

COMMUNITY FOUNDATION of MARQUETTE COUNTY

AUDITED FINANCIAL STATEMENTS

For the Years Ended December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Community Foundation of Marquette County
228 W. Washington St., Suite 6
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, 2019 and 2018, 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, 2019 and 2018, 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
August 13, 2020

Community Foundation of Marquette County

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

		December 31	
ASSETS		<u>2019</u>	<u>2018</u>
CURRENT ASSETS:			
Cash and cash equivalents		\$ 12,960,787	\$ 432,313
Investments		6,070,128	15,585,516
Cash surrender value of life insurance		246,440	233,254
Pledges receivable-current portion		400	1,375
	TOTAL CURRENT ASSETS	<u>19,277,755</u>	<u>16,252,458</u>
	TOTAL ASSETS	<u>\$ 19,277,755</u>	<u>\$ 16,252,458</u>
 LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable		\$ 6,157	\$ 5,575
	TOTAL CURRENT LIABILITIES	<u>6,157</u>	<u>5,575</u>
NET ASSETS:			
Net assets without donor restrictions		18,975,756	15,900,694
Net assets with donor restrictions		295,842	346,189
	TOTAL NET ASSETS	<u>19,271,598</u>	<u>16,246,883</u>
	TOTAL LIABILITIES AND NET ASSETS	<u>\$ 19,277,755</u>	<u>\$ 16,252,458</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, 2019 and 2018

	December 31			
	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
	Total		Total	
CHANGES IN NET ASSETS:				
Revenues and support:				
Contributions	\$ 482,120	\$ 527,961	\$ 1,010,081	\$ 929,387
Income on investments	1,688,380	-	\$ 1,688,380	939,673
Investment return	1,633,881	-	\$ 1,633,881	(2,084,720)
Income on life insurance	2,274	-	\$ 2,274	(44,951)
Other revenue	75,475	-	\$ 75,475	55,215
Net assets released from restrictions	578,308	(578,308)	\$ -	(265,260)
	<u>4,460,438</u>	<u>(50,347)</u>	<u>\$ 4,410,091</u>	<u>118,711</u>
TOTAL REVENUES AND SUPPORT			<u>(324,107)</u>	<u>(205,396)</u>
EXPENSES:				
Program services	1,175,154	-	\$ 1,175,154	758,081
Administration	130,504	-	\$ 130,504	120,032
Fundraising	79,718	-	\$ 79,718	84,836
	<u>1,385,376</u>	<u>-</u>	<u>\$ 1,385,376</u>	<u>962,949</u>
TOTAL EXPENSES			<u>962,949</u>	<u>-</u>
CHANGES IN NET ASSETS	3,075,062	(50,347)	\$ 3,024,715	118,711
Net assets beginning of year	15,900,694	346,189	\$ 16,246,883	227,478
NET ASSETS END OF YEAR	<u>\$ 18,975,756</u>	<u>\$ 295,842</u>	<u>\$ 15,900,694</u>	<u>\$ 346,189</u>
			<u>\$ 15,900,694</u>	<u>\$ 16,246,883</u>

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, 2019 and 2018

	December 31	
	2019	2018
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES:		
Change in net assets	\$ 3,024,715	\$ (1,168,345)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in contributions receivable	975	(1,002)
Change in cash surrender value of life insurance	(13,186)	44,952
Investment return (gain) loss	(1,633,881)	2,084,720
Change in accounts payable	582	142
Change in grants payable	-	(33,607)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,379,205	926,860
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	30,911,054	5,161,585
Purchase of investments	(19,761,785)	(6,123,234)
NET CASH USED BY INVESTING ACTIVITIES	11,149,269	(961,649)
CHANGE IN CASH AND CASH EQUIVALENTS	12,528,474	(34,789)
Cash and cash equivalents at beginning of year	432,313	467,102
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 12,960,787	\$ 432,313

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, 2019 and 2018

	2019				2018			
	Program	Administrative	Fundraising	Total	Program	Administrative	Fundraising	Total
Operating Expenses:								
Salaries	\$ 80,349	\$ 32,140	\$ 48,209	\$ 160,698	\$ 73,952	\$ 29,581	\$ 44,372	\$ 147,905
Payroll taxes	6,224	2,490	3,735	12,449	5,732	2,293	3,439	11,464
Employee benefits	3,996	1,598	2,398	7,992	3,446	1,378	2,067	6,891
Accounting services	16,679	16,679	-	33,358	21,917	21,917	-	43,834
Legal services	-	9,812	-	9,812	-	-	-	-
Office supplies	-	3,220	3,500	6,720	-	3,779	2,997	6,776
Telephone	-	4,259	-	4,259	-	3,964	-	3,964
Postage and shipping	-	871	870	1,741	-	922	922	1,844
Occupancy	-	23,400	-	23,400	-	21,600	-	21,600
Equipment rental and maintenance	-	2,866	-	2,866	-	3,515	-	3,515
Annual report	-	2,122	-	2,122	-	2,054	-	2,054
Donor newsletter	-	-	8,222	8,222	-	-	7,607	7,607
Travel	-	4,116	-	4,116	-	3,067	-	3,067
Meetings and special events	-	12,784	12,784	25,568	-	9,781	9,781	19,562
Dues, fees, and registration	-	8,547	-	8,547	-	7,043	-	7,043
Training and classes	-	2,338	-	2,338	-	2,010	-	2,010
Insurance	-	3,200	-	3,200	-	4,035	-	4,035
Miscellaneous expense	-	62	-	62	-	3,093	-	3,093
Total Operating Expenses	107,248	130,504	79,718	317,470	105,047	120,032	84,836	309,915
Grant Expenses								
Grants voted	1,067,906	-	-	1,067,906	653,034	-	-	653,034
TOTAL EXPENSES	\$ 1,175,154	\$ 130,504	\$ 79,718	\$ 1,385,376	\$ 758,081	\$ 120,032	\$ 84,836	\$ 962,949

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

COMMUNITY FOUNDATION OF MARQUETTE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

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 with 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.

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 are 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 August 13, 2020 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, 2017, 2018 and 2019.

NOTE C – INVESTMENTS:

The cost, fair value, and unrealized appreciation (depreciation) of investment securities as of December 31, 2019 and 2018 are as follows:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
December 31, 2019			
Fixed Income	\$1,712,958	\$1,731,121	\$18,163
Equities	3,441,897	3,907,153	465,256
Real Assets	400,375	431,854	31,479
Total Investments	<u>\$5,555,230</u>	<u>\$6,070,128</u>	<u>\$514,898</u>
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>

The schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31, 2019 and 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2019			
Income on investments:			
Dividends, interest and realized gains	\$1,786,380	\$-	\$1,786,380
Less: Investment expenses	(98,000)	-	(98,000)
Total	<u>\$1,688,380</u>	<u>-</u>	<u>\$1,688,380</u>
Investment return			
Unrealized gain (loss) on investments	\$1,633,881	\$-	\$1,633,881
Less: Investment expenses	-	-	-
Total	<u>\$1,633,881</u>	<u>\$-</u>	<u>\$1,633,881</u>
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>

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, \$3,907,528 and \$13,686,062 was classified as level 1 for the years 2019 and 2018, 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, \$2,162,975 and \$1,899,454 was classified as level 2 for the years 2019 and 2018, 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, 2019 and 2018 is \$246,440 and \$233,254, 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 nine (9) and seven (7) individual funds that are restricted for the years ended December 31, 2019 and 2018, 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, 2019 are as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets, beginning of year	\$15,900,694	\$346,189	\$16,246,883
Interest and dividends, net of investment expense	505,597	-	505,597
Net appreciation (depreciation)	3,263,939	-	3,263,939
Contributions	482,120	527,961	1,010,081
Amounts appropriated for expenditure	(1,176,594)	(578,308)	(1,754,902)
Other changes	-	-	-
Change in Endowment Net Assets	<u>3,075,062</u>	<u>(50,347)</u>	<u>3,024,715</u>
Endowment Net Assets, end of year	<u>\$18,975,756</u>	<u>\$295,842</u>	<u>\$19,271,598</u>

NOTE F – ENDOWMENT FUNDS (Continued):

The changes in Endowment Net Asset Composition by Type of Fund for the year ended December 31, 2019 are as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Donor designated Endowment Funds	\$-	\$295,842	\$295,842
Other Endowment Funds:			
Undesignated	18,975,756	-	18,975,756
Total Endowment Funds	<u>\$18,975,756</u>	<u>\$295,842</u>	<u>\$19,271,598</u>

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	545,416	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>

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>

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.

BNOTE 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 2019 and 2018, 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 2019	Operating Fund	Endowment Fund	Total
Marquette	\$37,198	\$925,446	\$962,644
Ishpeming	2,376	193,239	195,615
Negaunee	3,094	45,275	48,369
Gwinn	1,188	2,202	3,390
Subtotal	<u>43,856</u>	<u>1,166,162</u>	<u>1,201,018</u>
Agency Funds	-	2,330,565	2,330,565
Designated Funds	-	4,392,475	4,392,475
Donor Advised	-	2,542,479	2,542,479
Field of Interest	-	3,699,991	3,699,991
Scholarship Funds	-	3,832,348	3,832,348
Other net assets without donor restrictions	-	967,880	967,880
Total	<u>\$43,856</u>	<u>\$18,931,900</u>	<u>\$18,975,756</u>
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>

NOTE H – NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions as of December 31, 2019 and 2018 consist of the following:

Purpose Restrictions:	2019	2018
Friends of Presque Isle Park Playground	\$70,601	\$65,460
Community Environmental Monitoring Program	20,065	165,499
City Skateboard Park Fund	-	20,567
Clean Energy Initiative	12,747	54,910
Great Lakes Community Foundation Water Initiative	40,258	32,363
Our Common Future	1,900	2,000
Huron Mountain Club Pass Through Fund	29,148	5,390
Census 2020	113,123	-
Rain Gardens GLOW	8,000	-
NET ASSETS WITH DONOR RESTRICTIONS	<u>\$295,842</u>	<u>\$346,189</u>

NOTE I – AVAILABILITY OF FINANCIAL ASSETS:

The Foundation's financial assets available within one year of December 31, 2019 for general expenditure are as follows:

Asset	Amount
Operating and Endowment Operating Funds	\$1,201,018
Estimated 2020 administrative fees	250,000
Estimated 2020 CEMP fees	20,000
Estimated 2020 Annual Celebration proceeds	22,000
Estimated 2020 revenue from special projects	12,500
Total	<u>\$ 1,505,518</u>

Operating Funds and Operating Endowment Funds for Marquette, Ishpeming, Negaunee, and Gwinn listed in Note 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 2019 and 2018 were 1.05% and 1.33%, respectively. The rate is expected to be similar in 2020 resulting in approximately \$250,000 of administrative fees that will be available for general expenditures.

NOTE J – LEASE:

The Foundation has an operating lease for office space, starting September 1, 2019. The five-year office lease, signed in 2019, 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 \$23,400 and \$21,600 in 2019 and 2018, respectively. Expected future minimum lease payments are as follows:

2020	\$21,600
2021	\$21,600
2022	\$21,600
2023	\$21,600
2024	\$16,200

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 \$12,960,786 and \$432,313 and the bank balance was \$12,987,504 and \$479,199 for the years 2019 and 2018, respectively. As of December 31, 2019, and 2018 respectively, \$12,737,504, and \$229,243 of the bank balance was not covered by the Federal Deposit Insurance Company (FDIC). As of December 31, 2019, \$12,723,259 of the amount not insured by the FDIC is a United States Treasury Fund.

In the years ending December 31, 2019 and 2018, 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. Effective January 1, 2019, the Foundation receives \$20,000 per year out of contributions as the administrative fee. 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:

<u>Year</u>	<u>Contributions</u>	<u>Grant Expense</u>	<u>Administrative Revenue</u>
2019	\$228,097	\$300,609	\$20,000
2018	\$253,306	\$203,650	\$15,000
Total	<u>\$481,403</u>	<u>\$504,259</u>	<u>\$35,000</u>

NOTE O – SUBSEQUENT EVENTS:

On March 11, 2020, the World Health Organization declared COVID-19, the disease caused by the novel coronavirus, a pandemic. As of the issue date of these financial statements the U.S. and global economies are already experiencing pronounced effects. While the disruption is expected to be temporary, there is uncertainty around the extent and duration. Therefore, while we expect this matter may negatively impact our results, the related financial impact cannot be reasonably estimated at this time.