

**Canton Community Foundation, Inc.
d/b/a The Local Impact Alliance
Financial Statements
June 30, 2023**

**With Comparative Totals
For the Year Ended June 30, 2022**

Canton Community Foundation, Inc.
d/b/a The Local Impact Alliance
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June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Canton Community Foundation
d/b/a The Local Impact Alliance
Canton, Michigan

Opinion

We have audited the accompanying financial statements of Canton Community Foundation d/b/a The Local Impact Alliance (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, 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 Canton Community Foundation d/b/a The Local Impact Alliance as of June 30, 2023, 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 Canton Community Foundation d/b/a The Local Impact Alliance 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 Canton Community Foundation d/b/a The Local Impact Alliance'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 Canton Community Foundation d/b/a The Local Impact Alliance'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 Canton Community Foundation d/b/a The Local Impact Alliance'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 Canton Community Foundation d/b/a The Local Impact Alliance's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 22, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, 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
November 6, 2023

**Canton Community Foundation, Inc.
d/b/a The Local Impact Alliance
Statement of Financial Position
June 30, 2023**

With Comparative Totals for June 30, 2022

ASSETS		
	2023	2022
CURRENT ASSETS		
Cash and cash equivalents	\$ 475,841	\$ 523,349
Contributions receivable, net	30,779	22,325
Prepaid expenses	2,365	1,150
Total current assets	508,985	546,824
 PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION		
	7,268	10,076
 OTHER ASSETS		
Investments	4,996,581	4,617,464
TOTAL ASSETS	\$ 5,512,834	\$ 5,174,364
 LIABILITIES AND NET ASSETS		
 CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 29,206	\$ 54,567
Grants and scholarships payable	164,769	169,700
Total current liabilities	193,975	224,267
 OTHER LIABILITIES		
Funds held as agency endowments	724,812	665,367
	724,812	665,367
 NET ASSETS		
Without donor restrictions	4,498,853	4,188,234
With donor restrictions	95,194	96,496
Total net assets	4,594,047	4,284,730
TOTAL LIABILITIES AND NET ASSETS	\$ 5,512,834	\$ 5,174,364

See Notes to the Financial Statements

Canton Community Foundation, Inc.
d/b/a The Local Impact Alliance
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2023
With Comparative Totals for the Year Ended June 30, 2022

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Totals	Summarized Totals
SUPPORT AND REVENUE				
Contributions	\$ 1,794,940	\$ 48,373	\$ 1,843,313	\$ 996,266
Less amounts received from agencies	(1,565)	-	(1,565)	(9,250)
Less costs of direct benefits to donors	(245,625)	-	(245,625)	(187,432)
Contribution income from affiliate acquisition	-	-	-	10,897
Program revenue	6,198	-	6,198	6,205
Program revenue and other, gifts in kind	32,058	-	32,058	11,000
Investment income	493,945	-	493,945	(796,921)
Less income on amounts held for agencies	(68,001)	-	(68,001)	115,512
Admin revenue from amounts held for agencies	7,528	-	7,528	8,200
Special events income	159,712	-	159,712	119,120
Special events income, gifts in kind	16,935	-	16,935	4,320
Less costs of direct benefits to donors	(83,832)	-	(83,832)	(53,298)
Miscellaneous	600	-	600	22,118
Subtotal	2,112,893	48,373	2,161,266	246,737
Net assets released from restrictions	49,675	(49,675)	-	-
Total Support and Revenue	2,162,568	(1,302)	2,161,266	246,737
FUNCTIONAL EXPENSES				
Program services	1,704,760	-	1,704,760	508,986
Less amounts granted to agencies	(2,595)	-	(2,595)	(556)
Subtotal	1,702,165	-	1,702,165	508,430
Management and general	82,147	-	82,147	78,116
Fundraising	67,637	-	67,637	53,294
Total functional expenses	1,851,949	-	1,851,949	639,840
Increase (Decrease) in Net Assets	310,619	(1,302)	309,317	(393,103)
Net Assets at Beginning of Year	4,188,234	96,496	4,284,730	4,677,833
Net Assets at End of Year	\$ 4,498,853	\$ 95,194	\$ 4,594,047	\$ 4,284,730

See Notes to the Financial Statements

Canton Community Foundation, Inc.
d/b/a The Local Impact Alliance
Statement of Functional Expenses
For the Year Ended June 30, 2023
With Comparative Totals for the Year Ended June 30, 2022

	2023							2022	
	Program Services					Management and General	Fundraising	Total Expenses	Total Summarized Expenses
Scholarship Programs	Grant Programs	Veteran's Park Programs	Other Programs	Total Program Services					
Bad debt expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150
Bank charges, credit card fees	-	-	-	-	-	-	15,723	15,723	9,473
Computer, website and internet	931	762	85	1,651	3,429	2,401	1,029	6,859	6,678
Depreciation	488	399	44	865	1,796	1,258	539	3,593	3,502
Grants	-	1,359,037	-	-	1,359,037	-	-	1,359,037	230,184
Insurance	570	537	52	940	2,099	1,505	668	4,272	4,057
Marketing and development	400	359	20	394	1,173	1,940	601	3,714	3,833
Meeting and conferences	75	62	7	134	278	194	83	555	1,947
Membership and publications	22	22	22	139	205	3,205	75	3,485	3,280
Professional fees	-	-	-	-	-	13,506	-	13,506	16,005
Program expenses	650	500	50,185	70,520	121,855	-	-	121,855	57,452
Rent	1,046	856	95	1,854	3,851	2,695	1,155	7,701	7,350
Scholarships	148,028	-	-	-	148,028	-	-	148,028	150,142
Special events	-	-	-	-	-	-	15,811	15,811	9,578
Supplies, postage, and printing	726	594	66	1,287	2,673	1,871	802	5,346	4,341
Telephone	239	196	22	424	881	616	264	1,761	2,370
Wages and related expenses	15,443	12,636	1,404	27,377	56,860	52,956	30,887	140,703	129,498
Total expenses	\$ 168,618	\$ 1,375,960	\$ 52,002	\$ 105,585	\$ 1,702,165	\$ 82,147	\$ 67,637	\$ 1,851,949	\$ 639,840

See Notes to the Financial Statements

Canton Community Foundation, Inc.
d/b/a The Local Impact Alliance
Statement of Cash Flows
For the Year Ended June 30, 2023
With Comparative Totals for the Year Ended June 30, 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 309,317	\$ (393,103)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation	3,593	3,502
Realized and unrealized (gain) loss on investments	(359,106)	1,041,607
(Increase) decrease in assets:		
Receivables	(8,454)	(6,397)
Prepaid expenses	(1,215)	(1,150)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(25,361)	32,125
Grants and scholarships payable	(4,931)	66,300
Funds held as agency endowment	59,445	(115,019)
Net cash (used in) provided by operating activities	(26,712)	627,865
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(785)	-
Purchase of investments	(2,135,728)	(1,165,272)
Sale of investments	2,115,717	698,701
Net cash (used in) provided by investing activities	(20,796)	(466,571)
CASH FLOWS FROM FINANCING ACTIVITIES		
PPP loan forgiveness	-	(21,400)
Net cash (used in) provided by investing activities	-	(21,400)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(47,508)	139,894
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	523,349	383,455
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 475,841	\$ 523,349
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -

See Notes to the Financial Statements

Canton Community Foundation, Inc.
d/b/a The Local Impact Alliance
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE 1 – Nature of Activities

The Local Impact Alliance, a DBA of the Canton Community Foundation, Inc. (the Foundation) hosts several major initiatives in the Western Wayne County region including: The Canton Community Foundation, The Community Foundation of Plymouth, The Westland Community Foundation, Eagles for Children, The Giving Hope Women's Giving Circle, and the Coalition Against Hunger. The Local Impact Alliance serves the communities of Canton, Plymouth, Westland, and surrounding communities by promoting community education, arts, music, and other cultural initiatives; lessening the burdens of government; promoting conservation and environmental protection; combating community deterioration; maintaining public buildings, monuments, or works; promoting and highlighting community resources and history; and developing human resource support systems. The Foundation's support comes primarily from investment, individual donors' contributions, and fundraising activities. More information can be found on the Foundation's website: localimpactalliance.org.

NOTE 2 – Summary of Significant Accounting Policies

Basis of accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

Comparative financial information

The financial information presented for comparative purposes for the year ended June 30, 2022 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 2022 financial statements of the Foundation from which the summarized information was derived.

Financial statement 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 are not restricted by donor-imposed stipulations.

Net assets with donor restrictions consist of resources of which the use by the Foundation is limited by donor-imposed stipulations.

Fair value of financial instruments

FASB guidance on fair value measurements 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, payables and accruals, approximate fair value due to the short-term maturity of these instruments.

Canton Community Foundation, Inc.
d/b/a The Local Impact Alliance
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE 2 – Summary of Significant Accounting Policies (continued)

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits in banks, short-term investments that are readily convertible to cash, and investments with original maturities of three months or less. However, short-term investments with maturities at the date of purchase of three months or less, which are subject to investment management direction, are treated as investments rather than cash.

Contributions and contributions receivable

Contributions are recognized as revenue when the donor makes an unconditional promise to give to the Foundation. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as assets released from restrictions. The Foundation uses the allowance method to determine uncollectible contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. Management believes that all promises to give are fully collectible at June 30, 2023 and 2022.

Furniture and equipment

Furniture and equipment are recorded at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over estimated useful lives of the assets. Upon sale or retirement, the cost and accumulated depreciation is eliminated from the respective accounts, and a gain or loss, if any, is recorded in the statement of activities and changes in net assets.

Investments

Investments in marketable securities with readily determinable fair values, and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities and changes in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Short-term investments consist of debt securities with original maturities of twelve months or less. Long-term investments consist of debt securities with original maturities greater than twelve months.

Compensated absences

Employees receive paid time off (PTO) based upon length of employment. PTO earned in a fiscal year is available to be utilized by an employee in the subsequent fiscal year. At the end of a fiscal year, PTO is determined and recorded as a liability for that fiscal year. Unused PTO at the end of a fiscal year does not accumulate and is not carried over to the following year. Payments are made for unused PTO if an employee resigns or is terminated before the end of the fiscal year. The liability is included in accounts payable and accrued expenses on the statement of financial position.

Grants and scholarships payable

Grant and scholarship 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.

Canton Community Foundation, Inc.
d/b/a The Local Impact Alliance
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE 2 – Summary of Significant Accounting Policies (continued)

Tax status

The Foundation has been classified as a not-for-profit organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for Federal income taxes has been made. The Foundation is no longer subject to U.S. Federal tax examinations for years ended before June 30, 2020. Management has evaluated FASB ASC 740, *Income Taxes*, and has concluded it has no uncertain positions.

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 wages and related expenses, insurance, supplies, postage, printing, telephone, meetings, conferences, marketing, development, depreciation, and rent, 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 method of allocation used are considered reasonable, other methods could be used that would produce a different amount.

Subsequent events

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

New Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under Topic 840, *Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; ASU 2019-01, *Leases (Topic 842): Codification Improvements*; ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*; ASU 2021-05, *Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments*; ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*; and ASU 2023-01, *Leases (Topic 842): Common Control Arrangements*. The most significant change in the new leasing guidance is the requirement to recognize right-to-use (ROU) assets and lease liabilities for operating leases on the statement of financial position.

The Foundation elected to adopt these ASUs effective July 1, 2022 and utilized all of the available practical expedients. The adoption had an immaterial impact on the Foundation's statement of financial position or statement of activities and changes in net assets.

Canton Community Foundation, Inc.
d/b/a The Local Impact Alliance
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE 3 – Concentrations and Credit Risks

Cash

The Foundation maintains its cash balances in at multiple financial institutions, including banks and credit unions, where balances are insured by The Federal Deposit Insurance Corporation (FDIC) and The National Credit Union Administration (NCUA), respectively. Deposits in one bank or credit union are insured up to \$250,000. Balances held at the credit union have an additional \$100,000 of insurance provided by a private insurer. At times during the year, balances on deposit at any one financial institution may exceed the insured limit. The uninsured balances at June 30, 2023, and 2022 were \$0 and \$2,603, respectively. The Foundation has not experienced any losses with respect to uninsured cash balances.

Investments

The Foundation maintains cash, cash equivalents, mutual funds, and equity securities in brokerage accounts which are generally not covered under the FDIC. However, certain cash and securities in the brokerage account are guaranteed by the Security Investor Protection Corporation (SIPC) up to \$500,000, which includes a \$250,000 limit for cash. In addition, cash accounts held with the investment manager are guaranteed up to \$5,000,000 through the investment manager custodian bank's deposit network, guaranteed by the FDIC. Market losses are not covered by the SIPC. The balance in the brokerage account may exceed insured limits. Uninsured balances in brokerage accounts at June 30, 2023, and 2022 were \$4,480,900 and \$4,105,318, respectively. The Foundation has not experienced any losses with respect to uninsured balances.

Revenue

For the year ended June 30, 2022, the Foundation had a concentration in contribution revenue from four donors totaling \$354,326, which made up approximately 36% of the total contribution revenue. For the year ended June 30, 2023, the Foundation did not identify any concentration in contribution revenue.

NOTE 4 – Furniture and Equipment

Furniture and equipment consisted of the following at June 30:

	2023	2022
Furniture and fixtures	\$ 25,683	\$ 25,683
Computers and software	57,921	57,136
	83,604	82,819
Less accumulated depreciation	(76,336)	(72,743)
Total property and equipment, net	\$ 7,268	\$ 10,076

Depreciation expense was \$3,593 and \$3,502 for each of the years ended June 30, 2023, and 2022, respectively.

**Canton Community Foundation, Inc.
d/b/a The Local Impact Alliance
Notes to the Financial Statements
June 30, 2023 and 2022**

NOTE 5 – Investments

The market value of the investments consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Cash	\$ 15,681	\$ 12,145
Money Market Mutual Funds	271,880	6,393
Investment Grade Fixed Income Funds	803,125	1,709,062
US Treasury Bills	492,817	-
Alternative & Other Fixed Income Funds	30,146	-
Mixed Assets	388,526	-
Large Cap Equity Funds	1,792,003	1,545,207
Mid Cap Equity Funds	481,698	420,500
Small Cap Equity Funds	548,996	460,335
International Equity Funds	171,709	463,822
	<u>\$ 4,996,581</u>	<u>\$ 4,617,464</u>

Returns on investments are as follows at June 30:

	<u>2023</u>	<u>2022</u>
Interest, dividends, and capital gain distributions	\$ 161,652	\$ 272,915
Plus (less) amounts on investments held for other agencies	(10,434)	(61,116)
Realized and unrealized gains (losses)	359,106	(1,041,607)
Plus (less) amounts on investments held for other agencies	(61,430)	172,481
Investment management expenses	(26,813)	(28,229)
Plus (less) amounts on investments held for other agencies	3,863	4,147
Total	<u>\$ 425,944</u>	<u>\$ (681,409)</u>

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 – Funds Held for Agencies

The bylaws of the Foundation and the agency fund agreements include a variance provision, giving the Board of Directors the power to vary the use of funds in compliance with a restriction, if the restriction is unnecessary, undesirable, or incapable of fulfillment, or is not consistent with the Foundation's goal of serving the charitable needs of the community of Canton, Michigan, and surrounding areas. The Foundation maintains variance power and legal ownership of agency funds, and as such, continues to report the funds as assets of the Foundation. However, following the requirements of the Not-for-Profit Entities Topic of the FASB ASC, a liability has been established for the fair value of the funds as of June 30, 2023, and 2022, which is generally equivalent to the present value of future payments expected to be made to the not-for-profit organizations that are the ultimate recipients and established the funds. In order to present the full scope of the Foundation, operations, and agency activity (i.e., contributions, grants, and investment earnings/losses) are included in total for the Foundation in the statement of activities and changes in net assets, with agency activity then separately identified and shown as a reduction to the total for the Foundation. These assets are managed in accordance with the same investment and spending policies as the Foundation's other endowment funds.

Canton Community Foundation, Inc.
d/b/a The Local Impact Alliance
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE 7 – 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 of 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 June 30, 2023, and 2022, all investments were classified as Level 1. During the years ended June 30, 2023, and 2022, there were no transfers between levels.

NOTE 8 – Lease Commitments

The Foundation has operating leases of office space and equipment. The Foundation assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of 12 months or less are not recorded on the statement of financial position. Lease expense is recognized for these leases on a straight-line basis over the lease term. Short term leases resulted in an expense of \$10,492 and \$9,652 for the years ended June 30, 2023 and 2022, respectively. The future commitment on short term lease obligations amounted to approximately \$3,200 as of June 30, 2023.

Office space – The Foundation leases office space for operations on a month-to-month rental agreement, with monthly rent of \$700. The Foundation sub-leases, on a month-to-month basis, a portion of its office space for \$150 per quarter. Rental income for the years ended June 30, 2023, and 2022 was \$600 and \$600, respectively, and has been included as miscellaneous support within the statement of activities and changes in net assets.

Office equipment – The Foundation leased a copier with monthly payments of \$175 and additional charges for overuse.

NOTE 9 – Related Parties

The Foundation's Chief Financial Officer is the wife of a board member. Additionally, the Foundation occasionally uses companies related to board members for administrative and fundraising services. These amounts totaled approximately \$31,600 and \$27,000 for the years ended June 30, 2023 and 2022, respectively.

Canton Community Foundation, Inc.
d/b/a The Local Impact Alliance
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE 10 – In-Kind Donations

The Foundation received contributed materials, advertising, and other items valued at \$48,993 and \$15,320 during the years ended June 30, 2023, and 2022, respectively. In-kind donations are reflected in the statement of activities and changes in net assets as program revenue and other, gifts in kind and special events income, gifts in kind. The value of the donation is based on the amount that the Foundation would be required to spend to purchase the same or similar item. It is the Foundation's policy to use all in-kind donations within their programs or special events unless they are unable to use the item. In that event, they would attempt to monetize the item or donate the item to another nonprofit.

NOTE 11 – Special Events

The Foundation held special events which resulted in net revenue as follows for the years ended June 30:

	2023	2022
Special events income	\$ 159,712	\$ 119,120
Special events income, gifts in kind	16,935	4,320
Direct expenses	(99,643)	(62,876)
Net special event income	\$ 77,004	\$ 60,564

NOTE 12 – Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following time or purpose as of June 30:

	2023	2022
Subject to expenditure for specified purpose:		
Veterans' Park	\$ 2,145	\$ 3,745
Canton Cares Fund	40,988	38,758
Greater Plymouth Service Project	33,074	33,074
Future Fit Programming	1,962	1,962
Donor specific project restrictions	17,025	14,790
	95,194	92,329
Subject to time restrictions	-	4,167
Total	\$ 95,194	\$ 96,496

The Foundation satisfied the following time or purpose restrictions as of June 30:

	2023	2022
Subject to expenditure for specified purpose:		
Veterans' Park	\$ 3,200	\$ -
Canton Cares Fund	4,642	7,393
Ann Arbor Community Foundation Support	4,167	9,000
Future Fit	-	28,038
Donor specific project completion	37,666	59,180
Total released from restrictions	\$ 49,675	\$ 103,611

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NOTE 13 – Net Assets without Donor Restrictions

The Foundation's net assets without donor restrictions are comprised as follows:

	2023	2022
Operating reserves	\$ 354,839	\$ 341,950
Board designated – non-endowment funds	1,327,594	1,261,770
Board designated – endowment funds	2,816,420	2,584,514
	\$ 4,498,853	\$ 4,188,234

The Foundation's net assets without donor restrictions include endowments that could be classified as donor-restricted endowments, except that the Foundation has variance power over those assets. Therefore, the Board treats these funds as board-designated endowments, and they are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law – The Board of the Foundation follows the Uniform Prudent Management of Institution Funds Act (UPMIFA), which is designed to help ensure the long-term preservation of the corpus of endowed funds. As a result of this law and variance power provision rights, the Foundation classifies within unrestricted net assets (1) the original value of gifts donated to the designated endowment, (2) the original value of subsequent gifts to the designated endowment, and (3) accumulations to the designated endowment. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. Accounting standards require investment earnings on donor restricted 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. The Foundation has not had any donor restricted contributions to be held in perpetuity and is not currently underwater.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate board-designated endowment funds.

- The duration and preservation of the fund
- The purpose of the Foundation and the 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
- The investment policies of the Foundation

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NOTE 13 – Net Assets without Donor Restrictions (continued)

The summary of changes in endowment fund assets is as follows:

	Without Donor Restrictions	
	For the year ended June 30, 2023	For the year ended June 30, 2022
Endowment fund net assets – beginning of year	\$ 2,584,514	\$ 2,901,780
Contributions	147,692	321,287
Investment earnings – net of investment expenses	267,062	(453,135)
Grants and scholarships	(135,860)	(138,250)
Administrative expenses	(46,988)	(47,168)
Endowment fund net assets – end of year	<u>\$ 2,816,420</u>	<u>\$ 2,584,514</u>

Return objective and risk parameters – The Foundation has adopted investment and spending policies for its net assets that attempt to provide a predictable stream of funding to programs supported by its net assets while seeking to maintain its purchasing power. Under this policy, as approved by the Board, the Foundation has four objectives (1) preserve and grow the assets of the Foundation, (2) balance long-term growth with appropriate risk and liquidity, (3) achieve market returns, and (4) comply with applicable laws, rules, and regulations.

Strategies employed for achieving objectives – To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a broadly diversified asset allocation model with performance benchmarks based on each asset class.

Spending policy and how the investment objective relate to spending policy – The Foundation has a policy of appropriating for programming/granting distributions 4.5% of its endowed investment pool's average fair value over the prior twelve quarters through June 30 of the preceding fiscal year in which the distribution is planned. Investment management and administrative fees are not included in the 4.5% appropriation. In establishing this board-approved policy, the Foundation expects the current spending policy to allow its net assets and any additions to the net assets to grow annually while providing for current support of programming.

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NOTE 14 – 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.

	<u>2023</u>	<u>2022</u>
Financial assets at year-end	\$ 5,512,834	\$ 5,174,364
Less those unavailable for general expenditures within one year:		
Property and equipment, net of accumulated depreciation	7,268	10,076
Net assets with donor time and purpose restrictions	95,194	96,496
Funds held as agency endowments	724,812	665,367
Other earmarked funds	85,000	103,000
Board designated net assets	<u>4,144,014</u>	<u>3,846,284</u>
	<u>5,056,288</u>	<u>4,721,223</u>
Financial assets available to meet cash needs for general expenditure, liabilities, and other obligations within one year	<u>\$ 456,546</u>	<u>\$ 453,141</u>

The operating budget is developed in March for the subsequent fiscal year that begins July 1. The Finance and Investment Committee reviews the budget and makes its recommendations to the board of directors. The board of directors approves the budget in May prior to the July 1 beginning of the subsequent fiscal year. In addition to the operating budget, a cash budget is developed identifying the sources of cash for operations. Those sources are contributions, program revenue, fund fees, and spending from the operating endowment.

The Foundation structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Foundation holds funds expected to be utilized for operations in a checking account, a money market account, and a mutual fund invested in short-term government obligations.

Estimates of granting cash requirements are made periodically throughout the year. Cash needs for granting are communicated to the Foundation's investment manager who then modifies portfolio holdings to minimize unplanned withdrawals with the objective of minimizing investment losses related to liquidation. Near-term granting needs are held in the Foundation's checking account, money market account, and mutual funds invested in short-term government obligations.

NOTE 15 – Business Combination

On July 20, 2021, the Foundation entered into an affiliation agreement with Westland Community Foundation (WCF) by which WCF transferred to the Foundation all of its assets (solely cash) and the entity converted to having an advisory board over a fund under the Foundation's umbrella. The primary purpose of the agreement was to further the Foundations mission which is to strengthen and promote organized philanthropy in the Western Wayne area and to be more strategic and effective with donor money. There were no liabilities related to the affiliation. Total assets contributed to the Foundation were \$10,897 which have been included in the statement of activities and changes in net assets as contribution income from affiliate acquisition for the year ended June 30, 2022. There were no business combinations for the year ended June 30, 2023.