

LOWELL AREA SCHOOLS  
EDUCATION FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2012

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To the Board of Directors  
Lowell Area Schools Education Foundation  
Lowell, MI 49331

I have audited the accompanying Statement of Financial Position of Lowell Area Schools Education Foundation (a Michigan nonprofit organization) as of June 30, 2012, and the related Statements of Activities and Cash Flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lowell Area Schools Education Foundation as of June 30, 2012, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

William J. Wheeler CPA  
November 25, 2012

LOWELL AREA SCHOOLS EDUCATION FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
June 30, 2012

ASSETS

Cash and Cash Equivalents		\$32,502
Spendable Balance - Beneficial Interest Assets		19,559
Investments:		
Certificates of Deposit		25,000
Mutual Funds		49,900
Other Assets:		
Beneficial Interest Asset		72,900
Land		1
Total Assets		\$199,862

Net Assets

Unrestricted		106,103
Temporarily Restricted		3,246
Permanently Restricted		90,513
Total Assets		199,862
Total Liabilities and Net Assets		\$199,862

THE NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

LOWELL AREA SCHOOLS EDUCATION FOUNDATION  
STATEMENT OF ACTIVITIES  
June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE, GAINS AND SUPPORT</b>				
Grants	\$20,000			\$20,000
Contributions	103		1,790	1,893
Change in Market Value of Investments	2,363			2,363
Alumni		982		982
Fund Raisers	9,050			9,050
Investment Income - Dividend & Interest	1,112			1,112
<b>TOTAL INCOME</b>	<u>32,628</u>	<u>982</u>	<u>1,790</u>	<u>35,400</u>
<b>EXPENSES:</b>				
Program - Grants	26,321			26,321
Fundraising	2,189			2,189
Alumni		602		602
Management and General	6,064			6,064
Net Loss in Beneficial Interest Asset			3,660	3,660
<b>TOTAL EXPENSES</b>	<u>34,574</u>	<u>602</u>	<u>3,660</u>	<u>38,836</u>
<b>TRANSFERS</b>				
Contributions to Beneficial Interest Asset	<u>4,450</u>	<u>0</u>	<u>4,450</u>	<u>0</u>
<b>PRIOR PERIOD ADJUSTMENT</b>				
Donor Funds			(10,624)	(10,624)
Land Value Adjustment			(551,666)	(551,666)
<b>TOTAL PRIOR PERIOD ADJUSTMENTS</b>	<u>0</u>	<u>0</u>	<u>(562,290)</u>	<u>(562,290)</u>
<b>NET INCREASE OR (DECREASE) IN NET ASSETS</b>	<b>(6,396)</b>	<b>380</b>	<b>(559,710)</b>	<b>(565,726)</b>
<b>NET ASSETS: BEGINNING</b>	<b>112,499</b>	<b>2,866</b>	<b>650,223</b>	<b>765,588</b>
<b>NET ASSETS: ENDING</b>	<u><b>\$106,103</b></u>	<u><b>\$3,246</b></u>	<u><b>\$90,513</b></u>	<u><b>\$199,862</b></u>

THE NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

LOWELL AREA SCHOOLS EDUCATION FOUNDATION

STATEMENT OF CASH FLOWS

June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Collected From Donors and Fund Raisers	\$31,925
Cash Paid for Program Services	(26,321)
Cash Paid for Management Expenses	(8,859)
Dividend and Interest Income	1,112

CASH USED IN OPERATIONS	<u>(2,143)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Securities	(35,000)
Dividend Reinvestment	(1,061)
Transfer to Beneficial Interest Asset	(4,450)

CASH USED IN INVESTING ACTIVITIES	<u>(40,511)</u>
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NET (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(42,654)</u>
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CASH AND CASH EQUIVALENTS - Beginning of Year	75,156
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CASH AND CASH EQUIVALENTS - End of Year	<u>\$32,502</u>
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THE NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

LOWELL AREA SCHOOLS EDUCATION FOUNDATION  
NOTES TO ACCOMPANY THE FINANCIAL STATEMENTS  
JUNE 30, 2012

**1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**ACCOUNTING METHOD**

The organization's has adopted the accrual method of accounting. Donations are recorded at the earlier of the time earned or received, expenses are recognized when incurred.

**STATEMENT PRESENTATION**

The Foundation has elected to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Unrestricted assets** are those assets received with no timing restrictions and those whose timing restrictions have expired. The organization uses these assets for current operating needs and program services.

**Temporarily Restricted Assets** – are restricted for designated purposes that will be realized within one year. An example of this type of asset is: the alumni monies, which are restricted to alumni activities and events.

**Permanently restricted assets** - Endowment contributions and a portion of assets are permanently restricted. Investment earnings available for distribution are recorded in unrestricted net assets, Investment earnings from restricted or temporarily restricted investments are recorded in net assets based on the nature of the restricted assets.

**USE OF ESTIMATES**

The preparation of financial statements in conformity with general 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 it's designate.

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. Statement specifically requires the

LOWELL AREA SCHOOLS EDUCATION FOUNDATION  
NOTES TO ACCOMPANY THE FINANCIAL STATEMENTS  
JUNE 30, 2012

**1 SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**BENEFICIAL INTEREST ASSET – CONTINUED**

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 organization has elected to use this method of valuation, for financial statement presentation.

**2 NATURE OF THE FOUNDATION**

**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 organization provides a means and opportunity for supporters and friends of the 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 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 in section 509 (a) (3) of the Internal Revenue Code. Consequently the organization is exempt from taxes under IRC code 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 organization, and has concluded as of June 30, 2012, 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 organization 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 2009.

**PUBLIC SUPPORT AND REVENUE**

The organization accepts contributions from individuals, organizations and local business. Contributions are categorized as unrestricted, temporarily restricted or permanently restricted based on the donors' stipulations. The organization also holds various fund raising events during the year; these funds are treated as unrestricted.

**CONTRIBUTED SERVICES**

A substantial number of unpaid volunteers have made significant contributions of their time to develop and implement the organizations program. The value of this contributed time is not reflected in these documents, since it is not susceptible to objective management of valuation.



LOWELL AREA SCHOOLS EDUCATION FOUNDATION  
NOTES TO ACCOMPANY THE FINANCIAL STATEMENTS  
JUNE 30, 2012

**3 PRIOR PERIOD ADJUSTMENTS**

The organization made two prior period adjustments in the current year.

- A) The organization was recording monies that were donated directly to the GRCE, for their benefit, with their other assets. These monies while donated in their name, do not belong to LASEF, they belong to GRCE. The income derived from the investment of these dollars, do become a spendable benefit, which LASEF can request, distribution to them. The organization has made no request as of the date of these financials.
  
- B) The organization has elected to adjust the carrying value of the land, which was donated in 2001. At the time of the gift the land may have had development potential, to the donor and may have been worth the recorded value. There are restrictions and covenants attached to the property, which were acknowledged and recorded, at the time of the gift in 2001. Those covenants restrict the property from any further improvements for development purposes or uses, other than what currently exists. The property is encumbered with a walking trail easement and is land locked, except for an easement across an adjacent piece of property owned by the donor.

On May 8, 2006, LASEF entered into a rental agreement with Lowell Area Recreation Authority (LRA) a non-profit governmental entity, for the property including, the 66' easement (across the adjoining property). The initial term of the lease is for 10 years, and shall be automatically renewed for subsequent 10 (ten) year periods unless specifically revoked in writing by either party at least thirty (30) days prior to the expiration of the then current 10 year lease period. The lease calls for annual payments of one dollar (\$1), payment of all maintenance costs and LRA shall maintain insurance on the premises.

**4 SUBSEQUENT EVENTS**

Subsequent events are evaluated through November 25, 2012, 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 LASEF is not aware of any future event or liability that could interfere with the Organizations ability to achieve its' goal.

