

ROSCOMMON COUNTY COMMUNITY FOUNDATION
ROSCOMMON, MICHIGAN

FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020



SCHULZE, OSWALD, MILLER & EDWARDS PC
CERTIFIED PUBLIC ACCOUNTANTS
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ROSCOMMON COUNTY COMMUNITY FOUNDATION
ROSCOMMON, MICHIGAN
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FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITORS' REPORT

Board of Trustees of Roscommon County Community Foundation
Roscommon, Michigan 48653

We have audited the accompanying financial statements of **Roscommon County Community Foundation**, a Michigan non-profit organization, which comprise the statement of financial position as of December 31, 2020 and the related statement of activities and cash flows for the year 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.

Auditors' Responsibility

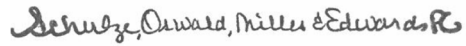
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Roscommon County Community Foundation as of December 31, 2020 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Schulze, Oswald, Miller & Edwards PC
Alpena, Michigan
June 1, 2021

ROSCOMMON COUNTY COMMUNITY FOUNDATION
ROSCOMMON, MICHIGAN
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 190,456
Short-Term Investments	495,238
Prepaid Expense	<u>225</u>

Total Current Assets	<u>685,919</u>
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Investments	8,795,387
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Equipment, Net of Accumulated Depreciation	<u>-</u>
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TOTAL ASSETS	<u><u>\$ 9,481,306</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Scholarship Payable	\$ 55,090
Payroll Withholdings and Taxes	4,369
Grants Payable - Current Portion	<u>54,250</u>

Total Current Liabilities	113,709
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Long-Term Liabilities:

PPP Loan Payable	21,500
Grants Payable - Long Term	42,470
Scholarships Payable - Long Term	<u>66,425</u>

Total Liabilities	<u>177,679</u>
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Net Assets:

Without Donor Restrictions	839,286
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With Donor Restrictions	<u>8,397,916</u>
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Total Net Assets	<u>8,397,916</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 8,575,595</u></u>
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SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

ROSCOMMON COUNTY COMMUNITY FOUNDATION
ROSCOMMON, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	TOTAL
PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS			
Contributions	\$ 236,178	\$ 193,432	\$ 429,610
Grants	-	-	-
Net Investment Return	52,201	876,930	929,131
Miscellaneous	620	-	620
Investment Management Fees	13,427	-	13,427
Net Assets Released from Restrictions - Satisfaction of Program Restrictions	<u>340,565</u>	<u>(340,565)</u>	<u>-</u>
TOTAL PUBLIC SUPPORT, REVENUES AND RECLASSIFICATION	<u>642,991</u>	<u>729,797</u>	<u>1,372,788</u>
EXPENSES			
Fundraising	19,140	-	19,140
Administrative	195,863	-	195,863
Grants	<u>220,895</u>	<u>-</u>	<u>220,895</u>
TOTAL EXPENSES	<u>435,898</u>	<u>-</u>	<u>435,898</u>
CHANGE IN NET ASSETS	207,093	729,797	936,890
NET ASSETS - Beginning of Year	<u>632,193</u>	<u>7,668,119</u>	<u>8,300,312</u>
NET ASSETS - End of Year	<u>\$ 839,286</u>	<u>\$ 8,397,916</u>	<u>\$ 9,237,202</u>

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

ROSCOMMON COUNTY COMMUNITY FOUNDATION
ROSCOMMON, MICHIGAN
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

	<u>FUNDRAISING</u>	<u>ADMINISTRATIVE</u>	<u>TOTAL</u>
Salaries	\$ 5,185	\$ 98,516	\$ 103,701
Payroll Taxes	414	7,871	8,285
YAC Administration Expenses	-	976	976
Investment Fees	-	52,398	52,398
Professional Fees	-	3,850	3,850
Office Rent	-	4,416	4,416
Printing Services	-	1,762	1,762
Telephone and Internet	-	1,492	1,492
Contract Services	-	3,552	3,552
Postage	-	1,242	1,242
Office Equipment and Service	-	1,355	1,355
Office Supplies	-	1,213	1,213
FIM Software	-	4,700	4,700
Directors & Officers Insurance	-	1,277	1,277
Staff and Board Development	-	1,583	1,583
Office Insurance	-	460	460
Travel	-	1,801	1,801
Conferences	-	-	-
Memberships	-	4,063	4,063
Meals and Entertainment	-	52	52
Publicity and Marketing	6,642	-	6,642
Annual Report	6,899	-	6,899
Grant Expense	-	2,000	2,000
Miscellaneous	-	1,284	1,284
	<u> </u>	<u> </u>	<u> </u>
TOTAL	\$ 19,140	\$ 195,863	\$ 215,003

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

ROSCOMMON COUNTY COMMUNITY FOUNDATION
ROSCOMMON, MICHIGAN
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

OPERATING ACTIVITIES

Change in Net Assets	\$ 936,890
Adjustments to Reconcile Change in Net	
Assets to Net Cash Provided by Operating Activities:	
Unrealized (Gains) Losses on Investments	(14,032)
(Increase) Decrease in Prepaid Expenses	-
Increase (Decrease) in Accrued Expenses	1,306
Increase (Decrease) in Scholarships Payable	37,190
Increase (Decrease) in Grants Payable	(82,531)
	<hr/>
Net Cash Provided by Operating Activities	878,823
	<hr/>

INVESTING ACTIVITIES

Investments (Purchased) Sold - Net	
Net Cash (Used) in Investing Activities	(671,622)
	<hr/>

FINANCING ACTIVITIES

PPP Loan Proceeds	21,500
Net Cash Provided by Financing Activities	21,500
	<hr/>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	228,701
CASH AND CASH EQUIVALENTS - Beginning of Year	456,993
	<hr/>
CASH AND CASH EQUIVALENTS - End of Year	\$ 685,694
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SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

ROSCOMMON COUNTY COMMUNITY FOUNDATION
ROSCOMMON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Business

Roscommon County Community Foundation (the Foundation) was established July 10, 2001 as a community foundation dedicated to improving the quality of life for all present and future residents of Roscommon County by providing stewardship and leadership, by attracting and holding permanent endowment funds from a wide range of donors, and by making grants of the income from its permanent endowment funds. A board of trustees is the governing body. The Foundation is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

The accounting policies of the Foundation conform to accounting principles generally accepted in the United States of America as applicable to nonprofit organizations. The following is a summary of the significant accounting policies:

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 in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash Equivalents

The Foundation considers all highly liquid investments purchased with a maturity date of three months or less to be cash equivalents.

Concentration of Credit Risk

The Foundation may, at various times, have balances in excess of the federal depository insurance limits. The Foundation has not experienced any losses on cash deposits and management considers the risk of loss to be minimal.

Investments

The Foundation's investments during the year ended December 31, 2020 included equity mutual funds, corporate equities, taxable bonds, and tax exempt bonds.

The Foundation reports investments in marketable securities at their fair values in the statement of financial position. Unrealized gains and losses are included in statement of activities. Realized gain or loss on the sale of investments is the difference between the proceeds received and the original cost of the specific investment sold.

Risks and Uncertainties

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect amounts reported in the statement of financial position.

ROSCOMMON COUNTY COMMUNITY FOUNDATION
ROSCOMMON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equipment

Equipment is capitalized at cost or appraised value if donated. The Foundation capitalizes equipment items that exceed \$2,000. Computers and peripheral equipment are depreciated over a 5 year life, all other equipment is depreciated over a 10 year life. The straight line method is used for all equipment.

Basis of Accounting and Presentation

The financial statements of the Foundation have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follow:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for operating and administrative reserves.

Net Assets With Donor Restrictions

Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The bylaws of the Foundation include a variance provision giving the Board of Directors the power, whenever any restriction or condition on the distribution of funds becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable, educational, and scientific needs of the communities or areas served, to modify any restriction or condition placed on the distribution of funds and to apply the whole or any part of the principal or income of funds as in its judgment is necessary to serve more effectively the charitable, educational and scientific purposes of the Foundation. In addition, all donor funds are subject to an annual spending policy which may require the use of principal from time to time to regulate the flow of grant dollars to optimize total investment return on the fund assets and grant dollars delivered to the community.

ROSCOMMON COUNTY COMMUNITY FOUNDATION
ROSCOMMON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Based on that provision, Roscommon County Community Foundation classifies all contributions and assets, except as noted below, as net assets without donor restrictions for financial statements presentation. Contributions of pledges for which the cash has not been received and assets and liabilities held in charitable trust agreements or life estate agreements are classified as net assets with donor restrictions. The Foundation has no assets that are restricted in perpetuity.

Contributions

Generally, contributions, including unconditional pledges to give, are recorded at fair value when received. Contributions of fixed assets, and other non-monetary contributions are recorded at the donor's estimated fair value. All current contributions are considered unrestricted.

Grant Awards

Grants are recorded as expenses when approved by the Foundation's Board of Trustees. Grant awards are presented on the financial statements net of grant refunds.

NOTE 2 - INVESTMENTS

The following summarizes the cost basis and market value (carrying value) of investments.

	<u>COST</u>	<u>MARKET VALUE</u>
Stocks	\$ 3,094,264	\$ 3,548,830
Mutual Funds	3,468,432	3,967,022
Alternative Investments	815,000	839,882
Bonds	425,613	439,653
Marketable Securities	\$ <u>7,803,309</u>	\$ <u>8,795,387</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2020.

Dividends and Interest	\$ 170,081
Unrealized Gains (Losses) on Investments	14,032
Realized Gains (Losses) on Investments	<u>745,018</u>
	<u>\$ 929,131</u>

ROSCOMMON COUNTY COMMUNITY FOUNDATION
ROSCOMMON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3 - EQUIPMENT

The cost of equipment is as follows:

Equipment	\$	12,710
Accumulated depreciation		(12,710)
	\$	<u><u>-</u></u>

Depreciation expense for the 2020 year was \$0.

NOTE 4 - LEASE AGREEMENT

The Foundation leases office space which is a portion of the entire building. The lease has no expiration date, adjusts rent annually on April 1st, the current amount is \$360 per month. The rent expense for the year ended December 31, 2020 was \$4,416.

NOTE 5 - ENDOWMENTS

The Foundation's endowment funds consist of approximately 56 individual funds established for a variety of reasons. The endowment funds consist of both donor-restricted and funds designated by the Board of Trustees. The Board-designated net assets consist of designated endowments that would be classified as donor-restricted endowments except that the Foundation has variance power of these assets. Therefore, the Board treats these funds as designated endowments. The net assets associated with the donor-restricted and Board-designated are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation interpreted Uniform Prudent Management of Institutional Funds Act (UPMIF) as requiring preservation of the fair value of the original gift, as of the gift date, of donor restricted endowment funds absent explicit donor stipulations to the contrary. The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds and Board-designated endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purposes of the Foundation and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation or depreciation of investments.
- (6) Other resources of the Foundation.
- (7) The investment policies of the Foundation.

ROSCOMMON COUNTY COMMUNITY FOUNDATION
ROSCOMMON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 - ENDOWMENTS (continued)

Endowment Funds and Changes Therein

The Foundation's endowment net asset composition at December 31, 2020 is as follows:

	TOTAL
Donor-Restricted	\$ 8,397,916
Without Donor	839,286
Restrictions	\$ 9,237,202

Changes in endowment funds during the year ended December 31, 2020 follow:

Balance January 1, 2020	\$ 8,300,312
Investment Income:	
Interest and Dividends	170,081
Net Realized Gains (Losses)	744,957
Net Appreciation	
(Depreciation) of Assets	14,032
Net Investment Return	9,229,382
Contributions	429,610
Grants Appropriated	(220,895)
Fees and Expenses	(200,895)
Balance December 31, 2020	\$ 9,237,202

Funds with Deficiencies

From time to time, the fair value of investment assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Foundations to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies if this nature are reported in net assets without donor restrictions. The fair value of the Foundation's investment assets at December 31, 2020 exceeded the level required by the donor or UPMIFA to be retained as a fund of perpetual duration.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for its investment portfolio that attempt to provide a predictable stream of funding to programs supported by the investment portfolio while seeking to maintain the purchasing power of the endowment investments. Endowment assets include those assets of donor-restricted and Board-designated funds. As approved by the Foundation's Finance/Investment Committee, the investments are invested in a manner that is intended to achieve long-term growth of principal and income without undue exposure to risk with a targeted rate of return to exceed the Consumer Price Index by 5% using a five year moving period.

ROSCOMMON COUNTY COMMUNITY FOUNDATION
ROSCOMMON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 - ENDOWMENTS (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 (interest and dividends). The Foundation targets a diversified asset allocation of domestic equity, foreign equity, and fixed-income funds with performance benchmarks based on each asset class.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation's spending policy annually calculates the amount of money available for distribution from the various endowed funds for grant making and administration. The current spending policy is to distribute 3% of the average fair value over the prior 12 quarters through the calendar year end preceding the calendar year in which the distribution is planned. The Foundation's Board reviews the percentage annually and may adjust the spending percentage based on market conditions. By limiting its current spending policy over the long term, the Foundation expects the current spending policy to allow its net assets to grow annually. This is consistent with the Foundation's objectives to maintain the purchasing power of its investment portfolio and net assets as well as to provide additional real growth through new gifts and investment return.

NOTE 6 - FAIR VALUE

Investment Securities

Investment securities are recorded at fair value on a recurring basis. Fair value measurement is based on quoted market prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss and liquidity assumptions. 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, publicly traded mutual funds, and mutual funds, and money market funds. Level 2 securities include mortgage-backed securities issued by government-sponsored entities, municipal bonds and corporate debt securities in active markets. Level 3 securities include those in which there is little, if any, market activity.

**ROSCOMMON COUNTY COMMUNITY FOUNDATION
ROSCOMMON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 6 - FAIR VALUE (continued)

Fair Value Measurements

Fair value measurement for short term investments and the investment portfolio, measured at fair value on a recurring basis, were as follows at December 31, 2020:

		QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS/ LIABILITIES LEVEL 1	SIGNIFICANT OTHER OBSERVABLE INPUTS LEVEL 2	SIGNIFICANT UNOBSERVABLE INPUTS LEVEL 3
	FAIR VALUE			
Short-Term Investments	\$ 495,238	\$ 495,238	\$ -	\$ -
Investment Securities	8,795,387	8,795,387	-	-
	<u>\$ 9,290,625</u>	<u>\$ 9,290,625</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 7 - LIQUIDITY AND AVAILABILITY

The Foundation could receive contributions with donor restrictions to be used in accordance with the associated purpose restrictions. In addition, the Foundation receives support without donor restrictions; such support has historically represented some of the annual program funding needs.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

1. Operating within a prudent range of financial soundness and stability,
2. Maintaining adequate liquid assets, and
3. Maintaining sufficient reserves to provide reasonable assurance that long-term grant commitments and obligations with donor restrictions that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The table below presents financial assets available for general expenditures within one year.

Financial Assets at Year End:	<u>December 31, 2020</u>
Cash and Cash Equivalents	\$ 190,456
Grants Receivable	<u>-</u>
Net Working Capital	190,456
Less: Amount with Donor Restrictions	<u>-</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 190,456</u>

ROSCOMMON COUNTY COMMUNITY FOUNDATION
ROSCOMMON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8 - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through June 1, 2021, the date these financial statements were available to be issued.

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a "Public Health Emergency of International Concern." The pandemic continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The financial market volatility is of special concern to the Foundation, due to the large percentage of assets that are invested in the market. In Michigan, the coronavirus outbreak and government responses are creating disruption in employment and adversely impacting many industries, adding uncertainty to the community's capacity for charitable giving while increasing basic community needs. The outbreak could have a continued material adverse impact on could have a continued material adverse impact on economic and market conditions and trigger a period of economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the Foundation, its investment performance, and its overall financial results.



**COMMUNICATION OF SIGNIFICANT DEFICIENCIES
AND MATERIAL WEAKNESSES**

June 1, 2021

To the Board of Trustees of Roscommon County Community Foundation:

In planning and performing our audit of the financial statements of Roscommon County Community Foundation (the Foundation) as of and for the year ended December 31, 2020 in accordance with auditing standards generally accepted in the United States of America, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following to be a material weakness:

Segregation of Duties

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions, and subsequent control of assets.

The small size of the administrative staff precludes a complete separation of duties resulting in more than a remote risk that material misstatements could occur and not be detected in the normal course of business. Again, the cost-benefit relationship has been considered by the Foundation. The Foundation understands the limitations of the internal control due to this lack of segregation of duties and believes it makes financial sense for an organization of this size.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the Foundation's internal control to be a significant deficiency:

Financial Reporting

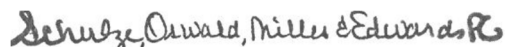
Preparing financial statements in accordance with generally accepted accounting principles (GAAP) is the responsibility of the Foundation's management. The preparation of financial statements in accordance with GAAP requires internal controls over recording, processing, and summarizing accounting data (i.e., maintaining internal books and records).

As is the case with many small not-for-profits, the Foundation has historically relied on its independent external auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. Accordingly, the Foundation's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot, by definition, be considered a part of the Foundation's internal controls.

This condition was caused by the Foundation's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Foundation to perform this task internally. The Foundation has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

As a result of this condition, the Foundation lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

This communication is intended solely for the information and use of the Board of Trustees of Roscommon County Community Foundation, management, and others within the Foundation, and is not intended to be, and should not be, used by anyone other than these specified parties.



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**COMMUNICATION WITH THOSE CHARGED WITH
GOVERNANCE AT THE CONCLUSION OF THE AUDIT**

June 1, 2021

Board of Trustees of Roscommon County Community Foundation
Roscommon, Michigan 48653

We have audited the financial statements of the **Roscommon County Community Foundation** (the Foundation) for the year ended December 31, 2020 and have issued our report thereon dated June 1, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 20, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Foundation are described in Note 1 to the financial statements. No new accounting policies were adopted for year ended December 31, 2020. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of depreciable capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allowance for doubtful accounts is based on historical collections. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statements users. The most sensitive disclosure affecting the financial statements was:

The disclosure of Equipment (fixed assets) in Note 1 to the financial statements estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For the purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased that no such disagreements arose during the course of our audit.

Management Representation

We have requested certain representations from management that are included in the management representation letter dated June 1, 2021.

Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all relevant facts. To our knowledge, there were no such consultations with other accountants.

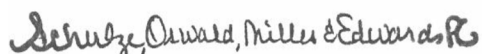
Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to our retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Trustees of Roscommon County Community Foundation, management, and others within the Foundation and is not intended to be, and should not be, used by anyone other than these specified parties.



Schulze, Oswald, Miller & Edwards PC
Alpena, Michigan