

LOWELL AREA SCHOOLS
EDUCATION FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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(INDEPENDENT) ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Lowell Area Schools Education Foundation

We have reviewed the accompanying financial statements of Lowell Area Schools Education Foundation (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Linda L. Graff, C.P.A., P.C.
Pensacola, Florida

May 8, 2020

LOWELL AREA SCHOOLS EDUCATION FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

| | |
|----------------------------------|------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 68,215 |
| Spendable balance - | |
| Beneficial interest asset | 62,173 |
| Investments | |
| Mutual fund | 123,912 |
| Other Assets | |
| Beneficial interest asset | 86,403 |
| Land | <u>1</u> |
| TOTAL ASSETS | <u>\$340,704</u> |
| | |
| LIABILITIES | |
| Scholarships payable | <u>\$ 24,688</u> |
| | |
| NET ASSETS | |
| Without donor restrictions | 191,228 |
| With donor restrictions | <u>124,788</u> |
| TOTAL NET ASSETS | <u>316,016</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$340,704</u> |

See accompanying notes and independent accountant's review report

LOWELL AREA SCHOOLS EDUCATION FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

| | Without Donor <u>Restrictions</u> | With Donor <u>Restrictions</u> | <u>Total</u> |
|--|---|--------------------------------------|----------------|
| REVENUE, GAINS AND SUPPORT | | | |
| Grants | \$ 25,000 | \$ - | \$ 25,000 |
| Contributions | 12,563 | - | 12,563 |
| Change in market value of investments | 8,675 | - | 8,675 |
| Investment income-dividends and interest | 86 | - | 86 |
| Net loss in beneficial interest asset | <u>-</u> | <u>(6,746)</u> | <u>(6,746)</u> |
| TOTAL REVENUE, GAINS AND SUPPORT | <u>46,324</u> | <u>(6,746)</u> | <u>39,578</u> |
| EXPENSES | | | |
| Program grants | 26,565 | - | 26,565 |
| Management and general | <u>5,324</u> | <u>20</u> | <u>5,344</u> |
| TOTAL EXPENSES | 31,889 | 20 | 31,909 |
| TRANSFERS | | | |
| Net assets released from restrictions | 6,080 | (6,080) | - |
| CHANGE IN NET ASSETS | 20,515 | (12,846) | 7,669 |
| NET ASSETS - BEGINNING OF YEAR | <u>170,713</u> | <u>137,634</u> | <u>308,347</u> |

See accompanying notes and independent accountant's review report

LOWELL AREA SCHOOLS EDUCATION FOUNDATION
STATEMENT OF CASH FLOWS - DIRECT METHOD
YEAR ENDED JUNE 30, 2020

| | |
|---|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash collected from donors and fundraisers | \$ 37,563 |
| Cash paid for program services | (26,565) |
| Cash paid for management expenses | (5,344) |
| Cash paid for scholarships | (1,000) |
| Dividend and interest income | <u>130</u> |
| NET CASH PROVIDED (USED) BY OPERATIONS | 4,784 |
| | |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Cash invested in mutual fund | <u>(10,000)</u> |
| | |
| NET DECREASE IN CASH | (5,216) |
| | |
| CASH AND CASH EQUIVALENTS - Beginning of year | <u>73,431</u> |
| CASH AND CASH EQUIVALENTS - End of year | <u>\$ 68,215</u> |

See accompanying notes and independent accountant's review report

LOWELL AREA SCHOOLS EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Lowell Area Schools Education Foundation is a non-profit organization, (Michigan Corporation), organized to solicit, collect, receive and administer funding for innovative learning and enhanced programs for the students at Lowell Area Schools.

The Foundation provides a means and opportunity for supporters and friends of Lowell Area Schools to support the schools during and beyond their lifetime through gifts. The Foundation organizes activities to promote, encourage and aid the schools in providing and continuing to provide quality education. The Foundation provides support or assistance for any programs of Lowell Area Schools that are organized and operated exclusively for scientific, literary and educational purposes.

Basis of Presentation

The financial statements of Lowell Area Schools Education Foundation have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require Lowell Area Schools Education Foundation to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the foundation. These net assets may be used at the discretion of Lowell Area Education Foundation's board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Lowell Area Education Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

LOWELL AREA SCHOOLS EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Federal Tax Status

The Internal Revenue Service has ruled that the Foundation is a public charity as described in Section 509(a)(3) of the Internal Revenue Code. Consequently, the organization is exempt from taxes under Internal Revenue Code Section 501(c)(3).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Foundation, and has concluded as of June 30, 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Management believes it is no longer subject to income tax examinations for fiscal years prior to 2017.

Public Support and Revenue

The Foundation accepts contributions from individuals, organizations and local businesses. Contributions are categorized as without donor restrictions or with donor restrictions based on the donor's stipulations. The Foundation also holds various fundraising events during the year. These funds are treated as without donor restrictions.

LOWELL AREA SCHOOLS EDUCATION FOUNDATION
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
 (Continued)

Contributed Services

No amounts have been reflected in the financial statements for donated services. A substantial number of unpaid volunteers have made significant contributions of their time to develop and implement the Foundation's program.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments without donor restrictions and with an initial maturity of three months or less to be cash equivalents.

Functional Expenses

The Foundation considers all functional expenses as supporting program services and are as follows:

| | | |
|------------------------------|---------------------------|---------|
| Dues and subscriptions | \$1,549 | \$1,529 |
| Legal and accounting | 2,750 | |
| Postage and shipping | 169 | |
| Insurance | 700 | |
| Board appreciation and other | 68 | 108 |
| Meeting expenses | 88 | |
| | <u>\$5,324</u> | \$5,344 |

LOWELL AREA SCHOOLS EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Beneficial Interest Asset

On January 16, 2007, the foundation entered into an Agency Endowment Agreement (AEA) with the Grand Rapids Community Foundation (GRCF). This agreement established a fund within the GRCF that was to be invested for the benefit of the Lowell Area School Education Foundation (LASEF) or its designee.

The AEA contains a variance power that allows the GRCF to redirect the funds in the AEA to another charitable organization in the Lowell community that satisfies the requirement of a qualified charitable organization and serves the purposes of LASEF.

The Foundation has adopted FASB 136, "Transfers of Assets to a Not-For-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others" accounting standard. This statement establishes standards for transactions in which a foundation contributes to a community foundation, that agrees to transfer those assets, the return on investment of those assets, or both to another entity that is specified by the donor. The statement specifically requires the donor organization (LASEF) to record the present value of the future payments expected to be made to LASEF.

As an alternative to this calculation, the organization is allowed to record the amount of the fund as a beneficial interest asset. The Foundation has elected to use this method of valuation for financial statement presentation.

Land

Land, consisting of 34.9 acres of unimproved real estate in Vergennes Twp., MI, was donated to the foundation in 2001 with a covenant restricting any future improvements for development purposes or uses, other than what existed at the date of donation. In addition, it is encumbered by a walking trail easement and is land locked. Therefore, there is no readily available market value and is reported on the balance sheet at \$1 and is considered permanently restricted.

LOWELL AREA SCHOOLS EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Investments

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are un-adjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or by other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

LOWELL AREA SCHOOLS EDUCATION FOUNDATION
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Investments - (Continued)

Fair values of assets measured on a recurring basis at June 30, 2020, are as follows:

| | <u>Fair Value</u> | Quoted Prices in Active Markets for identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---------------------------|-------------------|---|---|--|
| Cash and cash equivalents | \$ 68,215 | \$ 68,215 | \$ - | \$ - |
| Beneficial interest asset | \$ 148,576 | | | 148,576 |
| Mutual funds | <u>\$ 123,912</u> | <u>123,912</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 340,703</u> | <u>\$192,127</u> | <u>\$ -</u> | <u>\$ 148,576</u> |

NOTE B - INVESTMENTS

Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

NOTE C - SCHOLARSHIPS PAYABLE

Scholarships payable consist of a fund designated for scholarships. The Foundation acts as fiduciary and administrator of the fund and does not have grant making authority from this fund.

NOTE D - SUBSEQUENT EVENTS

Subsequent events were evaluated through **May 8, 2020**, which is the date of the financial statements were available to be issued. All organizations are subject to future events including unforeseen liabilities that can affect their social and economic ability to carry out their goals. At the present time, management of the Foundation is not aware of any future event or liability that could interfere with the Foundation's ability to achieve its goals.

November 13, 2020

Stephanie Cleaver, Treasurer
Lowell Area Schools Education Foundation
300 High Street
Lowell, MI 49331

Dear Stephanie:

Enclosed please find the financial statements of Lowell Area Schools Education Foundation at June 30, 2020. A PDF file of same has been e-mailed to you.

Please call if you have any questions.

Very truly yours,

Linda L. Graff, C.P.A.

Enc.:
/llg