Livonia Community Foundation, Inc.
Financial Statements
December 31, 2022

With Comparative Summarized Totals
For the Year Ended December 31, 2021

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Financial Statements

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Livonia Community Foundation
Livonia, Michigan

Opinion

We have audited the accompanying financial statements of Livonia Community Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Livonia Community Foundation as of December 31, 2022, and the changes in 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 auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Livonia 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 the 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 Livonia 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.

Auditor's 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 auditor's 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 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 Livonia 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 Livonia 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.

Report on Summarized Comparative Information

We have previously audited Livonia Community Foundation’s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 6, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Cole, Newton & Duran

Cole, Newton & Duran CPAs
Livonia, Michigan
August 21, 2023

Livonia Community Foundation, Inc.
Statement of Financial Position
December 31, 2022
With Comparative Totals for December 31, 2021

ASSETS

	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	$ 95,407	$ 143,355
Investments	301,168	873,631
Total current assets	396,575	1,016,986
FIXED ASSETS		
Computer equipment	795	795
Less accumulated depreciation	(795)	(795)
Total fixed assets	-	-
OTHER ASSETS		
Long-term investments	1,898,616	1,613,530
TOTAL ASSETS	$ 2,295,191	$ 2,630,516

LIABILITIES AND NET ASSETS

	2022	2021
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 6,573	$ 250
Grants payable	80,000	53,000
Total current liabilities	86,573	53,250
NET ASSETS		
Without donor restrictions		
Board designated	1,568,356	1,932,221
Undesignated	640,262	645,045
Total net assets	2,208,618	2,577,266
TOTAL LIABILITIES AND NET ASSETS	$ 2,295,191	$ 2,630,516

Livonia Community Foundation, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2022
With Comparative Totals for the Year Ended December 31, 2021

	Without Donor Restrictions	
	2022	**2021**
REVENUE AND SUPPORT		
Support	$ 333,834	$ 60,949
Special events	10,238	10,215
In-kind support	5,000	4,200
Investment (loss) income	(568,691)	252,865
Total revenue and support	(219,619)	328,229
FUNCTIONAL EXPENSES		
Program	90,250	64,750
Management and general	50,905	42,903
Fundraising	7,874	7,069
Total functional expenses	149,029	114,722
(Decrease) Increase in Net Assets	(368,648)	213,507
Net Assets at Beginning of Year	2,577,266	2,363,759
Net Assets at End of Year	$ 2,208,618	$ 2,577,266

Livonia Community Foundation, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2022
With Comparative Totals for the Year Ended December 31, 2021

	2022				2021
	Program	Management and General	Fundraising	Total	Summarized Total
Advertising	$ -	$ 7,000	$ -	$ 7,000	$ -
Bank charges	-	399	-	399	156
Dues and subscriptions	-	4,901	-	4,901	1,169
Event expense	-	-	5,518	5,518	2,702
Grants	90,250	-	-	90,250	64,750
In-kind expense	-	5,000	-	5,000	4,200
Insurance	-	1,144	-	1,144	1,146
Other expense	-	1,175	-	1,175	8,223
Payroll expense	-	515	-	515	585
Payroll tax expense	-	2,271	-	2,271	1,890
Postage	-	-	1,679	1,679	4,427
Printing and supplies	-	-	677	677	1,274
Professional fees	-	8,500	-	8,500	9,200
Wages	-	20,000	-	20,000	15,000
Total expenses	$ 90,250	$ 50,905	$ 7,874	$ 149,029	$ 114,722

Livonia Community Foundation, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2022
With Comparative Totals for the Year Ended December 31, 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (368,648)	$ 213,507
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Unrealized (losses) gains on investments	640,325	(43,251)
Increase (decrease) in liabilities:		
Accounts payable	6,323	194
Grants payable	27,000	9,750
Net cash provided by operating activities	305,000	180,200
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	250,700	342,447
Purchases of investments	(603,648)	(507,057)
Net cash used in investing activities	(352,948)	(164,610)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(47,948)	15,590
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	143,355	127,765
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 95,407	$ 143,355
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	$ -	$ -
Cash paid for income taxes	$ -	$ -

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 in accordance with accounting principles generally accepted in the United States of America, and accordingly, reflect all significant receivables, payables, and other liabilities.

Comparative financial information
The financial information presented for comparative purposes for the year ended December 31, 2021 is not intended to be a complete financial statement presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the 2021 financial statements of the Foundation from which the summarized information was derived.

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.

The Foundation has determined that there are no net assets with donor restrictions as of December 31, 2022 and 2021, respectively.

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. 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.

NOTE 2 – Summary of Significant Accounting Policies (continued)

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 are depreciated using the straight-line method over the estimated useful life of the asset.

Investments
Investments in marketable equity securities with readily determinable fair values are valued at their fair values in the statement of financial position. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends, or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Grants payable
Grant funds which have been approved and are either required or expected to be paid out during the next year are reported as liabilities at year-end.

Contributions
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.

Contributions in-kind
The Foundation periodically receives donations of items or non-cash support to be used in its programs. The estimated fair value of donated items or non-cash support is recorded at their estimated fair value in the period in which the items were donated. The estimated fair value has been recorded in the accompanying financial statements within in-kind support on the statement of activities and changes in net assets. The items donated to the Foundation for 2022 were used during the year. It is the Foundation's policy to utilize any donated non-financial items that are able to be utilized by participants of the program. During the years ended December 31, 2022, and 2021, the Foundation received donated nonfinancial support valued at $5,000 and $4,200, respectively.

Volunteer 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.

NOTE 2 – Summary of Significant Accounting Policies (continued)

Advertising
The Foundation expenses advertising costs as they are incurred.

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. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

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 2019. Management has evaluated FASB ASC 740, *Income Taxes*, and has concluded there are no uncertain positions.

Subsequent events
Management has evaluated events and transactions for potential recognition or disclosure through the date of the auditor's report, which is the date the financial statements were available to be issued.

New accounting pronouncements
In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU provides for additional disclosures to support clearer financial information about important noncash contributions that charities and other not-for-profit organizations receive, known as gifts in kind. Contributed nonfinancial assets will be reported by category within the consolidated financial statements, and there will be additional disclosures included for each category, including whether the nonfinancial assets were monetized or used during the reporting period, the policy for monetizing nonfinancial contributions, and a description of the fair value techniques used to arrive at a fair value measurement.

NOTE 3 – Concentration of Credit Risk

Cash and cash equivalents
The Foundation maintains its cash balances in bank, credit union, and brokerage accounts. Bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 in any one bank. Credit union balances are insured by the National Credit Union Administration (NCUA) up to $250,000 in any one bank. Additional coverage up to $100,000 provided by Excess Share Insurance Corporation, a licensed insurance company. 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, 2022, and 2021. Cash equivalents in brokerage accounts are not insured by the FDIC. The uninsured cash equivalents on December 31, 2022, and 2021, were $76,512 and $105,782, respectively. The Foundation has not experienced any losses with respect to uninsured cash balances.

NOTE 3 – Concentration of Credit Risk (continued)

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, 2022, and 2021 were $1,776,296 and $2,092,942, respectively.

Revenue
Contributions for the year ended December 31, 2022 include amounts from one donor which accounts for approximately 87% of support revenue. Contributions for the year ended December 31, 2021 include amounts from two donors which account for approximately 66% of support revenue.

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, 2022, and 2021, all investments were classified as Level 1. During the years ended December 31, 2022, and 2021, there were no transfers between levels.

NOTE 5 – Investments

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

	2022	2021
Equity funds	$ 1,479,839	$ 1,701,227
Fixed income funds	719,945	785,934
	$ 2,199,784	$ 2,487,161
Short-term investments	$ 301,168	$ 873,631
Long-term investments	1,898,616	1,613,530
	$ 2,199,784	$ 2,487,161

NOTE 5 – Investments (continued)

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

	2022	2021
Dividend and interest income	$ 41,563	$ 34,192
Capital gain distributions	47,786	133,484
Realized gains (losses)	(651)	59,195
Unrealized gains (losses)	(640,325)	43,251
Investment fees	(17,064)	(17,257)
	$ (568,691)	$ 252,865

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:

	2022	2021
Financial assets at year-end	$ 2,295,191	$ 2,630,516
Less those unavailable for general expenditures within one year:		
Board designated net assets	1,568,356	1,932,221
Financial assets available to meet cash needs for general expenditure within one year	$ 726,835	$ 698,295

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.

NOTE 7 – Board Designated Net Assets

Board Designated Net Assets

Board designated net assets are available for the following purposes:

	2022	2021
Grants	$ 38,999	$ 41,042
Board designated endowment	1,529,357	1,891,179
Total	$ 1,568,356	$ 1,932,221

NOTE 7 – Board Designated Net Assets (continued)

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.

The respective change in the board designated endowment for the years ended December 31, 2022 and 2021, is as follows:

	Net assets intended to be held in perpetuity	Designated for future program	Total Board Designated Endowment Net Assets
Balance, December 31, 2021	$ 1,613,530	$ 277,649	$ 1,891,179
Investment income (loss)	-	(568,701)	(568,701)
Contributions	323,833	2,043	325,876
Amounts appropriated for expenditure	(38,747)	(80,250)	(118,997)
Balance, December 31, 2022	$ 1,898,616	$ (369,259)	$ 1,529,357

	Net assets intended to be held in perpetuity	Designated for future program	Total Board Designated Endowment Net Assets
Balance, December 31, 2020	$ 1,595,510	$ 2,371	$ 1,597,881
Investment income (loss)	-	252,865	252,865
Contributions	50,949	77,163	128,112
Amounts appropriated for expenditure	(32,929)	(54,750)	(87,679)
Balance, December 31, 2021	$ 1,613,530	$ 277,649	$ 1,891,179

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.

NOTE 7 – Board Designated Net Assets (continued)

Board Designated Endowment (continued)

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.

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%.

NOTE 7 – Board Designated Net Assets (continued)

Board Designated Endowment (continued)

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 when 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.