

Livonia Community Foundation, Inc.
Financial Statements
December 31, 2020

With Comparative Totals
For the Year Ended December 31, 2019

Livonia Community Foundation, Inc.
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December 31, 2020

Financial Statements

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Independent Auditors' Report

To the Board of Directors
Livonia Community Foundation, Inc.
Livonia, Michigan

We have audited the accompanying financial statements of Livonia Community Foundation, Inc., which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, functional expenses, 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 the 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 of 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 auditors' 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 auditors consider 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 Livonia Community Foundation, Inc., 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.

Report on Summarized Comparative Information

We previously audited Livonia Community Foundation's 2019 financial statements, and our report dated August 12, 2020, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Cole, Newton + Duran

Cole, Newton & Duran
Livonia, Michigan
October 26, 2021

Livonia Community Foundation, Inc.
Statement of Financial Position
December 31, 2020
With Comparative Totals for December 31, 2019

ASSETS		
	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 127,765	\$ 69,324
Investments	683,790	420,855
Total current assets	811,555	490,179
FIXED ASSETS		
Computer equipment	795	795
Less accumulated depreciation	(795)	(795)
Net fixed assets	-	-
OTHER ASSETS		
Long-term investments	1,595,510	1,014,099
TOTAL ASSETS	\$ 2,407,065	\$ 1,504,278
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 56	\$ 201
Grants payable	43,250	43,250
Total current liabilities	43,306	43,451
NET ASSETS		
Without donor restrictions		
Board designated	1,716,086	1,300,544
Undesignated	647,673	160,283
Total net assets	2,363,759	1,460,827
TOTAL LIABILITIES AND NET ASSETS	\$ 2,407,065	\$ 1,504,278

Livonia Community Foundation, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2020
With Comparative Totals for the Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	
	<u>2020</u>	<u>2019</u>
REVENUE AND SUPPORT		
Support	\$ 734,316	\$ 29,587
Special events	6,880	10,729
Investment income	251,425	230,884
Total revenue and support	<u>992,621</u>	<u>271,200</u>
FUNCTIONAL EXPENSES		
Program	56,721	43,250
Management and general	28,388	18,238
Fundraising	4,580	5,760
Total functional expenses	<u>89,689</u>	<u>67,248</u>
Increase (Decrease) in Net Assets	<u>902,932</u>	<u>203,952</u>
Net Assets at Beginning of Year	1,460,827	1,236,582
Prior period adjustment	-	20,293
Net Assets at Beginning of Year (Restated)	<u>1,460,827</u>	<u>1,256,875</u>
Net Assets at End of Year	<u>\$ 2,363,759</u>	<u>\$ 1,460,827</u>

See Notes to the Financial Statements

Livonia Community Foundation, Inc.
Statement of Functional Expenses
December 31, 2020
With Comparative Totals For the Year Ended December 31, 2019

	2020			2019	
	<u>Program</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total expenses</u>	<u>Total expenses</u>
Grants	\$ 56,721	\$ -	\$ -	\$ 56,721	\$ 43,250
Postage	-	55	500	555	1,942
Printing and supplies	-	-	4,080	4,080	3,029
Bank charges	-	140	-	140	104
Audit and tax fees	-	7,000	-	7,000	7,100
Insurance	-	1,016	-	1,016	1,019
Event expense	-	-	-	-	2,384
Dues and subscriptions	-	398	-	398	189
Other expense	-	2,831	-	2,831	6,623
Wages	-	15,000	-	15,000	1,186
Payroll expense	-	98	-	98	242
Payroll tax expense	-	1,850	-	1,850	180
Total expenses	<u>\$ 56,721</u>	<u>\$ 28,388</u>	<u>\$ 4,580</u>	<u>\$ 89,689</u>	<u>\$ 67,248</u>

See Notes to the Financial Statements

Livonia Community Foundation, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2020
With Comparative Totals For the Year Ended December 31, 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 902,932	\$ 203,952
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
(Gains) losses on investments	(173,927)	(160,657)
(Increase) decrease in assets:		
Prepaid expenses	-	1,805
Increase (decrease) in liabilities:		
Accounts payable	(145)	(5,638)
Grants payable	-	(3,350)
Net cash provided by (used in) operating activities	728,860	36,112
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	435,682	200,516
Purchases of investments	(1,106,101)	(259,781)
Net cash provided by (used in) investing activities	(670,419)	(59,265)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	58,441	(23,153)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	69,324	92,477
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 127,765	\$ 69,324
Supplemental disclosures		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -

See Notes to the Financial Statements

Livonia Community Foundation, Inc.
Notes to the Financial Statements
December 31, 2020, and 2019

NOTE 1 – Organization and Nature of Activities

The purpose of the Livonia Community Foundation, Inc. (the Foundation) is to benefit the Livonia, Michigan community by promoting and developing community resources, properties, and civic treasures. Additionally, the Foundation promotes and supports public interest in the arts and programs for the welfare of the community and its citizens. The Foundation is qualified with the State of Michigan as a certified community foundation. Revenue is derived primarily from contributions and investment income.

NOTE 2 – Summary of Significant Accounting Policies

Basis of accounting – The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of presentation – Financial statement presentation follows requirements of the Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The Foundation is required to report information regarding its financial position and activities according to two classes of net assets as follows:

Net assets without donor restrictions consist of resources that have no donor-imposed stipulations and are generally available for use by the Foundation.

Net assets with donor restrictions consist of resources of which the use by the Foundation is limited by donor-imposed time or purpose stipulations

Use of estimates – The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Fair value of financial instruments – FASB guidance on fair value measurement defines fair value, establishes a framework for measuring fair value, and expands disclosure of fair value measurements. The guidance applies to all assets and liabilities that are measured and reported on a fair value basis. The carrying amounts of financial instruments, including cash, cash equivalents, receivables, prepaids, accounts payable, and accrued liabilities approximate fair value due to the short-term maturity of these instruments.

Cash and cash equivalents – Cash and cash equivalents include all monies in banks and highly liquid investments, including money market funds, with original maturity dates of three months or less.

Property and equipment – Property and equipment, with an estimated useful life greater than one year, are recorded at cost or, if donated, at the approximate fair value at the date of donation. Property and equipment is depreciated using the straight-line method over the estimated useful life of the asset.

Revenue recognition – Contributions of cash and other assets are measured at fair value and recorded as revenue in the year received from the donor. Contributions with donor restrictions are recorded as net assets with donor restrictions. Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the contribution are both reported as revenue without donor restrictions. When a donor restriction expires, that is, when the stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are classified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed services – Individuals volunteer their time and perform a variety of tasks that assist the Foundation, but these services do not meet the criteria for recognition as contributed services, as required by the Not-for-Profit Entities Topic of the FASB Accounting Standards Codification. Accordingly, no amounts have been recognized in the financial statements.

Livonia Community Foundation, Inc.
Notes to the Financial Statements
December 31, 2020, and 2019

NOTE 2 – Summary of Significant Accounting Policies (continued)

Allocation of functional expenses – The Foundation presents their expenses by functional classification, which shows the amount spent for program-related activities. Expenses that can be identified with a specific program are charged directly to that program. Program expenses that cannot be identified with a specific program require allocation on a reasonable basis that is consistently applied. Expenses that are allocated are postage, printing, and supplies, which are allocated on the basis of estimates of time and effort. Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Foundation.

Tax status – The Foundation is a non-profit organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has classified the Foundation as an organization that is not a private foundation. The Foundation is no longer subject to U.S. Federal tax examinations for years before 2017. Management has evaluated FASB ASC 740, *Income Taxes*, and has concluded there are no uncertain positions.

Events occurring after reporting date – Management has evaluated events and transactions for potential recognition or disclosure through the date of the auditors' report, which is the date the financial statements were available to be issued.

NOTE 3 – Concentration of Credit Risk

Cash and cash equivalents – The Foundation maintains its cash balances in bank and brokerage accounts. Bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 in any one bank. At times during the year, balances on deposit in any one bank may exceed the insured amount. There were no uninsured bank balances on December 31, 2020, and 2019. Cash equivalents in brokerage accounts are not insured by the FDIC. The uninsured cash equivalents on December 31, 2020, and 2019, were \$90,782 and \$29,911, respectively. The Foundation has not experienced any losses with respect to uninsured cash balances.

Investments – The Foundation maintains cash, cash equivalents, mutual funds, and equity securities in brokerage accounts. Certain cash and securities in broker accounts are guaranteed by the Security Investor Protection Corporation (SIPC) up to \$500,000, which includes a \$250,000 limit for cash. Market losses are not covered by the SIPC. The balances in brokerage accounts at times may exceed insured limits. Uninsured balances in brokerage accounts on December 31, 2020, and 2019 were \$1,870,083 and \$934,954, respectively.

NOTE 4 – Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. U.S. GAAP requires the Foundation to disclose the fair value of each of its assets and liabilities based on the level of observable inputs. The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date or published net asset value for alternative investments with characteristics similar to a mutual fund.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement falls, in its entirety, is based on the lowest level input that is significant to the fair value measurement. As of December 31, 2020, and 2019, all investments were classified as Level 1. During the years ended December 31, 2020, and 2019, there were no transfers between levels.

Livonia Community Foundation, Inc.
Notes to the Financial Statements
December 31, 2020, and 2019

NOTE 5 – Investments

The Foundation's investments consisted of the following at December 31,

	2020	2019
Equity funds	\$ 1,565,065	\$ 958,556
Fixed income funds	714,235	476,398
	\$ 2,279,300	\$ 1,434,954
Short-term investments	\$ 683,790	\$ 420,855
Long-term investments	1,595,510	1,014,099
	\$ 2,279,300	\$ 1,434,954

Investment income consisted of the following for the years ended December 31,

	2020	2019
Dividend and interest income	\$ 25,426	\$ 27,986
Capital gain distributions	62,465	51,724
Realized gains (losses)	29,791	(4,070)
Unrealized gains (losses)	144,136	164,727
Investment fees	(10,393)	(9,483)
	\$ 251,425	\$ 230,884

Investment Risks – Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the values in the near term could materially affect the amounts reported in the accompanying financial statements.

NOTE 6 – Liquidity and Availability of Financial Assets

The following reflects the Foundation's financial assets as of the balance sheet date, reduced by amounts not available for general use within one year of the balance sheet date:

	2020	2019
Financial assets at year-end	\$ 2,407,065	\$ 1,504,278
Less those unavailable for general expenditures within one year		
Board designated net assets	1,716,086	1,300,544
Financial assets available to meet cash needs for general expenditure within one year	\$ 690,979	\$ 203,734

As part of the Foundation's liquidity management, it invests cash in excess of daily requirements in short-term investments, typically equity, mutual funds, and cash equivalents.

Livonia Community Foundation, Inc.
Notes to the Financial Statements
December 31, 2020, and 2019

NOTE 7 – Board Designated Net Assets

Board Designated Net Assets

Board designated net assets are available for the following purposes:

	2020	2019
Health and education	\$ 102,367	\$ 50,451
Grants	15,838	15,838
Board designated endowment	1,597,881	1,234,255
Total	\$ 1,716,086	\$ 1,300,544

Board Designated Endowment

The Board of Directors has designated funds for an endowment. FASB ASC Topic 948-205 provides guidance about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds). While not donor-restricted, the board of directors intends some funds to be held in perpetuity and manages them accordingly.

Interpretation of relevant law - The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the original gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation would consider the fund to be underwater if the fair value of the fund is less than the sum of (1) the original value of gifts donated to the endowment fund, (2) the original value of subsequent gifts to the endowment fund, and (3) any accumulations to the endowment fund that are required to be maintained in perpetuity in accordance with the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. The fund has not had any donor-restricted contributions and is not currently underwater.

Accounting standards require investment earnings on net assets held in perpetuity subject to UPMIFA to be classified as donor restricted net assets until they are appropriated for expenditure by the Foundation.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Foundation and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Foundation; and
- The investment policies of the Foundation.

Livonia Community Foundation, Inc.
Notes to the Financial Statements
December 31, 2020, and 2019

NOTE 7 – Board Designated Net Assets (continued)

Return objectives and risk parameters - The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets are those assets of donor-restricted funds that the Foundation must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that maximize the total return on the investments, subject to prudent management and preservation of capital.

Strategies employed for achieving objectives - The Foundation has adopted the following categories in which the Foundation funds may be held, and the cash or dollar range that may be placed in each:

Short-term asset allocation

Twelve to eighteen months of the expected grants and expense allocations to be held in the money market investments. In keeping with the current spending policy, the amounts in these accounts should not exceed 5% of the net assets of the previous year-end net asset balance.

Long-term asset allocation

The portfolio shall be subject to the allocation restrictions as follows:

Equities: Portfolio allocation with a target of 60%.

Fixed Income: Portfolio allocation with a target of 40%.

Spending policy and how the investment objectives relate to the spending policy - To allow for regular annual grants, and to allow for investment diversification and potential growth of the value of the funds invested, the Foundation may use up to 5% of the total value of the net assets as of December 31 of the previous year to provide for administrative costs and distribute grants. The Foundation is not required to distribute 5% of the fund in years that there are not adequate requests or fund performance, and earnings are low or negative. However, the Foundation may distribute up to 5% even in years of low performance. To distribute grant requests or pay expenses greater than 5% of the net asset balance on December 31 of the previous year requires a three-quarters vote of the Board of Directors at a properly called meeting.

NOTE 8 – Prior Period Adjustments

As of the year ended December 31, 2019, the Foundation determined the accounting for net assets with donor restrictions did not accurately reflect the status of these funds. This resulted in net assets with donor restrictions being overstated by \$1,087,535. Additionally, the Foundation determined the grant reserve account was overstated, resulting in liabilities being overstated and net assets understated by \$20,293. Prior period adjustments have been included in the Statement of Activities and Changes in Net Assets to correct these issues.

NOTE 9 – Covid-19

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. The future effects of these issues are unknown.