

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

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**



**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, 2023**

DAVID POST	CHAIRPERSON
GLORIA ADRIAN	VICE CHAIRPERSON
SALLY WONG	SECRETARY
ELIAS TARATUTA	TREASURER
TAMMY BATES	DIRECTOR
CHERYL HEINY	DIRECTOR
FRAN BRINK	DIRECTOR
KIM PAPPAS	DIRECTOR
EVELYN WHITE	DIRECTOR



INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2023, and the related statement of activities 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 the Presque Isle Electric & Gas Communities First Fund as of December 31, 2023 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.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Presque Isle Electric & Gas Communities First Fund 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 these 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 Presque Isle Electric & Gas Communities First Fund'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

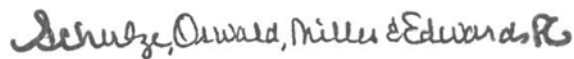
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance 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, including omissions, 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 Presque Isle Electric & Gas Communities First Fund'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 Presque Isle Electric & Gas Communities First Fund'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.



Schulze, Oswald, Miller & Edwards PC
Alpena, Michigan
April 15, 2024

PRESQUE ISLE ELECTRIC & GAS COMMUNITIES FIRST FUND
ONAWAY, MICHIGAN
STATEMENT OF FINANCIAL POSITION
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023

	WITHOUT DONOR RESTRICTIONS
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 76,400
Cash and Cash Equivalents - Designated	39,114
Account Receivable	3,384
TOTAL CURRENT ASSETS	118,898
 NET ASSETS	
Unrestricted	79,784
Designated by board	36,114
Designated from by-laws	3,000
TOTAL NET ASSETS	118,898
 TOTAL LIABILITIES & NET ASSETS	 \$ 118,898

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

PRESQUE ISLE ELECTRIC & GAS COMMUNITIES FIRST FUND
ONAWAY, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023

	WITHOUT DONOR RESTRICTIONS
REVENUE	
Contributions - Members	\$ 43,345
Contributions - PIE & G	15,337
Interest	113
TOTAL REVENUE	58,795
 EXPENSES	
Program Expenses	
Grants	23,353
Scholarships	14,000
Program expense	11,048
Support	
Professional fees	3,200
Director's expense	1,089
TOTAL EXPENSE	52,690
CHANGE IN NET ASSETS	6,105
NET ASSETS - Beginning of Year	112,793
NET ASSETS - End of Year	\$ 118,898

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, 2023

	WITHOUT DONOR RESTRICTIONS
CASH FLOWS FROM OPERATION ACTIVITIES:	
Cash payments for grants and scholarships	\$ (37,353)
Cash payments for administrative and general expenses	(15,337)
	(52,690)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Contributions	58,599
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on investments	113
	6,022
NET INCREASE (DECREASE) IN CASH	6,022
CASH AND CASH EQUIVALENTS - Beginning of Year	109,492
CASH AND CASH EQUIVALENTS - End of Year	\$ 115,514
CASH AS REPORTED ON THE STATEMENT OF FINANCIAL POSITION	
Cash	\$ 76,400
Cash - Designated	39,114
	\$ 115,514

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

**PRESQUE ISLE ELECTRIC & GAS COMMUNITIES FIRST FUND
ONAWAY, MI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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, 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.

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 qualifications as a supporting organization under Section 509(a)(1) of the Internal Revenue Code and Revenue Ruling 76-401. Therefore, no provisions for income taxes is reflected in the financial statements

**PRESQUE ISLE ELECTRIC & GAS COMMUNITIES FIRST FUND
ONAWAY, MI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 \$3,384 is due from Presque Isle Electric & Gas Co-op at December 31, 2023, 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 \$15,337 for 2023.

NOTE 5 - GRANTS AND SCHOLARSHIPS

Grant activity is summarized as follows:

	2023
Designated grants - Beginning of the year	\$ 7,512
Grant actions approved	39,114
Amount paid less than approved amount	(3,659)
Approved grants cancelled within the fiscal year	-
SUBTOTAL	\$ 42,967
 Grant payments	 (23,353)
 Designated grants approved but not paid - end of year	 \$ 19,614

**PRESQUE ISLE ELECTRIC & GAS COMMUNITIES FIRST FUND
ONAWAY, MI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 - GRANTS AND SCHOLARSHIPS (Continued)

Scholarship activity is summarized as follows:

Designated scholarships - beginning of year	\$ 17,500
Scholarships approved	17,000
Amount paid less than approved amount	<u>(4,000)</u>
 SUBTOTAL	 30,500
 Scholarship payments	 <u>(14,000)</u>
 Designated scholarships approved but not paid - end of year	 <u>\$ 16,500</u>

The total designated amount for grants and scholarships was \$36,114 for December 31, 2023.

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 \$3000, 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>2023</u>
Charitable services	\$ 37,353
Management and general	<u>15,337</u>
 Total Expenses	 <u>\$ 52,690</u>

PRESQUE ISLE ELECTRIC & GAS COMMUNITIES FIRST FUND
ONAWAY, MI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 8 - SUBSEQUENT EVENTS

Management has evaluated the impact of subsequent events as they related to the financial statements through April 15, 2024.

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 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>12/31/2023</u>
Cash and Cash Equivalent	\$ 115,514
Accounts Receivable	<u>3,384</u>
Net Working Capital	118,898
Less: Amount with Donor Restrictions	<u>-</u>
Financial Assets Available to Meet General Expenditures Within One Year	118,898



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

April 15, 2024

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, 2023, and have issued our report thereon dated **April 15, 2024**. 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 April 5, 2024. 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 2023. 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 April 15, 2024.

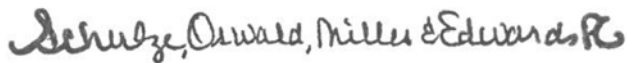
Management's Consultations with Other Independent Accountants

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 DEFICIENCY

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, 2023, 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

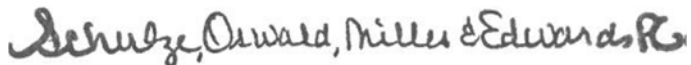
- ❖ Preparing financial statements in accordance with generally accepted accounting principles, (GAAP), is the responsibility of the Organization's management. The preparation of financial statements in accordance with GAAP requires internal controls over recording, processing, and summarizing accounting 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
April 15, 2024

Schulze Oswald Miller & Edwards PC

120 N. Ripley Street • Alpena, MI 49707
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Rose City 989-685-2411 • Fax 989-685-2412

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
Kendra LaHaie – Staff Accountant
Theresa Sanford – Staff Accountant
Cole Kronholm – Staff Accountant
Stephanie Bundy – Para-Professional
Oksana Petrosky – Staff Accountant
Patti Quigley – 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, 2023 audit.