *fair value hierarchy*), based on the markets in which the investments are traded and the reliability of the assumptions used to determine fair value. These levels are:

NOTE D – FAIR VALUE (Continued):

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets, and money market funds. At year end, \$13,686,062 and \$15,059,009 was classified as level 1 for the years 2018 and 2017, respectively.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market. At year end, \$1,899,454 and \$1,649,578 was classified as level 2 for the years 2018 and 2017, respectively.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. The Foundation holds no investments classified as Level 3.

NOTE E – CASH SURRENDER VALUE LIFE INSURANCE:

The Foundation is the beneficiary for a number of life insurance policies that have been donated to them. The total cash surrender value recorded as an asset as of December 31, 2018 and 2017 is \$233,254 and \$278,206, respectively.

One of these policies was donated during 1998 to establish a scholarship fund and has a face value of \$1,000,000. When the premium payments plus the investment value in the contract cause the cash value of the policy to exceed \$1,050,000, the Foundation may consider the Fund mature and initiate the distribution of scholarships. Otherwise, the Fund will be considered matured within twenty months of the donor's death.

NOTE F – ENDOWMENT FUNDS:

The Foundation's endowment includes seven (7) and four (4) individual funds that are restricted for the years ended December 31, 2018 and 2017, respectively. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed purpose or time restrictions.

The changes in Endowment Net Assets for the year ended December 31, 2018 are as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets, beginning of year	\$17,187,750	\$227,478	\$17,415,228
Interest and dividends, net of investment expense	939,673	-	939,673
Net appreciation (depreciation)	(1,750,769)	-	(1,750,769)
Contributions	545,415	383,971	929,387
Amounts appropriated for expenditure	(1,021,376)	(265,260)	(1,286,636)
Other changes	-	-	-
Change in Endowment Net Assets	<u>(1,287,056)</u>	<u>118,711</u>	<u>(1,168,345)</u>
Endowment Net Assets, end of year	<u>\$15,900,694</u>	<u>\$346,189</u>	<u>\$16,246,883</u>

NOTE F – ENDOWMENT FUNDS (Continued):

The changes in Endowment Net Asset Composition by Type of Fund for the year ended December 31, 2018 are as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Donor designated Endowment Funds	\$-	\$346,189	\$346,189
Other Endowment Funds:			
Undesignated	15,900,694	-	15,900,694
Total Endowment Funds	<u>\$15,900,694</u>	<u>\$346,189</u>	<u>\$16,246,883</u>

The changes in Endowment Net Assets for the year ended December 31, 2017 are as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets, beginning of year	\$15,125,355	\$228,577	\$15,353,932
Interest and dividends, net of investment expense	1,811,760	-	1,811,760
Net appreciation (depreciation)	609,919	-	609,919
Contributions	434,453	319,940	754,393
Amounts appropriated for expenditure	(865,919)	(321,039)	(1,186,958)
Other changes	72,182	-	72,182
Change in Endowment Net Assets	<u>2,062,395</u>	<u>(1,099)</u>	<u>2,061,296</u>
Endowment Net Assets, end of year	<u>\$17,187,750</u>	<u>\$227,478</u>	<u>\$17,415,228</u>

The changes in Endowment Net Asset Composition by Type of Fund for the year ended December 31, 2017 are as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Donor designated Endowment Funds	\$-	\$227,478	\$227,478
Other Endowment Funds:			
Undesignated	17,187,750	-	17,187,750
Total Endowment Funds	<u>\$17,187,750</u>	<u>\$227,478</u>	<u>\$17,415,228</u>

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, 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 bench mark of inflation as measured by the Consumer Price Index plus the 4.5 percent annual spending distribution percentage plus a growth of .25 percent.

NOTE F – ENDOWMENT FUNDS (Continued):*Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (investment and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year up to 5 percent of its endowment fund's fair value over the prior twenty and twenty quarters through September 30 of the preceding fiscal year in which the distribution is planned for the years 2018 and 2017, respectively. In establishing this policy, the Foundation considered the long-term expected return on its endowment.

NOTE G –NET ASSETS WITHOUT DONOR RESTRICTIONS:

Net assets without donor restrictions consisted of the following:

Year 2018	Operating Fund	Endowment Fund	Total
Marquette	\$35,681	\$791,799	\$827,480
Ishpeming	1,908	163,121	165,029
Negaunee	2,737	38,978	41,715
Gwinn	1,011	1,896	2,907
Subtotal	<u>41,337</u>	<u>995,794</u>	<u>1,037,131</u>
Agency Funds	-	1,975,070	1,975,070
Designated Funds	-	3,632,007	3,632,007
Donor Advised	-	2,088,772	2,088,772
Field of Interest	-	3,110,046	3,110,046
Scholarship Funds	-	3,198,897	3,198,897
Other net assets without donor restrictions	-	858,771	858,771
Total	<u>\$41,337</u>	<u>\$15,859,357</u>	<u>\$15,900,694</u>
Year 2017	Operating Fund	Endowment Fund	Total
Marquette	\$38,775	\$886,387	\$925,162
Ishpeming	9,944	57,778	67,722
Negaunee	2,976	43,912	46,888
Gwinn	5,514	2,143	7,657
Subtotal	<u>57,209</u>	<u>990,220</u>	<u>1,047,429</u>
Agency Funds	-	2,198,629	2,198,629
Designated Funds	-	3,855,074	3,855,074
Donor Advised	-	2,127,542	2,127,542
Field of Interest	-	4,405,725	4,405,725
Scholarship Funds	-	3,443,901	3,443,901
Other net assets without donor restrictions	-	109,450	109,450
Total	<u>\$57,209</u>	<u>\$17,130,541</u>	<u>\$17,187,750</u>

NOTE H – NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions as of December 31, 2018 and 2017 consist of the following:

Purpose Restrictions:	2018	2017
Friends of Presque Isle Park Playground	\$65,460	\$67,435
Community Environmental Monitoring Program	165,499	130,843
City Skateboard Park Fund	20,567	21,196
Clean Energy Initiative	54,910	-
Great Lakes Community Foundation Water Initiative	32,363	-
Our Common Future	2,000	-
Huron Mountain Club Pass Through Fund	5,390	8,004
NET ASSETS WITH DONOR RESTRICTIONS	<u>\$346,189</u>	<u>\$227,478</u>

NOTE I – AVAILABILITY OF FINANCIAL ASSETS:

The Foundation's financial assets available within one year of December 31, 2018 for general expenditure are as follows:

Asset	Amount
Operating and Endowment Operating Funds	\$1,037,131
Estimated 2019 administrative fees	250,000
Estimated 2019 CEMP fees	20,000
Estimated 2019 Annual Celebration proceeds	22,000
Estimated 2019 revenue from special projects	12,500
Total	<u>\$ 1,341,631</u>

Operating Funds and Operating Endowment Funds for Marquette, Ishpeming, Negaunee, and Gwinn listed in Footnote G are available to cover general Foundation expenditures.

The Foundation's endowment funds consist of donor-restricted endowments and unrestricted endowments. Income from endowments is restricted for specific purposes and, therefore, is not available for general expenditure. As described in note F, the Foundation receives an administrative fee based on each fund's fair market value quarterly during the year. The average rates across all Foundation Funds in 2017 and 2018 were 1.33% and 1.58%, respectively. The rate is expected to be similar in 2019 resulting in approximately \$250,000 of administrative fees that will be available for general expenditures.

NOTE J – LEASE:

The Foundation was committed under certain operating leases for office space during the year. The ten year office lease, signed in 2015, calls for monthly payments of \$1,800 during the remainder of the lease. After the initial three years either party may terminate the lease with twelve months' notice. Total lease rentals amounted to \$21,600 and \$21,200 in 2018 and 2017, respectively. Expected future minimum lease payments are as follows:

2019	\$21,600
2020	\$21,600
2021	\$21,600
2022	\$21,600
2023	\$21,600

NOTE K – 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 amongst program, administrative, and fundraising. Where information is available to directly allocate costs amongst the categories it is used. All other expenses are allocated by management's estimates based on historical operating data and the Foundation's Work Plan.

NOTE L – DONATED EQUIPMENT AND SERVICES:

A number of unpaid volunteers have made significant contributions of their time to develop the Foundation's programs. The value of this contributed time is not reflected in these statements, since it is not susceptible to objective measurement of valuation. Also, such services would not have been procured if not provided by donation.

Various donors have donated a significant amount of office furniture and equipment to the Foundation. The values of these donations have not been reflected in these statements, since they are not susceptible to objective measure of valuation as of the date of donation.

NOTE M – CONCENTRATIONS OF RISK:

At year end, the carrying amount of cash was \$432,313 and \$467,102 and the bank balance was \$479,199 and \$643,346 for the years 2018 and 2017, respectively. As of December 31, 2018 and 2017 respectively, \$229,243 and \$343,242 of the bank balance was not covered by the Federal Deposit Insurance Company (FDIC).

In the years ending December 31, 2018 and 2017, a significant amount of contributions were provided by a few major contributors. It is always considered reasonably possible that benefactors, grantors, or contributors might be lost in the near term. The Foundation's contributors are concentrated in the Marquette County, Michigan, geographical area.

NOTE N – COMMUNITY ENVIRONMENTAL MONITORING PROGRAM:

During 2016, the Foundation entered into an agreement with the Eagle Mine and the Superior Watershed Partnership to administer an oversight committee for community monitoring. The agreement allows for up to \$300,000 in contributions and up to \$285,000 in grant expenses. The Foundation will receive five percent of contributions or \$15,000, whichever is greater, of the funds donated by the Eagle Mine. The agreement is in effect until modified by mutual agreement of the Eagle Mine and the Superior Watershed Partnership. Current grant expenses, and administrative revenue are as follows:

Year	Contributions	Grant Expense	Administrative Revenue
2018	\$253,306	\$203,650	\$15,000
2017	290,000	257,989	15,000
Total	<u>\$543,306</u>	<u>\$461,639</u>	<u>\$30,000</u>