

**KEWEENAW COMMUNITY FOUNDATION  
HOUGHTON, MICHIGAN**

**REPORT ON FINANCIAL STATEMENTS  
FOR THE YEARS ENDED MARCH 31, 2023 AND 2022**

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# **RUKKILA | NEGRO AND ASSOCIATES**

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## **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, 2023 and 2022, 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, 2023, and 2022 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*

August 30, 2023

**KEWEENAW COMMUNITY FOUNDATION**  
**STATEMENTS OF NET POSITION**  
**March 31, 2023 and 2022**

	2023	2022
Assets		
Unrestricted:		
Cash and equivalents	\$ 176,802	\$ 180,701
Investments, at fair value	659,740	746,371
Total Assets	\$ 836,542	\$ 927,072
Liabilities		
Annuities payable	\$ 353,230	\$ 380,006
Accrued expenses	65,000	-
Total Liabilities	418,230	380,006
Net Assets		
Without donor restrictions	418,312	547,066
Total Liabilities and Net Assets	\$ 836,542	\$ 927,072

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, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Changes in net assets without donor restrictions		
Revenues and other support:		
Contributions, net	\$ 8,060	\$ 2,077
Interest and dividends	13,664	62,817
Realized gain (loss) on investment securities	40,088	150,898
Unrealized gain (loss) on investment securities	(88,642)	442,528
Grant income	1,000	-
Change in value of split interest agreements	<u>(21,781)</u>	<u>(28,797)</u>
Total revenues and other support	<u>(47,611)</u>	<u>629,523</u>
Expenses		
Program expenses	4,509	26,719
Administrative expenses	<u>76,634</u>	<u>96,218</u>
Total Expenses	<u>81,143</u>	<u>122,937</u>
Increase (decrease) in net assets without donor restrictions before transfer	(128,754)	506,586
Asset transfer to CFUP	<u>-</u>	<u>(9,303,150)</u>
Increase (decrease) in net assets without donor restrictions after transfer	<u>(128,754)</u>	<u>(8,796,564)</u>
Changes in net assets with donor restrictions		
Change in value of split interest agreements	-	7,057
Asset transfer to CFUP	<u>-</u>	<u>(175,940)</u>
Increase (decrease) in net assets with donor restrictions	<u>-</u>	<u>(168,883)</u>
Increase (decrease) in net assets	<u>(128,754)</u>	<u>(8,965,447)</u>
Net assets, beginning of year	<u>547,066</u>	<u>9,512,513</u>
Net assets, end of year	<u>\$ 418,312</u>	<u>\$ 547,066</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, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Program Expenses		
Designated grant/Endowment disbursements	\$ 4,509	\$ 19,219
Scholarships	-	1,500
Donor advised grants	-	6,000
Total program expenses	<u>4,509</u>	<u>26,719</u>
Administrative Expenses		
Salaries and benefits	-	25,930
Advertising	501	-
Audit and accounting services	2,686	8,600
Bank and credit card fees	206	196
Dues, conference fees, and registration	1,289	130
Investment management fees	-	10,778
Insurance	1,000	2,619
CFUP termination fee	65,000	-
Software	758	14,965
Telephone and internet	1,583	4,355
Office supplies	1,130	2,942
Occupancy	623	5,666
Postage and printing	758	413
Events, meetings, travel	1,100	-
Contracted services	-	16,909
Depreciation	-	2,715
Total administrative expenses	<u>76,634</u>	<u>96,218</u>
Total Expenses	<u>\$ 81,143</u>	<u>\$ 122,937</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, 2023 and 2022**

	2023	2022
Cash flows from Operating Activities		
Change in net assets	\$ (128,754)	\$ (8,965,447)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Asset transfer to CFUP	-	9,479,090
Depreciation	-	2,715
Realized (gain) loss on investments	(40,088)	(150,898)
Unrealized (gain) loss on investments	88,642	(442,528)
Increase (decrease) accounts payable	-	(1,339)
Increase (decrease) accrued expenses	65,000	-
Increase (decrease) annuities payable	(26,776)	(15,080)
Net Cash from Operating Activities	(41,976)	(93,487)
 Cash flows from Investing Activities		
Purchases of investment securities	(13,657)	(213,602)
Proceeds from sales and maturities of investment securities	51,734	206,978
Net Cash from Investing Activities	38,077	(6,624)
 Net Increase (Decrease) in Cash and Cash Equivalents	(3,899)	(100,111)
 Cash and cash equivalents at beginning of year	180,701	280,812
Cash and cash equivalents at end of year	\$ 176,802	\$ 180,701

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



**KEWEENAW COMMUNITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS - March 31, 2023**

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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, 2023**

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**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, 2023**

**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, 2023, \$0 of the Foundation's bank balance of \$176,802 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, 2023, per FDIC regulation number 330.8.

**NOTE C - INVESTMENTS**

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

2023			
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Mutual funds/Exchange traded funds	594,570	659,740	65,170
Total Investments	<u>\$ 594,570</u>	<u>\$ 659,740</u>	<u>\$ 65,170</u>
2022			
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Mutual funds/Exchange traded funds	587,712	746,371	158,659
Total Investments	<u>\$ 587,712</u>	<u>\$ 746,371</u>	<u>\$ 158,659</u>

**KEWEENAW COMMUNITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS - March 31, 2023**

**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.

2023				
	Fair Value	Level 1	Level 2	Level 3
Mutual funds/Exchange traded funds	659,740	659,740	-	-
Total Investments	<u>\$ 659,740</u>	<u>\$ 659,740</u>	<u>\$ -</u>	<u>\$ -</u>
2022				
	Fair Value	Level 1	Level 2	Level 3
Mutual funds/Exchange traded funds	746,371	746,371	-	-
Total Investments	<u>\$ 746,371</u>	<u>\$ 746,371</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE D - PROPERTY AND EQUIPMENT**

Capital Asset activity of Keweenaw Community Foundation was as follows:

	Balance 4/1/2022	Additions	Deletions	Balance 3/31/2023
Capital assets, being depreciated:				
Equipment and software	\$ 1,244	\$ -	\$ -	\$ 1,244
Furniture and fixtures	99	-	-	99
Subtotal	<u>1,343</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,343</u>
Accumulated depreciation:				
Equipment and software	1,244	-	-	1,244
Furniture and fixtures	99	-	-	99
Subtotal	<u>1,343</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,343</u>
Net capital assets being depreciated	<u>\$ -</u>			<u>\$ -</u>

Depreciation expense for the years ending March 31, 2023 and 2022 were \$0 and \$2,715 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, 2023**

**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, 2023 and 2022. As of March 31, 2023 and 2022, the fair market value of charitable gift annuity investments totaled \$659,740 and \$746,371 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:

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	\$ -	\$ 306,377
Interest and dividend income	-	-
Realized gains	-	-
Unrealized gains	-	-
Grants	-	-
Agency activity transfer	-	(306,377)
Custodial and investment management fees	-	-
Administrative expense allocation	-	-
Balance at end of year	<u>\$ -</u>	<u>\$ -</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 fiscal year ending March 31, 2022.

**KEWEENAW COMMUNITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS - March 31, 2023**

**NOTE I - NET ASSETS**

Net assets consist of the following at March 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Without donor restrictions:		
Operating	\$ 111,802	\$ 180,701
Scholarship funds	-	-
Donor designated funds	-	-
Donor advised funds	-	-
Field-of-interest funds	-	-
Annuity funds	<u>306,510</u>	<u>366,365</u>
	418,312	547,066
With donor restrictions:		
Time restricted:		
Charitable remainder unitrust	-	-
Total	<u>\$ 418,312</u>	<u>\$ 547,066</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 2020.

**NOTE K - LEASES**

The Foundation leased office space under an operating lease that expires each December. Total expense for the rental of office space was \$0 and \$5,200 for the years ended March 31, 2023 and 2022. Rental commitments under this operating lease approximate \$8,400 annually and are paid by CFUP through their affiliation agreement.

**NOTE L - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Foundation has \$176,802 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, 2023**

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**NOTE M - AFFILIATION AGREEMENT & AGREEMENT TERMINATION**

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. The term of the agreement was for five years. 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.

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.

During the fiscal year ended March 31, 2022 \$9,479,090 of net assets were transferred to CFUP.

Having its non-profit status and License to Solicit successfully reinstated, the KCF Board of Directors has determined that it is in the best interests of KCF and its charitable mission to operate, once again, as a stand-alone charity, and therefore has entered into a Disaffiliation Agreement with CFUP, which will terminate the Affiliation Agreement with CFUP, as of August 7, 2023. All assets previously transferred to CFUP by KCF will be transferred back to KCF as of December 31, 2023, as well as all additional assets contributed to CFUP for purposes of the KCF Fund, and all income thereon, together with all records, fund agreements and other records related thereto and together with the assumed name "Keweenaw Community Foundation".

Since both parties agreed to the early termination of the Affiliation Agreement, they also agree that CFUP has not fully recovered its costs incurred, relative to the assistance provided to KCF. Therefore, a termination payment of sixty-five thousand dollars, will be paid to CFUP, in three installments over the twelve months following the execution of the Disaffiliation Agreement.

**NOTE N - 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.

See Note M above regarding CFUP affiliation termination.