
The Pokagon Fund, Inc.

Modified Cash Basis Financial Report
June 30, 2021

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Independent Auditor's Report

To the Board of Directors
The Pokagon Fund, Inc.

We have audited the accompanying modified cash basis financial statements of The Pokagon Fund, Inc. (the "Fund"), which comprise the modified cash basis balance sheet arising from modified cash transactions as of June 30, 2021 and 2020 and the related modified cash basis statements of revenue collected and expenses paid, functional expenses, and cash flows for the years then ended, and the related notes to the modified cash basis financial statements.

Management's Responsibility for the Modified Cash Basis Financial Statements

Management is responsible for the preparation and fair presentation of these modified cash basis financial statements in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of modified cash basis financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these modified cash basis financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the modified cash basis financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the modified cash basis financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the modified cash basis financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the modified cash basis financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the modified cash basis financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the modified cash basis financial statements referred to above present fairly, in all material respects, the balance sheet arising from modified cash transactions of The Pokagon Fund, Inc. as of June 30, 2021 and 2020 and its revenue collected and expenses paid, functional expenses, and cash flows for the years then ended in accordance with the modified cash basis of accounting described in Note 2.

To the Board of Directors
The Pokagon Fund, Inc.

Basis of Accounting

We draw attention to Note 2 to the modified cash basis financial statements, which describes the basis of accounting. The modified cash basis financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Plante & Moran, PLLC

October 21, 2021

Modified Cash Basis Balance Sheet

June 30, 2021 and 2020

	2021	2020
Assets		
Cash	\$ 1,436,612	\$ 894,194
Investments (Note 3)	7,737,887	6,774,282
Property and equipment - Net (Note 4)	432,013	447,728
Total assets	\$ 9,606,512	\$ 8,116,204
Liabilities and Net Assets without Donor Restrictions		
Liabilities		
Payroll tax liabilities	\$ 1,826	\$ 1,751
Paycheck Protection Program debt (Note 8)	-	54,822
Total liabilities	1,826	56,573
Net Assets without Donor Restrictions		
Undesignated	9,601,103	8,044,231
Board designated	3,583	15,400
Total net assets without donor restrictions	9,604,686	8,059,631
Total liabilities and net assets without donor restrictions	\$ 9,606,512	\$ 8,116,204

The Pokagon Fund, Inc.

Modified Cash Basis Statement of Revenue Collected and Expenses Paid

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Changes in Net Assets without Donor Restrictions		
Revenue, gains, and other support:		
Four Winds Casino revenue sharing	\$ 1,507,333	\$ 1,286,470
Net realized and unrealized gains on investments	808,228	38,321
Dividends and interest income - Net	156,066	167,243
Forgiveness of Paycheck Protection Program loan (Note 8)	54,822	-
Total revenue, gains, and other support	<u>2,526,449</u>	<u>1,492,034</u>
Expenses:		
Program services	732,078	843,565
Management and general	249,316	292,155
Total expenses	<u>981,394</u>	<u>1,135,720</u>
Increase in Net Assets	1,545,055	356,314
Net Assets - Beginning of year	<u>8,059,631</u>	<u>7,703,317</u>
Net Assets - End of year	<u><u>\$ 9,604,686</u></u>	<u><u>\$ 8,059,631</u></u>

The Pokagon Fund, Inc.

Modified Cash Basis Statement of Functional Expenses

Year Ended June 30, 2021

	Program Services	Management and General	Total
Pokagon Band grants	\$ 93,895	\$ -	\$ 93,895
Municipal grants	226,159	-	226,159
Discretionary/Nonprofit grants	271,306	-	271,306
Scholarships	72,028	-	72,028
Pokagon Band grants - Board-allocated investment earnings	11,817	-	11,817
Grant disbursements	675,205	-	675,205
Repairs and maintenance	746	6,715	7,461
Utilities	626	5,637	6,263
Office supplies	-	7,430	7,430
Director's stipends	1,170	10,530	11,700
Salaries	43,117	132,071	175,188
Employee benefits	2,767	24,900	27,667
Payroll taxes	3,232	9,905	13,137
Technology expense	296	2,667	2,963
Professional fees	-	16,078	16,078
Insurance	571	5,138	5,709
Advertising	2,710	4,065	6,775
Dues and subscriptions	-	4,919	4,919
Travel	16	36	52
Education and seminars	-	300	300
Meals and entertainment	50	21	71
Bank service fees	-	37	37
Federal and foreign taxes paid	-	4,723	4,723
Depreciation	1,572	14,144	15,716
Total functional expenses	<u>\$ 732,078</u>	<u>\$ 249,316</u>	<u>\$ 981,394</u>

The Pokagon Fund, Inc.

Modified Cash Basis Statement of Functional Expenses

Year Ended June 30, 2020

	Program Services	Management and General	Total
Pokagon Band grants	\$ 92,997	\$ -	\$ 92,997
Municipal grants	279,233	-	279,233
Discretionary/Nonprofit grants	310,840	-	310,840
Scholarships	68,406	-	68,406
Pokagon Band grants - Board-allocated investment earnings	9,600	-	9,600
Grant disbursements	761,076	-	761,076
Repairs and maintenance	346	3,113	3,459
Utilities	537	4,831	5,368
Office supplies	-	13,283	13,283
Director's stipends	1,090	9,810	10,900
Salaries	66,557	147,297	213,854
Employee benefits	2,013	18,120	20,133
Payroll taxes	5,130	11,393	16,523
Technology expense	625	5,621	6,246
Professional fees	-	49,862	49,862
Insurance	511	4,600	5,111
Advertising	2,042	3,062	5,104
Dues and subscriptions	-	3,270	3,270
Travel	757	1,767	2,524
Education and seminars	-	40	40
Meals and entertainment	1,294	555	1,849
Federal and foreign taxes paid	-	1,248	1,248
Depreciation	1,587	14,283	15,870
Total functional expenses	<u>\$ 843,565</u>	<u>\$ 292,155</u>	<u>\$ 1,135,720</u>

See notes to modified cash basis financial statements.

The Pokagon Fund, Inc.

Modified Cash Basis Statement of Cash Flows

Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Increase in net assets	\$ 1,545,055	\$ 356,314
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	15,716	15,870
Realized and unrealized gain on investments	(808,228)	(38,321)
Forgiveness of Paycheck Protection Program loan	(54,822)	-
Changes in operating assets and liabilities that provided (used) cash - Payroll tax liabilities	75	(366)
Net cash provided by operating activities	697,796	333,497
Cash Flows from Investing Activities		
Purchase of property and equipment	-	(1,145)
Purchases of investments	(2,543,700)	(1,199,998)
Proceeds from sales and maturities of investments	2,388,322	1,041,571
Net cash used in investing activities	(155,378)	(159,572)
Cash Flows Provided by Financing Activities - Proceeds from debt	-	54,822
Net Increase in Cash	542,418	228,747
Cash - Beginning of year	894,194	665,447
Cash - End of year	<u>\$ 1,436,612</u>	<u>\$ 894,194</u>

See notes to modified cash basis financial statements.

Notes to Modified Cash Basis Financial Statements

June 30, 2021 and 2020

Note 1 - Nature of Business

The Pokagon Fund, Inc. (the "Fund") is a Michigan nonprofit organization whose purpose is to enhance the lives of the residents in the New Buffalo region and communities surrounding Pokagon Band trust land through the financial support of local governments, nonprofits, charities, and other organizations.

Note 2 - Significant Accounting Policies

Basis of Presentation

The financial statements of the Fund are prepared on the modified cash basis of accounting, modified to record the Fund's property and equipment at cost, provide for depreciation of such assets over their estimated useful lives, report investments at fair value, and report long-term debt. The modified cash basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this modified cash basis of accounting, revenue is recognized when received rather than when earned, and expenses are recorded when paid rather than when incurred.

Investments

Investments are carried at fair value. Investments consist of marketable securities, bonds, brokered CDs, and money market funds recorded at their current market value. The Fund has authorized Trust Company of Toledo to manage the investment activity of the Fund. Fees are paid to this entity and reported within dividend and interest income - net on the modified cash basis statement of revenue collected and expenses paid.

Risks and Uncertainties

The Fund invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the modified cash basis financial statements.

Property and Equipment

Property and equipment are recorded at their estimated fair value at the date donated or at cost, if purchased. The straight-line method is used for computing depreciation. Assets are depreciated over their estimated useful lives, ranging from 3 to 39 years. The Fund follows the practice of capitalizing all expenditures for property and equipment in excess of \$2,500. Costs of maintenance and repairs are charged to expense when incurred.

Revenue Sharing

Revenue-sharing cash is reported as revenue when received and reported as support without donor restrictions.

The Fund is supported by a percentage of the electronic gaming revenue from the Four Winds Casino New Buffalo and is managed by a seven-member board of directors. The income from the Four Winds Casino New Buffalo was 2 percent of the net win during the first and second years of operations, reduced to 1 percent during the third, fourth, and fifth years. Beginning in August 2012, the income from the Four Winds Casino New Buffalo was reduced to three-quarters of 1 percent of net win and will remain at that level during each subsequent year of operation.

Notes to Modified Cash Basis Financial Statements

June 30, 2021 and 2020

Note 2 - Significant Accounting Policies (Continued)

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the modified cash basis statement of functional expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries and related expenses are allocated on the basis of time and effort. Expenses deemed to be indirect to employee work, such as professional services, insurance, and office supplies, are considered to be management and general expenses. Other expenses utilized by all employees, such as occupancy, utilities, and training, are also allocated on the basis of time and effort. Costs have been allocated between the various program and support services based on estimates determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Classification of Net Assets

Net assets of the Fund are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Fund. Board-designated funds of \$3,583 and \$15,400 as of June 30, 2021 and 2020, respectively, represent investment earnings designated by the board for use for COVID-19 response grants in communities surrounding Pokagon Band trust land to be awarded at the discretion of the two band representatives on the board.

Net assets with donor restrictions: 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 Fund or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. As of June 30, 2021 and 2020, the Fund has no net assets with donor restrictions.

Income Taxes

The Fund is a not-for-profit corporation and is exempt from certain tax under the provisions of Internal Revenue Code Section 501(c)(3).

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue collected and expenses paid during the reporting period. Actual results could differ from those estimates.

COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations. While the Fund's results of operations, cash flows, and financial condition were not significantly impacted, the extent of any future impact cannot be reasonably estimated at this time.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 21, 2021, which is the date the financial statements were available to be issued.

Notes to Modified Cash Basis Financial Statements

June 30, 2021 and 2020

Note 3 - Investments

Investments consisted of the following at June 30:

	2021		2020	
	Amortized Cost	Market	Amortized Cost	Market
U.S. government notes and bonds	\$ 1,089,622	\$ 1,110,580	\$ 1,155,481	\$ 1,199,425
Government agency securities	1,098,762	1,087,916	474,537	477,392
GNMA pools	252,464	247,771	41,818	41,915
Mortgage-backed pools	291,141	288,983	106,069	106,640
Corporate bonds	653,826	653,965	1,295,152	1,325,655
Money market	124,853	124,853	652,259	652,259
Common stocks	1,453,171	2,353,232	1,240,450	1,665,781
Real estate investment trust	25,301	43,908	19,058	28,359
International equity fund	629,988	737,884	340,977	348,210
U.S. equity fund	424,803	610,322	421,723	440,403
Brokered CD	450,000	478,473	450,000	488,243
Total	\$ 6,493,931	\$ 7,737,887	\$ 6,197,524	\$ 6,774,282

Investment income is composed of the following for the years ended June 30:

	2021	2020
Interest income	\$ 91,067	\$ 98,491
Dividend income	87,838	90,468
Realized and unrealized gain	808,228	38,321
Investment commissions and fees	(22,839)	(21,716)
Total	\$ 964,294	\$ 205,564

Note 4 - Property and Equipment

Property and equipment are summarized as follows:

	2021	2020
Land	\$ 36,500	\$ 36,500
Land improvements	10,484	10,484
Buildings	563,231	563,231
Furniture and fixtures	58,136	58,136
Total cost	668,351	668,351
Less accumulated depreciation	236,338	220,623
Net property and equipment	\$ 432,013	\$ 447,728

Depreciation expense for 2021 and 2020 was \$15,716 and \$15,870, respectively.

Note 5 - Granting Policy

The Pokagon Fund, Inc. distributes its moneys as follows in accordance with the local agreement dated March 13, 2000 as amended through May 22, 2013:

- 10 percent of all distributions in each fiscal year shall be allocated to distributions in or benefiting communities surrounding the Pokagon Band of Potawatomi Indians (the "Band") trust land consolidation sites in Michigan and Indiana. Such distributions shall be made by the Fund at the discretion of the band representatives.

Notes to Modified Cash Basis Financial Statements

June 30, 2021 and 2020

Note 5 - Granting Policy (Continued)

- 45 percent of all distributions in each fiscal year shall be allocated to projects approved by the board within or benefiting the New Buffalo region.
- 45 percent of all distributions in each fiscal year shall be allocated as follows:
 - 1 percent made to and for projects in New Buffalo Township
 - 14 percent made to and for projects in the City of New Buffalo
 - 2 percent made to and for projects in the Township of Chikaming
 - 2 percent made to and for projects in the Township of Three Oaks
 - 2 percent made to and for projects in the New Buffalo School District
 - 1 percent made to and for projects in the Village of Three Oaks
 - 1 percent made to and for projects in the Village of Michiana
 - 1 percent made to and for projects in the Village of Grand Beach
 - 1 percent made to and for projects in the River Valley School District

Two board members are also representatives of New Buffalo Township and the City of New Buffalo, Michigan for which grant distributions are made in accordance with the above policy.

The Fund had approximately \$1,786,000 and \$1,533,000 in grant commitments outstanding at June 30, 2021 and 2020, respectively.

The Fund had \$7,734 and \$6,423 of Pokagon Band grant funds returned, \$7,750 and \$7,370 of municipal grants funds returned, \$46,945 and \$13,976 of discretionary grants funds returned, and \$5,000 and \$31,230 of scholarship funds returned by the grantee during the years ended June 30, 2021 and 2020, respectively. The returned grant funds are reported within program services expenses on the modified cash basis statement of revenue collected and expenses paid.

Note 6 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Fund's assets measured at fair value on a recurring basis at June 30, 2021 and 2020 and the valuation techniques used by the Fund to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Fund has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Fund's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Notes to Modified Cash Basis Financial Statements

June 30, 2021 and 2020

Note 6 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at June 30, 2021				
	Quoted Prices in			Balance at June 30, 2021
	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets				
Investments:				
U.S. government notes and bonds	\$ 1,110,580	\$ -	\$ -	\$ 1,110,580
Government agency securities	-	1,087,916	-	1,087,916
GNMA pools	-	247,771	-	247,771
Mortgage-backed pools	-	288,983	-	288,983
Corporate bonds	-	653,965	-	653,965
Money market	124,853	-	-	124,853
Common stock	2,353,232	-	-	2,353,232
Real estate investment trust	43,908	-	-	43,908
International equity fund	737,884	-	-	737,884
U.S. equity fund	610,322	-	-	610,322
Brokered CD	-	478,473	-	478,473
Total assets	\$ 4,980,779	\$ 2,757,108	\$ -	\$ 7,737,887
Assets Measured at Fair Value on a Recurring Basis at June 30, 2020				
	Quoted Prices in			Balance at June 30, 2020
	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets				
Investments:				
U.S. government notes and bonds	\$ 1,199,425	\$ -	\$ -	\$ 1,199,425
Government agency securities	-	477,392	-	477,392
GNMA pools	-	41,915	-	41,915
Mortgage-backed pools	-	106,640	-	106,640
Corporate bonds	-	1,325,655	-	1,325,655
Money market	652,259	-	-	652,259
Common stock	1,665,781	-	-	1,665,781
Real estate investment trust	28,359	-	-	28,359
International equity fund	348,210	-	-	348,210
U.S. equity fund	440,403	-	-	440,403
Brokered CD	-	488,243	-	488,243
Total assets	\$ 4,334,437	\$ 2,439,845	\$ -	\$ 6,774,282

The fair value of government agency securities, GNMA pools, mortgage-backed pools, corporate bonds, and brokered CDs at June 30, 2021 and 2020 was determined primarily based on Level 2 inputs. The Fund estimates the fair value of these investments using contractual cash flows, interest rate benchmark yields, and yield curves that are observable at commonly quoted intervals.

Notes to Modified Cash Basis Financial Statements

June 30, 2021 and 2020

Note 7 - Liquidity and Availability of Resources

The Fund has \$9,170,916 and \$7,653,076 of financial assets available within one year of June 30, 2021 and 2020 to meet cash needs for general expenditure consisting of cash of \$1,436,612 and \$894,194 and investments of \$7,734,304 and \$6,758,882, respectively. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the modified cash basis balance sheet date except for the \$3,583 and \$15,400 of investments that are designated by the board at June 30, 2021 and 2020, respectively.

The Fund has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$177,000. The Fund has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Fund invests cash in excess of daily requirements in various investments.

Note 8 - Paycheck Protection Program Debt

During the year ended June 30, 2020, the Fund received a Paycheck Protection Program (PPP) term note through its primary bank of \$54,822. The PPP loan program was created under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and is administered by the Small Business Administration (SBA). Under the terms of this program, the loan may be fully or partially forgiven if the loan proceeds are spent on qualifying expenses and if staffing level and salary maintenance requirements are met.

Prior to June 30, 2021, the Fund applied for and received notification of forgiveness of the loan from the SBA. Loan forgiveness in the amount of \$54,822 has been recorded as forgiveness of PPP loan in the modified cash basis statement of revenue collected and expenses paid.