

Mackinac Associates

AUDITED FINANCIAL STATEMENTS

September 30, 2024

MACKINAC ASSOCIATES

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Board of Trustees of
Mackinac Associates

Opinion

We have audited the accompanying financial statements of Mackinac Associates (a nonprofit organization), which comprise the statement of financial position as of September 30, 2024, and the related statements 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 Mackinac Associates as of September 30, 2024, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mackinac Associates 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 Mackinac Associates' 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 Mackinac Associates' 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 Mackinac Associates' 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.



Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

November 15, 2024

Financial Statements

Mackinac Associates

Statement of Financial Position September 30, 2024

ASSETS

Current Assets:

Cash - unrestricted	\$ 389,399
Cash - restricted	932,944
Contribution Receivable - restricted	30,000
Other Receivables	14,873
Total Current Assets	<u>1,367,216</u>

Other Assets:

Investments - unrestricted	549,256
Investments - restricted	426,062
Total Other Assets	<u>975,318</u>
TOTAL ASSETS	<u>\$ 2,342,534</u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable	\$ 54,712
Deferred Membership Dues	8,564
Total Current Liabilities	<u>63,276</u>

Net Assets:

Without Donor Restrictions	
Board Designated	153,819
Undesignated	736,433
With Donor Restrictions	<u>1,389,006</u>
TOTAL NET ASSETS	<u>2,279,258</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,342,534</u>

See accompanying notes to financial statements.

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Contributions	\$ 438,701	\$ 818,425	\$ 1,257,126
Membership Dues	85,761	-	85,761
Special Events	26,190	-	26,190
Interest Income	18,770	-	18,770
Investment Income	103,142	80,686	183,828
Miscellaneous Income	205	-	205
Net Assets Released from Purpose Restriction	98,413	(98,413)	-
Total Support and Revenue	771,182	800,698	1,571,880
EXPENSES:			
Program Services	356,948	-	356,948
General and Administrative	57,124	-	57,124
Fundraising	175,583	-	175,583
Total Expenses	589,655	-	589,655
Changes in Net Assets	181,527	800,698	982,225
NET ASSETS, BEGINNING OF YEAR	708,725	588,308	1,297,033
NET ASSETS, END OF YEAR	\$ 890,252	\$ 1,389,006	\$ 2,279,258

See accompanying notes to financial statements.

**Statement of Functional Expenses
For the Year Ended September 30, 2024**

	Program Services				Supporting Services		
	Park Projects & Improvements	Education	Community Outreach	Total	Management and General	Fundraising	Total
Membership Benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 68,056	\$ 68,056
MSHP Project Support	270,483	-	-	270,483	-	-	270,483
Insurance	-	-	-	-	2,864	-	2,864
Program Supplies	8,324	45,345	9,123	62,792	-	-	62,792
Supplies	-	-	-	-	573	4,482	5,055
Printing & Copying	-	-	3,159	3,159	-	5,170	8,329
Postage & Delivery	-	-	5,432	5,432	81	11,168	16,681
Meetings & Conferences	-	-	-	-	4,442	5,925	10,367
Office Expenses	1,218	-	468	1,686	1,188	6,719	9,593
Advertising & Promotion	-	-	1,701	1,701	1,196	128	3,025
Contracted Services	-	-	11,695	11,695	36,977	73,782	122,454
Professional Services	-	-	-	-	3,525	-	3,525
Bank Service Charges	-	-	-	-	6,170	153	6,323
Miscellaneous	-	-	-	-	108	-	108
TOTAL	\$ 280,025	\$ 45,345	\$ 31,578	\$ 356,948	\$ 57,124	\$ 175,583	\$ 589,655

See accompanying notes to financial statements.

Cash Flows from Operating Activities

Change in net assets	\$ 982,225
Adjustments to reconcile the change in net assets to net cash provided by operating activities:	
Realized and unrealized gains on investments	(183,161)
Cash provided (used) by changes in operating assets and liabilities:	
Accounts receivable	2,375
Contributions receivable	58,439
Accounts payable	8,088
Deferred membership dues	977
Net cash provided by operating activities	<u>868,943</u>
Net increase in cash	868,943
Cash and Restricted Cash, Beginning of Year	<u>453,400</u>
Cash and Restricted Cash, End of Year	<u><u>\$ 1,322,343</u></u>

See accompanying notes to financial statements.

Notes to Financial Statements

NOTE A - DESCRIPTION OF ENTITY:

Mackinac Associates was established in 1980 as a Michigan Nonprofit Organization. The purpose of the Organization is to further the preservation, interpretation, and development of the historic sites and natural resources under the jurisdiction of the Mackinac Island State Park Commission in any manner which may be helpful; and further, to stimulate historical and environmental study and research; to sponsor the observance or commemoration of occasions of historical significance; and to enable the people of Michigan and the Midwest by membership in Mackinac Associates to identify themselves with the historical development of the Michilimackinac area.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**Basis of Accounting**

The Organization maintains its accounting records on the accrual basis, in accordance with U.S. generally accepted accounting principles. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Net Assets Without Donor Restriction – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

Net Assets With Donor Restriction – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restriction unless use of the related asset is limited by donor-imposed restrictions. Expenses are recorded as decreases in net assets without donor restriction. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated passage of time has elapsed) are reported as reclassifications between the applicable classes of net assets.

Revenue and Revenue Recognition

Contributions - Contributions, including cash, other assets, and unconditional promises to give, are recognized as revenues in the period received. Contributions whose restrictions are met in the same period they are received are recorded as revenue in net assets with donor restrictions and net assets released from restrictions. Unconditional pledges with terms greater than one year are initially recorded at fair value based on their estimated future cash flows. Pledges are discounted to present value using a discount rate commensurate with the risk involved. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Gifts of assets other than cash are recorded at their estimated fair value.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Membership Dues - The Organization's members pay annual dues to be a member of Mackinac Associates and received admission to all Mackinac State Historic Parks sites. The performance obligation is to provide annual membership benefits. Revenues from annual membership dues is recognized over the term of the membership as the performance obligation is satisfied for each benefit received throughout the membership period.

The table below shows the activity in deferred membership dues:

Deferred Membership Dues, September 30, 2023	\$	7,587
Less: Previously Deferred Revenue Recognized		7,587
Cash Received for Membership Dues		86,738
Less: Current Revenue Recognized		<u>78,174</u>
Deferred Membership Dues, September 30, 2024	\$	<u>8,564</u>

The aggregate amount of contract performance obligation as of September 30, 2024 will be recognized as revenue in the next year.

Use of Estimates

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

Fair Value of Financial Instruments

The carrying amounts of financial instruments including cash, contribution and grants receivables, and accounts payable and accrued expenses approximate their fair values because of the relatively short maturity of these instruments.

Cash

For the purpose of the statement of financial position and the statement of cash flows, the Organization considers as cash all highly liquid investments with an initial maturity of three months or less.

Investments and Fair Value

Investments and Fair Value Investments, primarily consisting of mutual funds, are stated at fair value. Investments in equity securities and mutual funds with readily determinable values are valued based on quoted market prices in active markets in which the securities are traded. Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the statements of activities as increases or decreases in net assets without donor restrictions unless the use was restricted by explicit donor stipulations.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

The Organization applies the U.S. GAAP authoritative guidance for Fair Value Measurements and Disclosures, which defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. The standard describes three levels of inputs that may be used to measure fair value:

Level 1—Quoted prices in active markets for identical assets or liabilities.

Level 2—Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Valuation techniques used in fair value measurements need to maximize the use of observable inputs and minimize the use of unobservable inputs. A valuation method may produce a fair value measurement that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions could result in different fair value measurements at the reporting date. There have been no changes in the methodologies used during the year ended September 30, 2024.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Organization has not established an allowance for uncollectible accounts since, in the opinion of management all accounts are collectible.

Functional Expenses

The costs of program and supporting service activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain costs are attributed to more than one program or supporting function and, therefore, require allocation among the programs and supporting services benefited. Management believes their allocations are done on a reasonable and consistent basis. Most personnel costs, office expenses, professional services, and other expenses are identified with a specific program or supporting function at the time they are incurred and are reported accordingly. However, some of these expenses require allocation, which is done based on estimates of time and effort.

Contributed Services

A number of volunteers have donated significant amounts of their time to the Organization's program service during the year; however, these donated services are not reflected in the financial statements because they do not meet the recognition criteria prescribed by generally accepted accounting principles.

Income Taxes

The Organization is a not-for-profit organization that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision or liability for federal taxes has been included in the accompanying financial statements. The Organization is exempt from federal income tax on all income except unrelated business income as noted under Section 511 of the Internal Revenue Code. Internal Revenue code section 513(a) defines an unrelated trade or business of an exempt organization as any trade or business which is not substantially related to the exercise or performance of its exempt purpose. The Organization does not have any unrelated business income.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through October 17, 2024.

NOTE C - CASH AND INVESTMENTS:

The financial position accounts and types of cash items are presented below:

<u>Financial Position Account</u>	<u>Amount</u>	<u>Cash Items</u>	<u>Amount</u>
Cash - Unrestricted	\$ 389,399	Checking and Savings Accounts	\$ 38,585
Cash - Restricted	<u>932,944</u>	Treasury Bill	1,281,583
Total	<u>\$ 1,322,343</u>	Undeposited Funds	<u>2,175</u>
		Total	<u>\$ 1,322,343</u>

At year end, the carrying amount of deposits with financial institutions was \$1,320,168, which excludes deposits in transit and outstanding checks. 3% of the balance was covered by federal depository insurance.

Investments consist of the following on September 30, 2024 (all Level I):

	<u>Fair Value</u>
Mutual Funds	\$ 958,963
Stocks	<u>16,355</u>
Total	<u>\$ 975,318</u>

Of this amount, \$426,062 is restricted by donors for the purpose of education.

The following schedule summarizes the investment return for the year ended September 30, 2024:

Dividends/Capital Gain Distributions	\$ 667
Unrealized Gains	<u>183,161</u>
Total Investment Return	<u>\$ 183,828</u>

NOTE D - PROMISES TO GIVE:

The Organization received a pledge to fund the Arch Rock visitor’s center project. The promise to give is restricted to payment of the costs of building the visitor’s center. The promise to give as of September 30, 2024, is unconditional and the remaining balance of \$30,000 is due in fiscal year 2025. The promise to give is expected to be fully collectible.

NOTE E - CONCENTRATION RISK:

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash. The Organization placed its cash with high credit quality institutions. At times, balances may be in excess of the FDIC insurance limit.

NOTE F - FUNDRAISING AND SPECIAL EVENTS:

The Organization hosts an annual G. Mennen Williams dinner to procure support of the Organizations programs. The Organization also hosts various campaigns and events to support projects incurred during the year. Total fundraising expense for the year ended September 30, 2024 was \$175,583.

NOTE G - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

Financial assets available for general expenditure, that is, without donor or other restrictions or designations limiting their use, within twelve months of the statement of financial position date, comprise the following as of September 30, 2024:

Cash	\$	1,322,343
Less: donor-imposed restrictions		(932,944)
Investments		975,318
Less: donor-imposed restrictions		(426,062)
Contribution Receivable		30,000
Less: donor-imposed restrictions		(30,000)
Other Receivables		<u>14,873</u>
	\$	<u>953,528</u>

The Organization's policy is to have liquid resources on hand to meet general expenditures as well as maintain an operating reserve to cover unforeseen expenses. The Organization's cash flows fluctuate with donor giving and fundraising event attendance.

NOTE H - RELATED PARTY:

Mackinac Associates is a non-profit organization that was established to further the mission of the Mackinac Island State Park Commission (a governmental agency) and raise funds on their behalf. Mackinac Associates is a separate entity; however, as the Organization raises funds for the benefit of the Commission, these entities are considered to be related parties. The Organization receives certain donations which they must remit to the Commission in accordance with instructions from the donor. Approximately \$260,000 was remitted to the Commission during the fiscal year ending September 30, 2024. The amount payable to Mackinac Island State Park Commission at September 30, 2024 was \$51,951.

NOTE I - NET ASSETS:

The components of net assets were as follows on September 30, 2024:

Without Donor Restrictions:	
Board Designated – Education Fund	\$ 3,120
Board Designated – Wish List	699
Board Designated – Operating Reserve	<u>150,000</u>
Total Board Designated	<u>153,819</u>
Undesignated	<u>736,433</u>
Total Without Donor Restrictions	<u>890,252</u>
With Donor Restrictions:	
Scout Barracks Renovation Fund	802,513
Education Fund	426,062
Arch Rock Visitors Center	53,061
Florence Gould Grant Fund	80,944
Scout Barracks Fund	10,428
Accessibility Improvements	6,463
Dwight Wood Sprint Memorial Fund	7,600
Archaeology Fund	1,037
Hazel D. DeRosa Memorial Fund	593
Fitzgerald Garden	238
Monaghan Fund	41
Library Acquisition Fund	<u>26</u>
Total With Donor Restrictions	<u>1,389,006</u>
Total Net Assets	<u>\$ 2,279,258</u>



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OFFICES IN MICHIGAN

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Board of Trustees of
Mackinac Associates
P.O. Box 1979
Sault Ste. Marie, MI 49783

We have audited the financial statements of Mackinac Associates for the year ended September 30, 2024, and have issued our report thereon dated November 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 October 15, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Mackinac Associates are described in Note B to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2024. We noted no transactions entered into by the Organization 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. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the probability and timing of performance obligations being met for membership dues in compliance with ASC 606. We evaluated the key factors and assumptions used to develop depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the valuation of investment securities is based on quoted market prices for publicly traded securities as provided by investment managers, brokers and bank trust departments. We evaluated the key factors and assumptions used to develop the estimate of the fair value of investments in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the allocation of expenses in the statement of functional expenses is based upon both specific identification of expenses used for programs as well as an estimated allocation of working hours. We evaluated the key factors and assumptions used to develop this allocation in determining that it is reasonable in relation to the financial statements taken as a whole.

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

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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.

Disagreement with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 17, 2024.

Management 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 Organizations'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 as to determine that the consultant has all the 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 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.

Other Matters

This information is intended solely for the use of the Board of Trustees and management of Mackinac Associates and is not intended to be and should not be used by anyone other than these specified parties.

We would like to express our appreciation, as well as that our staff, for the excellent cooperation we received while performing the audit. If we can be of any assistance in implementing the above recommendations, please contact us.

Very truly yours,



Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

November 15, 2024