

LOWELL AREA SCHOOLS
EDUCATION FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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(INDEPENDENT) ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Lowell Area Schools Education Foundation
Lowell, Michigan

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, 2018, 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 Foundation 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

April 8, 2019

LOWELL AREA SCHOOLS EDUCATION FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

| | |
|----------------------------------|------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 68,906 |
| Spendable balance - | |
| Beneficial interest assets | 50,007 |
| Investments | |
| Mutual fund | 96,627 |
| Other Assets | |
| Beneficial interest asset | 102,018 |
| Land | <u>1</u> |
| TOTAL ASSETS | <u>\$317,559</u> |
| | |
| LIABILITIES | |
| Scholarships payable | \$ 26,553 |
| | |
| NET ASSETS | |
| Unrestricted | 150,230 |
| Temporarily restricted | 4,011 |
| Permanently restricted | <u>136,765</u> |
| TOTAL NET ASSETS | <u>291,106</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$317,559</u> |

See accompanying notes and accountant's review report

LOWELL AREA SCHOOLS EDUCATION FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|-------------------|---------------------------|---------------------------|-------------------|
| REVENUE, GAINS AND SUPPORT | | | | |
| Grants | \$ 25,000 | \$ - | \$ - | \$ 25,000 |
| Contributions | 8,706 | - | 1,125 | 9,831 |
| Change in market value of investments | 7,636 | - | - | 7,636 |
| Fund Raisers | - | - | - | - |
| Investment income-dividends and interest | 85 | - | - | 85 |
| Net gain in beneficial interest asset | <u>-</u> | <u>-</u> | <u>8,821</u> | <u>8,821</u> |
| TOTAL REVENUE, GAINS AND SUPPORT | <u>41,427</u> | <u>-</u> | <u>9,946</u> | <u>51,373</u> |
| EXPENSES | | | | |
| Program grants | 21,000 | - | - | 21,000 |
| Management and general | <u>4,898</u> | <u>-</u> | <u>-</u> | <u>4,898</u> |
| TOTAL EXPENSES | 25,898 | - | - | 25,898 |
| TRANSFERS | | | | |
| Contributions between beneficial interest asset | 6,845 | - | (6,845) | - |
| NET INCREASE IN NET ASSETS | 22,374 | - | 3,101 | 25,475 |
| NET ASSETS - BEGINNING OF YEAR | <u>127,856</u> | <u>4,011</u> | <u>133,664</u> | <u>265,531</u> |
| NET ASSETS - END OF YEAR | <u>\$ 150,230</u> | <u>\$ 4,011</u> | <u>\$ 136,765</u> | <u>\$ 291,006</u> |

See accompanying notes and accountant's review report

LOWELL AREA SCHOOLS EDUCATION FOUNDATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018

| | |
|---|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash collected from donors and fundraisers | \$ 34,832 |
| Cash paid for program services | (21,000) |
| Cash paid for management expenses | (4,898) |
| Decrease in scholarships payable | (958) |
| Dividend and interest income | <u>85</u> |
| NET CASH PROVIDED (USED) BY OPERATIONS | <u>8,061</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Investment in beneficial interest asset | <u>(600)</u> |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | <u>(600)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 7,461 |
| CASH AND CASH EQUIVALENTS - Beginning of year | <u>61,445</u> |
| CASH AND CASH EQUIVALENTS - End of year | <u>\$ 68,906</u> |

See accompanying notes and accountant's review report

LOWELL AREA SCHOOLS EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 of 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.

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, 2017, 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.

LOWELL AREA SCHOOLS EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

Federal Tax Status (Continued)

Management believes it is no longer subject to income tax examinations for fiscal years prior to 2015.

Public Support and Revenue

The Foundation accepts contributions from individuals, organizations and local businesses. Contributions are categorized as unrestricted, temporarily restricted or permanently restricted based on the donor's stipulations. The Foundation also holds various fundraising events during the year. These funds are treated as unrestricted.

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.

Basis of Presentation

The Foundation has three classes of net assets - unrestricted, temporarily restricted and permanently restricted. Unrestricted assets are used for current operating needs and program services. Temporarily restricted assets are restricted for designated purposes that will be realized within one year. Permanently restricted assets are endowment contributions and a portion of investments. Investment earnings available for distribution are recorded in unrestricted net assets. Investment earnings with donor restrictions are recorded in temporarily or permanently restricted net assets based on the nature of the restrictions.

LOWELL AREA SCHOOLS EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

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 unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

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.

LOWELL AREA SCHOOLS EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Beneficial Interest Asset (Continued)

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.

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.

LOWELL AREA SCHOOLS EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Investments (continued)

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.

Following is a description of the valuation methodologies used for assets measured at fair value, on a recurring basis. There have been no changes to the methodologies used at June 30, 2018.

Mutual fund: Valued at the net asset value (NAV) of shares on the last trading day of the fiscal year, which is the basis for transactions at that date.

NOTE B - INVESTMENTS

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

LOWELL AREA SCHOOLS EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 April 8, 2019, 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.