

ROSCOMMON COUNTY COMMUNITY FOUNDATION
ROSCOMMON, MICHIGAN

FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2022



SCHULZE, OSWALD, MILLER & EDWARDS PC
CERTIFIED PUBLIC ACCOUNTANTS
989-354-8707
989-685-2411

ROSCOMMON COUNTY COMMUNITY FOUNDATION
ROSCOMMON, MICHIGAN
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FOR THE FISCAL YEAR ENDED DECEMBER 31, 2022

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120 N. Ripley Street • Alpena, MI 49707
P.O. Box 69 • Rose City, MI 48654



Alpena 989-354-8707 • Fax 989-354-8708
Rose City 989-685-2411 • Fax 989-685-2412

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of **Roscommon County Community Foundation**, a Michigan non-profit organization, which comprise the statements of financial position as of December 31, 2022, and the related statement of activities 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 **Roscommon County Community Foundation** as of December 31, 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 the auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Roscommon County 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 these 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 Roscommon County 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.

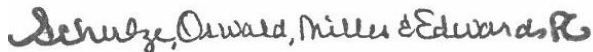
Auditors' Responsibilities for the Audit of the Financial Statements

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 auditors' 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, including omissions, 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 Roscommon County 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 Roscommon County 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.



Schulze, Oswald, Miller & Edwards PC
Alpena and Rose City, Michigan
April 27, 2023

ROSCOMMON COUNTY COMMUNITY FOUNDATION
ROSCOMMON, MICHIGAN
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 602,066
Short-Term Investments	1,210,454
Prepaid Expense	225

Total Current Assets	1,812,745
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Investments	8,602,238
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Equipment, Net of Accumulated Depreciation	-
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TOTAL ASSETS	\$ 10,414,983
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable	\$ -
Scholarship Payable	82,025
Payroll Withholdings and Taxes	3,957
Grants Payable - Current Portion	92,039

Total Current Liabilities	178,021
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Long-Term Liabilities:

Grants Payable - Long Term	-
Scholarships Payable - Long Term	110,218

Total Liabilities	288,239
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Net Assets:

Without Donor Restrictions	2,674,762
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With Donor Restrictions	7,451,982
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Total Net Assets	10,126,744
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TOTAL LIABILITIES AND NET ASSETS	\$ 10,414,983
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ROSCOMMON COUNTY COMMUNITY FOUNDATION
ROSCOMMON, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2022

	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	TOTAL
PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS			
Contributions	\$ 1,359,977	\$ 233,709	\$ 1,593,686
Net Investment Return	(74,135)	(1,779,911)	(1,854,046)
Miscellaneous Income	8,840	-	8,840
Net Assets Released from Restrictions - Satisfaction of Program Restrictions	468,062	(468,062)	-
TOTAL PUBLIC SUPPORT, REVENUES AND RECLASSIFICATION	1,762,744	(2,014,264)	(251,520)
EXPENSES			
Fundraising	28,649	-	28,649
Administrative	246,593	-	246,593
Grants	287,679	-	287,679
TOTAL EXPENSES	562,921	-	562,921
CHANGE IN NET ASSETS	1,199,823	(2,014,264)	(814,441)
NET ASSETS - Beginning of Year	1,474,939	9,466,246	10,941,185
NET ASSETS - End of Year	\$ 2,674,762	\$ 7,451,982	\$ 10,126,744

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, 2022**

	<u>FUNDRAISING</u>	<u>ADMINISTRATIVE</u>	<u>TOTAL</u>
Salaries	\$ 5,900	\$ 112,103	\$ 118,003
Payroll Taxes	456	8,668	9,124
YAC Administration Expenses	-	1,743	1,743
Investment Fees	-	69,737	69,737
Professional Fees	-	4,400	4,400
Office Rent	-	7,800	7,800
Printing Services	-	1,207	1,207
Telephone and Internet	-	1,807	1,807
Electricity	-	972	972
Contract Services	-	3,120	3,120
Postage	-	2,022	2,022
Office Equipment and Service	-	336	336
Office Supplies	-	5,241	5,241
FIM Software	-	6,500	6,500
Directors & Officers Insurance	-	1,379	1,379
Staff and Board Development	-	6,846	6,846
Office Insurance	-	460	460
Travel	-	2,952	2,952
Memberships	-	5,481	5,481
Meals and Entertainment	-	200	200
Publicity and Marketing	16,096	-	16,096
Annual Report	6,197	-	6,197
Grant Expense	-	2,500	2,500
Miscellaneous	-	1,119	1,119
	<u> </u>	<u> </u>	<u> </u>
TOTAL	\$ 28,649	\$ 246,593	\$ 275,242

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, 2022

OPERATING ACTIVITIES

Change in Net Assets	\$ (814,441)
Adjustments to Reconcile Change in Net	
Assets to Net Cash Provided by Operating Activities:	
Unrealized (Gains) Losses on Investments	1,922,326
(Increase) Decrease in Prepaid Expenses	-
Increase (Decrease) in Accounts Payable	(5,488)
Increase (Decrease) in Accrued Expenses	340
Increase (Decrease) in Scholarships Payable	(6,925)
Increase (Decrease) in Grants Payable	19,568
	<hr/>
Net Cash Provided by Operating Activities	1,115,380
	<hr/>

INVESTING ACTIVITIES

Investments (Purchased) Sold - Net	135,228
	<hr/>
Net Cash (Used) in Investing Activities	135,228
	<hr/>

FINANCING ACTIVITIES

	-
	<hr/>
Net Cash Provided by Financing Activities	-
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NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,250,608
CASH AND CASH EQUIVALENTS - Beginning of Year	561,912
	<hr/>
CASH AND CASH EQUIVALENTS - End of Year	\$ 1,812,520
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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, 2022**

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, 2022 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.

**ROSCOMMON COUNTY COMMUNITY FOUNDATION
ROSCOMMON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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

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.

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.

**ROSCOMMON COUNTY COMMUNITY FOUNDATION
ROSCOMMON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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

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.

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	\$ 3,756,035	\$ 3,531,438
Mutual Funds	4,181,406	3,899,176
Alternative Investments	961,210	969,616
Bonds	217,908	202,008
Marketable Securities	\$ <u>9,116,559</u>	\$ <u>8,602,238</u>

**ROSCOMMON COUNTY COMMUNITY FOUNDATION
ROSCOMMON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 – INVESTMENTS (continued)

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2022.

Dividends and Interest	\$ 294,893
Unrealized Gains (Losses) on Investments	(1,922,326)
Realized Gains (Losses) on Investments	(226,613)
	<u>\$ (1,854,046)</u>

NOTE 3 – EQUIPMENT

The cost of equipment is as follows:

Equipment	\$ 7,202
Accumulated depreciation	(7,202)
	<u>\$ -</u>

Depreciation expense for the 2022 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 \$600 per month. The rent expense for the year ended December 31, 2022 was \$7,800.

NOTE 5 – ENDOWMENTS

The Foundation's endowment funds consist of approximately 99 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.

**ROSCOMMON COUNTY COMMUNITY FOUNDATION
ROSCOMMON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 5 – ENDOWMENTS (continued)

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.

Endowment Funds and Changes Therein

The Foundation's endowment net asset composition at December 31, 2022 is as follows:

	<u>TOTAL</u>
Donor-Restricted	\$ 7,602,106
Without Donor	<u>1,502,101</u>
Restrictions	<u><u>\$ 9,104,207</u></u>

Changes in endowment funds during the year ended December 31, 2022 follow:

	<u>With Donor Restriction</u>	<u>Without Donor Restriction</u>	<u>Total Endowments</u>
Balance January 1, 2022	\$ 9,616,370	\$ 449,135	\$ 10,065,505
Investment Income	(1,779,911)	(81,667)	(1,861,578)
Contributions	233,709	1,167,066	1,400,775
Amounts appropriated for expenditure	(468,062)	(32,433)	(500,495)
Balance December 31, 2022	<u>\$ 7,602,106</u>	<u>\$ 1,502,101</u>	<u>\$ 9,104,207</u>

**ROSCOMMON COUNTY COMMUNITY FOUNDATION
ROSCOMMON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 5 - ENDOWMENTS (continued)

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 of this nature are reported in net assets without donor restrictions. The fair value of the Foundation's investment assets at December 31, 2022 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.

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.

**ROSCOMMON COUNTY COMMUNITY FOUNDATION
ROSCOMMON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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 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.

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, 2022:

		QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS/ LIABILITIES			SIGNIFICANT OTHER OBSERVABLE INPUTS		SIGNIFICANT UNOBSERVABLE INPUTS	
	FAIR VALUE		LEVEL 1		LEVEL 2		LEVEL 3	
Short-Term Investments	1,210,454	\$	1,210,454	\$	-	\$	-	
Investment Securities	8,602,238		8,602,238		-		-	
	<u>9,812,692</u>	<u>\$</u>	<u>9,812,692</u>	<u>\$</u>	<u>-</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.

**ROSCOMMON COUNTY COMMUNITY FOUNDATION
ROSCOMMON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 7 - LIQUIDITY AND AVAILABILITY (continued)

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	December 31, 2022
Cash and Cash Equivalents \$	602,066
Grants Receivable	-
Net Working Capital	602,066
Less: Amount with Donor Restrictions	-
Financial Assets Available to Meet General Expenditures Within One Year	\$ 602,066

NOTE 8 - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through April 27, 2023, the date these financial statements were available to be issued.

NOTE 9 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, Leases (Topic 842), which provides guidance for accounting for leases. The new guidance requires organizations to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. The ASU is effective for annual periods beginning after December 15, 2021. The adoption of this pronouncement has no material impact on the financial statements.



**COMMUNICATION OF SIGNIFICANT DEFICIENCIES
AND MATERIAL WEAKNESSES**

April 27, 2023

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, 2022 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

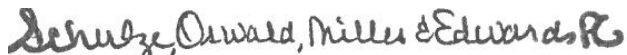
Preparing financial statements in accordance with generally accepted accounting principles (GAAP) is the responsibility of the Foundation's management. The preparation of financial statements in accordance with GAAP requires internal controls over recording, processing, and summarizing accounting data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



Schulze, Oswald, Miller & Edwards PC
Alpena and Rose City, Michigan



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

April 27, 2023

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, 2022 and have issued our report thereon dated April 27, 2023. 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, 2023. 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. During the fiscal year, the Foundation adopted FASB ASU No. 2016-02, Leases (Topic 842). 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.

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 April 23, 2023.

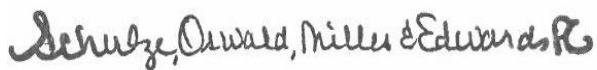
Management's Consultations with Other Independent Accountants

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.

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 and Rose City, Michigan