

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

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**



**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, 2020**

DARYL BARTON	CHAIRPERSON
NAOMI DEO	VICE CHAIRPERSON
JACKIE ROBINSON	SECRETARY
ELIAS TARATUTA	TREASURER
GLORIA ADRIAN	DIRECTOR
ANN DOUGLAS	DIRECTOR
PETER REDMOND	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, 2020, 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, 2020 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 3, 2021

PRESQUE ISLE ELECTRIC & GAS COMMUNITIES FIRST FUND
ONAWAY, MICHIGAN
STATEMENT OF FINANCIAL POSITION
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

	WITHOUT DONOR RESTRICTIONS
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 69,079
Cash - board restricted	27,873
Account receivable	3,498
TOTAL CURRENT ASSETS	100,450
NET ASSETS	
Unrestricted	72,577
Board designated	24,873
Permanently restricted	3,000
TOTAL NET ASSETS	100,450
 TOTAL LIABILITIES & NET ASSETS	 \$ 100,450

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, 2020

	WITHOUT DONOR RESTRICTIONS
REVENUE	
Contributions - members	\$ 45,166
Contributions - PIE&G	13,286
Interest	93
TOTAL REVENUE	58,545
 EXPENSES	
Program Expenses	
Grants	36,104
Scholarships	11,500
Program expense	2,725
Support	
Professional fees	9,985
Director's expense	576
TOTAL EXPENSE	60,890
CHANGE IN NET ASSETS	(2,345)
NET ASSETS - beginning of year	102,795
NET ASSETS - end of year	\$ 100,450

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, 2020

	WITHOUT DONOR RESTRICTIONS
CASH FLOWS FROM OPERATION ACTIVITIES:	
Cash payments for grants and scholarships	\$ (47,604)
Cash payments for administrative and general expenses	(13,286)
	(60,890)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Contributions	58,608
	93
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on investments	93
	(2,189)
NET INCREASE (DECREASE) IN CASH	(2,189)
CASH AND CASH EQUIVALENTS - beginning of year	99,141
CASH AND CASH EQUIVALENTS - end of year	\$ 96,952
CASH AS REPORTED ON THE STATEMENT OF FINANCIAL POSITION	
Cash	\$ 69,079
Cash - restricted	27,873
	\$ 96,952

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, 2020

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.

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, 2020

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 \$3,498 is due from Presque Isle Electric & Gas Co-op at December 31, 2020, 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 \$13,286 for 2020.

NOTE 5 - GRANTS AND SCHOLARSHIPS

Grant activity is summarized as follows:

	2020
Designated grants - beginning of year	\$ 21,557
Grant actions approved	25,688
Amount paid less than approved amount	(768)
Approved grants cancelled within the fiscal year	-
SUBTOTAL	46,477
Grant payments	(36,104)
Designated grants approved but not paid - end of year	\$ 10,373

PRESQUE ISLE ELECTRIC & GAS COMMUNITIES FIRST FUND
ONAWAY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 - GRANTS AND SCHOLARSHIPS (continued)

Scholarship activity is summarized as follows:

Designated scholarships - beginning of year	\$	17,000
Scholarships approved		10,000
Amount paid less than approved amount		-
SUBTOTAL		27,000
Scholarship payments		<u>(12,500)</u>
Designated scholarships approved but not paid - end of year	\$	<u><u>14,500</u></u>

The total designated amount for grants and scholarships was \$24,873 for December 31, 2020.

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>2020</u>
Charitable services	\$	47,604
Management and general		<u>13,286</u>
Total expenses	\$	<u><u>60,890</u></u>

NOTE 8 - SUBSEQUENT EVENTS

Management has evaluated the impact of subsequent events as they related to the financial statements through February 3, 2021.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of local not for profits. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the First Fund expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

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 First Fund 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, 2020

NOTE 9 - LIQUIDITY (continued)

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

The First Fund 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 First Fund.

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

Financial Assets at Year-End:	<u>12/31/2020</u>
Cash and Cash Equivalents	\$ 96,952
Accounts Receivable	<u>3,498</u>
Net Working Capital	100,450
Less: Amount with Donor Restrictions	<u>-</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u><u>\$ 100,450</u></u>



**COMMUNICATION WITH THOSE CHARGED WITH
GOVERNANCE AT THE CONCLUSION OF THE AUDIT**

February 3, 2021

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

We have audited the financial statements of Presque Isle Electric & Gas Communities First Fund for the year ended December 31, 2020, and have issued our report thereon dated **February 3, 2021**. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 6, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Presque Isle Electric & Gas Communities First Fund are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies were not changed during 2019. We noted no transactions entered into by Presque Isle Electric & Gas Communities First Fund during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements of this entity.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statements users. There were no sensitive disclosures affecting the financial statements of this entity.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For the purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased that no such disagreements arose during the course of our audit.

Management Representation

We have requested certain representations from management that are included in the management representation letter dated February 3, 2021.

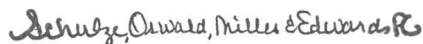
Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to our retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and Management of Presque Isle Electric & Gas Communities First Fund and is not intended to be, and should not be, used by anyone other than these specified parties.



Schulze, Oswald, Miller & Edwards PC
Alpena, Michigan



COMMUNICATION OF SIGNIFICANT DEFICIENCIES

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

In planning and performing our audit of the financial statements of Presque Isle Electric & Gas Communities First Fund as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered Presque Isle Electric & Gas Communities First Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A **significant deficiency** is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in Presque Isle Electric & Gas Communities First Fund's internal control to be a significant deficiency:

FINANCIAL REPORTING

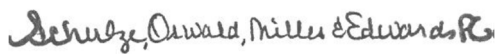
- ❖ Preparing financial statements in accordance with generally accepted accounting principles, (GAAP), is the responsibility of the Organization's management. The preparation of financial statements in accordance with GAAP requires internal controls over recording, processing, and summarizing accounting data (i.e., maintaining internal books and records).

As is the case with many small not-for-profits, the Organization has historically relied on its independent external auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. Accordingly, the Organization's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot, by definition, be considered a part of the Organization's internal controls

This condition was caused by the Organization's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Organization to perform this task internally. The Organization has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

As a result of this condition, the Organization lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.



Schulze, Oswald, Miller & Edwards PC
Alpena, Michigan
February 3, 2021

Schulze Oswald Miller & Edwards PC

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Schulze, Oswald, Miller & Edwards PC (SOME CPAs) Personnel List

*Kristy Schulze, CPA - Managing Partner
Julia Oswald, CPA - Auditor
**Sandra Edwards - Audit Manager, Alpena
Claudia Miller - Audit Manager, Rose City
Betha Clemens - Auditor
Kendra LaHaie - Para-Professional
Carlee Sauls - Para-Professional
Jordyn Kaiser – Para-Professional
Jennifer Vaughn - Para-Professional
Amy Alberts - Para-Professional

*Kristy Schulze is the engagement/managing partner for all audits.

**Sandra Edwards completed the fieldwork for Presque Isle Electric & Gas Communities First Fund for the December 31, 2020 audit.