

**PRESQUE ISLE ELECTRIC & GAS
COMMUNITIES FIRST FUND
ONAWAY, MICHIGAN**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**



**SCHULZE, OSWALD, MILLER & EDWARDS PC
CERTIFIED PUBLIC ACCOUNTANTS
989-354-8707**

PRESQUE ISLE ELECTRIC & GAS COMMUNITIES FIRST FUND
ONAWAY, MICHIGAN
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**PRESQUE ISLE ELECTRIC & GAS COMMUNITIES FIRST FUND
ONAWAY, MICHIGAN
BOARD OF DIRECTORS
DECEMBER 31, 2019**

DARYL BARTON		CHAIRPERSON
NAOMI DEO		VICE CHAIRPERSON
JACKIE ROBINSON		SECRETARY
ELIAS TARATUTA		TREASURER
GLORIA ADRIAN		DIRECTOR
ANN DOUGLAS		DIRECTOR
BARBARA HALL	ENDED MAY 31, 2019	DIRECTOR
PETER REDMOND	JUNE 1, 2019 - MAY 31, 2022	DIRECTOR
DIANE LEWIS		DIRECTOR
SALLY WONG		DIRECTOR

Schulze Oswald Miller & Edwards PC

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors of
Presque Isle Electric & Gas Communities First Fund
Onaway, Michigan 49765

We have audited the accompanying financial statements of the **Presque Isle Electric & Gas Communities First Fund**, a Michigan non-profit organization, which comprise the statement of financial position as of December 31, 2019, and the related statement of activities and changes in net assets 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 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 from 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 auditor's 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 auditor considers 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 the Presque Isle Electric & Gas Communities First Fund as of December 31, 2019 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Schulze, Oswald, Miller & Edwards PC

Schulze, Oswald, Miller & Edwards PC
Alpena, Michigan
February 13, 2020

PRESQUE ISLE ELECTRIC & GAS COMMUNITIES FIRST FUND
ONAWAY, MICHIGAN
STATEMENT OF FINANCIAL POSITION
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

	<u>December 31, 2019</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 57,583
Cash - board restricted	41,558
Account receivable	3,654
Total current assets	<u>102,795</u>
NET ASSETS	
Without Donor Restrictions	
Unrestricted	61,237
Board designated	38,558
Permanently restricted	3,000
Total net assets	<u>102,795</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 102,795</u>

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

PRESQUE ISLE ELECTRIC & GAS COMMUNITIES FIRST FUND
ONAWAY, MICHIGAN
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

	December 31, 2019
Revenue	
Contributions - members	\$ 47,326
Contributions - PIE&G	13,784
Interest	97
TOTAL REVENUE	61,207
 Expenses	
Grants	51,158
Scholarships	-
Professional Fees	2,725
Program expense	9,660
Director's expense	1,399
TOTAL EXPENSE	64,942
CHANGE IN NET ASSETS	(3,735)
Net Assets - beginning of year	106,530
Net Assets - end of year	\$ 102,795

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

PRESQUE ISLE ELECTRIC & GAS COMMUNITIES FIRST FUND
ONAWAY, MICHIGAN
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

	December 31, 2019
Cash Flows From Operating Activities:	
Cash payments for grants and scholarships	\$ (47,178)
Cash payments for administrative and general expenses	(13,784)
	(60,962)
Net Cash Used in Operating Activities	
Cash Flows From Capital and Related Financing Activities:	
Contributions	61,110
	97
Cash Flows From Investing Activities:	
Interest on investments	97
	245
NET INCREASE (DECREASE) IN CASH	
	98,896
CASH AND CASH EQUIVALENTS - beginning of year	98,896
	99,141
CASH AND CASH EQUIVALENTS - end of year	\$ 99,141
	57,583
Cash as reported on the Statement of Financial Position	41,558
Cash	\$ 57,583
Cash - restricted	41,558
	\$ 99,141
	99,141

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

PRESQUE ISLE ELECTRIC & GAS COMMUNITIES FIRST FUND

ONAWAY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

NOTE 1 - NATURE OF OPERATIONS

The Presque Isle Electric & Gas Communities First Fund (First Fund) was formed on March 18, 1997 as a nonprofit corporation under the Michigan Nonprofit Corporation Act, Act 162 Public Act of 1982, and is affiliated with Presque Isle Electric & Gas Co-op (The Co-op). The First Fund does not have authority to issue any shares of stock and is financed through voluntary contributions from The Co-op, its members and employees. All corporate powers are vested in a Board of Directors, which consists of nine people, each residing in one of the nine districts of The Co-op's service area as designated by the Board of Directors of The Co-op.

The purpose of the First Fund shall be the accumulation and disbursement of funds for charitable purposes in the service area of The Co-op. Upon dissolution of the First Fund, any remaining funds shall be distributed only for charitable purposes.

Financial instruments which potentially subject the First Fund to concentration of significant credit risk consists of cash. The First Fund places its cash with a high quality financial institution. Although balances may exceed insured limits they are considered subject to minimal risk.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Presque Isle Electric & Gas Communities First Fund conform to generally accepted accounting principles of the United States of America as applicable to non-profit organizations. The following is a summary of the significant policies:

Basis of Accounting. The accompanying financial statements have been prepared on the accrual basis of accounting.

Financial Statement Presentation. The financial statements have been prepared on the accrual basis of accounting.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets with Donor Restrictions - The part of net assets of a not-for-profit entity that is subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

Net Assets without Donor Restrictions - The part of net assets of a not-for-profit entity that is not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

Cash. Cash is maintained in a money fund account.

Designated Grants. Grants payable in future periods, subject to routine performance requirements by the grantee, are not recorded until paid.

PRESQUE ISLE ELECTRIC & GAS COMMUNITIES FIRST FUND
ONAWAY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes. The First Fund has been advised by the Internal Revenue Service that it qualifies as an organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation by virtue of its qualification as a supporting organization under Section 509(a)(1) of the Internal Revenue Code and Revenue Ruling 76-401. Therefore, no provision for income taxes is reflected in the financial statements.

Functional allocations of expenses. The cost of providing the various programs and other activities have been summarized on a functional basis in the notes to the financial statements. Accordingly, certain costs have been allocated among charitable services and management and general.

NOTE 3 - RECEIVABLES

The receivable of \$3,654 is due from Presque Isle Electric & Gas Co-op at December 31, 2019, for contributions from member electric bills. The receivable represents amounts collected from members and held by Presque Isle Electric & Gas Co-op.

NOTE 4 - RELATED PARTY TRANSACTIONS

Presque Isle Electric & Gas Co-op (The Co-op) is exempt under IRS code section 501(c)12 and has the sole authority to select the initial members of the Board of Directors of the First Fund.

The First Fund is required to report financial information to the Board of Directors of the Co-op on no less than an annual basis.

The Co-op furnishes all personnel, office space and other necessary operating items such as computer time for the First Fund's operations. The First Fund recognizes a contribution for the amount of services the Co-op provides, which totaled \$13,784 for 2019.

NOTE 5 - GRANTS AND SCHOLARSHIPS

Grant activity is summarized as follows:

	2019
Designated grants - beginning of year	\$ 30,558
Grant actions approved	43,159
Amount paid less than approved amount	(1,002)
Approved grants cancelled within the fiscal year	-
	72,715
SUBTOTAL	72,715
Grant payments	(51,158)
	21,557
Designated grants approved but not paid - end of year	\$ 21,557

PRESQUE ISLE ELECTRIC & GAS COMMUNITIES FIRST FUND

ONAWAY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

NOTE 5 - GRANTS AND SCHOLARSHIPS (continued)

Scholarship activity is summarized as follows:

Designated scholarships - beginning of year	\$	3,000
Scholarships approved		14,000
Amount paid less than approved amount		-
SUBTOTAL		17,000
Scholarship payments		-
Designated scholarships approved but not paid - end of year	\$	17,000

The total designated amount for grants and scholarships was \$38,558 for December 31, 2019.

NOTE 6 - RESTRICTED NET ASSETS

The By-Laws require the retention of \$3,000 at all times. If, at any time, the assets of the First Fund fall below \$3,000, the First Fund shall be dissolved. Under the implementation of ASU 2016-14 this amount still is classified as "Without Donor Restrictions."

NOTE 7 - FUNCTIONAL ALLOCATION OF EXPENSES

The functional allocation of the First Fund's expenses as they are related to charitable services and management and general are listed below.

		<u>2019</u>
Charitable services	\$	51,158
Management and general		13,784
Total expenses	\$	64,942

NOTE 8 - SUBSEQUENT EVENTS

Management has evaluated the impact of subsequent events as they related to the financial statements through February 13, 2020.

NOTE 9 - LIQUIDITY

Presque Isle Electric & Gas Communities First Fund receives contributions with donor restrictions to be used in accordance with the associated purpose restrictions. In addition, the Organization receives support without donor restrictions; such support has historically represented some of the annual program funding needs. Income from

PRESQUE ISLE ELECTRIC & GAS COMMUNITIES FIRST FUND

ONAWAY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

NOTE 9 - LIQUIDITY (continued)

fundraisers is unrestricted and used for general expenditures as they are received.

The Organization manages its cash available to meet general expenditures following three guiding principles:

1. Operating within a prudent range of financial soundness and stability;
2. Maintaining adequate liquid assets, and;
3. Maintaining sufficient reserves to provide reasonable assurance that long term grant commitments and obligations with donor restrictions that support mission fulfillment will continue to be met, ensuring the sustainability of the Organization.

The table below presents financial assets available for general expenditures within one year.

Financial Assets at Year-End:	<u>12/31/2019</u>
Cash and Cash Equivalents	\$ 99,141
Accounts Receivable	<u>3,654</u>
Net Working Capital	102,795
Less: Amount with Donor Restrictions	<u>-</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 102,795</u>

NOTE 10 - RECENT ACCOUNTING PRONOUNCEMENTS

On June 21, 2018, the FASB issued ASU 2018-08, Clarifying the Scope of the Accounting for Contributions Received and Contributions Made. The standard is intended to address questions stemming from FASB ASU 2014-09, Revenue from Contracts with Customers, regarding its implication on grants and contracts of not-for-profit organizations. Specifically, it includes decision trees to assist in evaluating a transaction if a new revenue standard would apply or it more appropriately classifies as a contribution, which would exclude it from the scope of ASU 2017-09 and instead require the application of contribution guidance. Standards will be effective for annual reporting periods beginning after December 15, 2018. Management is evaluating the effect of the amended revenue recognition guidance on Presque Isle Electric & Gas Communities First Fund's financial statements.