

**PRESQUE ISLE ELECTRIC & GAS COMMUNITIES FIRST FUND**  
**REPORT ON FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

## **TABLE OF CONTENTS**

	<b><u>Page</u></b>
Board of Directors	1
Auditor's Report	2-3
Financial Statements:	
Statements of Financial Position	4
Statements of Activities and Change in Net Assets	5
Statements of Cash Flows	6
Notes to Financial Statements	7-10

**PRESQUE ISLE ELECTRIC & GAS COMMUNITIES FIRST FUND  
BOARD OF DIRECTORS  
DECEMBER 31, 2017**

Daryl Barton	Chairperson
Jennifer Standen	Vice Chairperson
Jackie Robinson	Secretary
Daniel Kadow	Treasurer
Gloria Adrian	Director
Naomi Deo	Director
Barbara Hall	Director
Ann Douglas	Director
Diane Lewis	Director



## **Independent Auditor's Report**

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

We have audited the accompanying financial statements of Presque Isle Electric & Gas Communities First Fund (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities 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.

### **Auditor's 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 Presque Isle Electric & Gas Communities First Fund as of December 31, 2017, 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.

**Other Matter**

The accompanying 2016 financial statements of Presque Isle Electric & Gas Communities First Fund were prepared by us. They were not subjected to an audit, review, or compilation engagement and, accordingly, we do not express an opinion, a conclusion, nor provide any assurance on them.

*Harris Group, CPA's*

Traverse City, MI  
April 17, 2018

**PRESQUE ISLE ELECTRIC & GAS COMMUNITIES FIRST FUND**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2017 AND 2016**

	2017	(Unaudited) 2016
<b>ASSETS</b>		
Current assets:		
Cash	\$ 100,539	\$ 96,398
Cash – restricted	3,000	3,000
Account receivable	3,966	3,975
<b>TOTAL ASSETS</b>	<b>\$ 107,505</b>	<b>\$ 103,373</b>
<b>NET ASSETS</b>		
Net Assets		
Unrestricted	\$ 70,055	\$ 72,323
Unrestricted, designated	34,450	28,050
Permanently restricted	3,000	3,000
<b>TOTAL NET ASSETS</b>	<b>107,505</b>	<b>103,373</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 107,505</b>	<b>\$ 103,373</b>

The accompanying notes are an integral part of these statements.

**PRESQUE ISLE ELECTRIC & GAS COMMUNITIES FIRST FUND**  
**STATEMENT OF ACTIVITIES AND CHANGE**  
**IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>(Unaudited) 2016</u>
<b>REVENUE:</b>		
Contributions – members	\$ 50,810	\$ 51,868
Contributions – PIE&G	11,105	13,703
Interest	95	92
	<u>62,010</u>	<u>65,663</u>
<b>TOTAL REVENUE</b>		
<b>EXPENSES:</b>		
Grants	32,273	39,565
Scholarships	14,500	16,500
Professional fees	800	3,500
Program expense	8,933	8,895
Director’s expense	1,372	1,308
	<u>57,878</u>	<u>69,768</u>
<b>TOTAL EXPENSE</b>		
<b>CHANGE IN NET ASSETS</b>	4,132	(4,105)
<b>NET ASSETS, beginning of year</b>	<u>103,373</u>	<u>107,478</u>
<b>NET ASSETS, end of year</b>	<u>\$ 107,505</u>	<u>\$ 103,373</u>

The accompanying notes are an integral part of these statements.

**PRESQUE ISLE ELECTRIC & GAS COMMUNITIES FIRST FUND  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>(Unaudited) 2016</u>
Cash Flows From Operating Activities:		
Cash payments for grants and scholarships	\$ (47,773)	\$ (56,065)
Cash payments for administrative and general expenses	<u>(11,105)</u>	<u>(13,703)</u>
Net Cash Used in Operating Activities	<u>(58,878)</u>	<u>(69,768)</u>
Cash Flows From Capital and Related Financing Activities:		
Contributions	<u>62,924</u>	<u>65,795</u>
Cash Flows From Investing Activities:		
Interest on investments	<u>95</u>	<u>92</u>
NET INCREASE (DECREASE) IN CASH	<u>4,141</u>	<u>(4,065)</u>
CASH, beginning of year	<u>99,398</u>	<u>103,463</u>
CASH, end of year	<u>\$ 103,539</u>	<u>\$ 99,398</u>
Cash as reported on the Statement of Financial Position		
Cash	\$ 100,539	\$ 96,398
Cash – restricted	<u>3,000</u>	<u>3,000</u>
	<u>\$ 103,539</u>	<u>\$ 99,398</u>

The accompanying notes are an integral part of these statements.



**PRESQUE ISLE ELECTRIC & GAS COMMUNITIES FIRST FUND  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: 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 financial statements have been prepared on the accrual basis of accounting.

Financial statement presentation

The Presque Isle Electric & Gas Communities First Fund is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, designated, and permanently restricted.

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.

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 costs 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.

**PRESQUE ISLE ELECTRIC & GAS COMMUNITIES FIRST FUND  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2: DESCRIPTION OF THE REPORTING ENTITY**

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 (Presque Isle). The First Fund does not have authority to issue any shares of stock and is financed through voluntary contributions from Presque Isle, 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 Presque Isle's service area as designated by the Board of Directors of Presque Isle.

The purpose of the First Fund shall be the accumulation and disbursement of funds for charitable purposes in the service area of Presque Isle. 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 3: RECEIVABLES**

The receivable of \$3,966 and \$3,975 is due from Presque Isle Electric & Gas Co-op at December 31, 2017 and 2016, respectively, 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 \$8,933 and \$8,895 for 2017 and 2016, respectively.

**PRESQUE ISLE ELECTRIC & GAS COMMUNITIES FIRST FUND  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5: GRANTS AND SCHOLARSHIPS**

Grant activity is summarized as follows:

	<u>2017</u>	<u>(Unaudited) 2016</u>
Designated grants – beginning of year	\$ 11,051	\$ 16,327
Grant actions approved	41,776	34,300
Amount paid less than approved amount	(604)	(12)
Approved grants cancelled within the fiscal year	<u>(2,000)</u>	<u>-</u>
SUBTOTAL	50,223	50,615
Grant payments	<u>(32,273)</u>	<u>(39,565)</u>
Designated grants approved but not paid – end of year	<u>\$ 17,950</u>	<u>\$ 11,050</u>

Scholarship activity is summarized as follows:

	<u>2017</u>	<u>(Unaudited) 2016</u>
Designated scholarships – beginning of year	\$ 17,000	\$ 18,500
Scholarships approved	15,000	15,000
Amount paid less than approved amount	<u>(1,000)</u>	<u>-</u>
SUBTOTAL	31,000	33,500
Scholarship payments	<u>(14,500)</u>	<u>(16,500)</u>
Designated scholarships approved but not paid – end of year	<u>\$ 16,500</u>	<u>\$ 17,000</u>

The total designated amount for grants and scholarships was \$34,450 and \$28,050 December 31, 2017 and 2016, respectively.

**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.

**PRESQUE ISLE ELECTRIC & GAS COMMUNITIES FIRST FUND**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7: FUNCTIONAL ALLOCATION OF EXPENSES**

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

	<u>2017</u>	<u>(Unaudited) 2016</u>
Charitable services	\$ 46,773	\$ 56,065
Management and general	<u>11,105</u>	<u>13,703</u>
Total expenses	<u>\$ 57,878</u>	<u>\$ 69,768</u>

**NOTE 8: SUBSEQUENT EVENTS**

Management has evaluated the impact of subsequent events as they relate to the financial statements through April 17, 2018.