

THE POKAGON FUND

P O K A G O N F U N D . O R G

Modified Cash Basis Financial Report

June 30, 2022



St. Joseph, MI

The Pokagon Fund, Inc.
New Buffalo, Michigan
Modified Cash Basis Financial Statements
June 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Pokagon Fund, Inc.
New Buffalo, Michigan

Opinion

We have audited the accompanying financial statements of The Pokagon Fund, Inc. (a nonprofit organization), which comprise the modified cash basis balance sheet as of June 30, 2022, and the related cash basis statement of revenue collected and expenses paid and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Pokagon Fund, Inc. as of June 30, 2022, 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 The Pokagon Fund, Inc. 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.

Basis of Accounting

We draw attention to Note 2 of the modified cash basis financial statements, which describes the basis of accounting. The 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 2, and for 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 financial statements that are free from material misstatement, whether due to fraud or error.

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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

INDEPENDENT AUDITOR'S REPORT, CONCLUDED

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 The Pokagon Fund, Inc.'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 The Pokagon Fund, Inc.'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.

Prior Period Financial Statements

The financial statements of The Pokagon Fund as of June 30, 2021, were audited by other auditors whose report dated October 21, 2021, expressed an unmodified opinion on those statements.

Respectfully submitted,



Certified Public Accountants

St. Joseph, Michigan
September 15, 2022

MODIFIED CASH BASIS BALANCE SHEET
JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,092,745	\$ 1,436,612
Total current assets	<u>\$ 1,092,745</u>	<u>\$ 1,436,612</u>
Other assets:		
Investments	\$ 7,156,055	\$ 7,737,887
Property and equipment - Net	415,218	432,013
Total other assets	<u>\$ 7,571,273</u>	<u>\$ 8,169,900</u>
Total assets	<u><u>\$ 8,664,018</u></u>	<u><u>\$ 9,606,512</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Payroll tax liabilities	\$ 3,309	\$ 1,826
Total current liabilities	<u>\$ 3,309</u>	<u>\$ 1,826</u>
Net assets:		
Without donor restrictions		
Undesignated	\$ 8,660,709	\$ 9,601,103
Board designated	-	3,583
	<u>\$ 8,660,709</u>	<u>\$ 9,604,686</u>
Total liabilities and net assets	<u><u>\$ 8,664,018</u></u>	<u><u>\$ 9,606,512</u></u>

The Notes to Modified Cash Basis Financial Statements are an integral part of this statement.

**THE POKAGON FUND, INC.
NEW BUFFALO, MICHIGAN**

**MODIFIED CASH BASIS STATEMENTS OF REVENUE COLLECTED AND EXPENSES PAID
YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Changes in net assets without donor restrictions		
Revenue, gains, and other support:		
Four Winds Casino revenue sharing	\$ 1,541,046	\$ 1,507,333
Net realized and unrealized (losses) gains on investments	(794,857)	808,228
Dividends and interest income - Net	229,623	156,066
Forgiveness of Paycheck Protection Program loan	-	54,822
Total revenues, gains, and other support	<u>\$ 975,812</u>	<u>\$ 2,526,449</u>
Expenses:		
Program services	\$ 1,601,848	\$ 732,078
Management and general	317,941	249,316
Total expenses	<u>\$ 1,919,789</u>	<u>\$ 981,394</u>
Change in net assets	\$ (943,977)	\$ 1,545,055
Net assets - beginning of year	<u>9,604,686</u>	<u>8,059,631</u>
Net assets - end of year	<u><u>\$ 8,660,709</u></u>	<u><u>\$ 9,604,686</u></u>

The Notes to Modified Cash Basis Financial Statements are an integral part of this statement.

**MODIFIED CASH BASIS STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022**

	Program Services	Management and General	Total Expenses
Functional expenses			
Pokagon Band grants	\$ 85,660	\$ -	\$ 85,660
Municipal grants	801,036	-	801,036
Discretionary/Nonprofit grants	519,103	-	519,103
Scholarships	103,100	-	103,100
Pokagon Band grants - Board-allocated investment earnings	2,900	-	2,900
Grant disbursement	<u>\$ 1,511,799</u>	<u>\$ -</u>	<u>\$ 1,511,799</u>
Repairs and maintenance	2,344	21,095	23,439
Utilities	579	5,206	5,785
Office supplies	-	18,190	18,190
Director's stipends	1,280	11,520	12,800
Salaries	44,858	136,784	181,642
Employees benefits plan	2,923	26,305	29,228
Payroll taxes	3,341	10,203	13,544
Technology expense	1,091	9,822	10,913
Professional fees	-	24,402	24,402
Insurance	606	5,459	6,065
Advertising	2,046	3,068	5,114
Dues and subscriptions	-	5,099	5,099
Travel	355	828	1,183
Education and seminars	-	399	399
Meals and entertainment	2,371	1,016	3,387
Bank service fees	-	37	37
Investment fees	24,261	-	24,261
Federal and foreign taxes paid	-	2,557	2,557
Depreciation	3,994	35,951	39,945
Total functional expenses	<u><u>\$ 1,601,848</u></u>	<u><u>\$ 317,941</u></u>	<u><u>\$ 1,919,789</u></u>

The Notes to Modified Cash Basis Financial Statements are an integral part of this statement.

**MODIFIED CASH BASIS STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021**

	Program Services	Management and General	Total Expenses
Functional expenses			
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 disbursement	\$ 675,205	\$ -	\$ 663,388
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
Employees benefits plan	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>\$ 969,577</u>

The Notes to Financial Statements are an integral part of this statement.

**MODIFIED CASH BASIS STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (943,977)	\$ 1,545,055
Reconciliation of change in net assets to net cash provided by operating activities:		
Depreciation	39,945	15,716
Realized and unrealized losses (gain) on investments	794,857	(808,228)
Forgiveness of Paycheck Protection Program loan	-	(54,822)
Changes in operating assets and liabilities that provided (used) cash - Payroll tax liabilities	1,483	75
Net cash flows from operating activities	<u>\$ (107,692)</u>	<u>\$ 697,796</u>
Cash flows from investing activities:		
Purchase of property and equipment	\$ 23,150	\$ -
Purchase of investments	(481,065)	(2,543,700)
Proceeds from sales and maturities of investments	221,740	2,388,322
Net cash flows from investing activities	<u>\$ (236,175)</u>	<u>\$ (155,378)</u>
Net change in cash and cash equivalents	\$ (343,867)	\$ 542,418
Cash and cash equivalents - beginning of year	<u>1,436,612</u>	<u>894,194</u>
Cash and cash equivalents - end of year	<u>\$ 1,092,745</u>	<u>\$ 1,436,612</u>

The Notes to Financial Statements are an integral part of this statement.

NOTE 1. NATURE OF BUSINESS

The Pokagon Fund, Inc. (the “Fund”) is a Michigan non-profit 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 Accounting

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 investment 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 (“GAAP”). 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.

Basis of Presentation

The Fund prepares its financial statements in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958-205, which set standards for reporting on financial statements of nonprofit organizations. ASC 958-205 requires the classification and presentation of net assets in two categories: net assets with donor restrictions, and net assets without donor restrictions.

Net assets without donor restrictions are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Fund. These net assets may be used at the discretion of the Fund’s management and Board of Directors (the “Board”).

Net assets with donor restrictions are subject to stipulations by donors and/or 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.

Cash and Cash Equivalents

For the purpose of the modified cash basis statements of cash flows, the Fund considers all short-term investments with an original maturity of ninety (90) days or less to be cash equivalents.

Investments

Investments are carried at fair value. Investment consists 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 of revenue collected and expenses paid.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risk 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 value 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 – 39 years. The Fund follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000. Costs of maintenance and repairs are charged to expense when incurred.

Revenue Recognition

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 governed 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. The Fund is to receive three-quarters of one percent of the net win from the Class III electronic games of chance at Four Winds New Buffalo through the remainder of the term of the Local Agreement. In the Fund's 2021-22 fiscal year, it received three-quarters of one percent of such wins.

Estimates

The process of preparing financial statements in conformity with the modified cash basis of accounting requires management to make estimated 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.

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).

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

Functional Allocation of Expenses

The costs of providing the program and other activities have been reported in a functional basis in the modified cash basis statement of functional expenses. The financial statements report certain categories of expenses require allocation on a reasonable basis that is consistently applied. Salaries and related expenses require 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 estimated 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 of this category may be expended for any purpose if performing the primary objectives of the Fund. Board-designated funds of \$0 and \$3,583 as of June 30, 2022 and 2021, respectively, represent investment earnings designated by the board to 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 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 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, 2022 and 2021, the Fund has no net assets with donor restrictions.

NOTE 3. GRANTING POLICY

The Fund distributes its money 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 distribution 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.
- 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:
 - 21 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 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 \$1,532,000 and \$1,786,000 in grant commitments outstanding at June 30, 2022 and 2021, respectively.

The Fund had \$412 and \$7,734 of Pokagon Band grant funds returned, \$0 and \$7,750 of municipal grant funds returned, \$7,307 and \$46,945 of discretionary grants funds returned, and \$8,512 and \$5,000 of scholarships funds returned by the grantee during the years ended June 30, 2022 and 2021, respectively. The returned grant funds are reported within program services expenses on the modified cash basis statement of revenue collected and expenses paid.

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	2022	2021
Land	\$ 36,500	\$ 36,500
Land improvements	10,484	10,484
Buildings	563,231	563,231
Furniture and fixtures	81,286	58,136
Total cost	691,501	668,351
Less accumulated depreciation	276,283	236,338
Net property and equipment	\$ 415,218	\$ 432,013

Depreciation expense for 2022 and 2021 was \$39,945 and \$15,716, respectively.

NOTE 5. FAIR VALUE MEASUREMENTS

The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Basis of Fair Value Measurement:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As required by FASB ASC 820, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022 AND 2021**

NOTE 5. FAIR VALUE MEASUREMENTS, CONCLUDED

The following table presents the fair value hierarchy of the Fund's investments at fair value, on June 30, 2022:

Assets:	Total	Level 1	Level 2	Level 3
U.S. government noted and bonds	\$ 1,622,086	\$ 1,622,086	\$ -	\$ -
Government agency securities	964,440	-	964,440	-
GNMA pools	138,125	-	138,125	-
Mortgage-backed pools	176,750	-	176,750	-
Corporate bonds	321,176	-	321,176	-
Money Market	215,918	215,918	-	-
Common stock	2,174,032	2,174,032	-	-
Real estate investment trust	37,630	37,630	-	-
International equity fund	429,566	429,566	-	-
U.S. equity fund	536,442	536,442	-	-
Brokerage CD	539,890	-	539,890	-
Total Assets	<u>\$ 7,156,055</u>	<u>\$ 5,015,674</u>	<u>\$ 2,140,381</u>	<u>\$ -</u>

At June 30, 2021:

Assets:	Total	Level 1	Level 2	Level 3
U.S. government noted 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	-	-
Brokerage CD	478,473	-	478,473	-
Total Assets	<u>\$ 7,737,887</u>	<u>\$ 4,980,779</u>	<u>\$ 2,757,108</u>	<u>\$ -</u>

**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022 AND 2021**

NOTE 6. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Fund has \$8,248,800 and \$9,170,916 of financial assets available within one year of June 30, 2022 and 2021 to meet cash needs for general expenditure consisting of cash of \$1,092,745 and \$1,436,612 and investments of \$7,156,055 and \$7,734,304, respectively. None of the financial assets are subject to donor or other contractual restriction that make them unavailable for general expenditure within one year of the modified cash basis balance sheet date except for the \$0 and \$3,583 of investments that are designated by the board of June 30, 2022 and 2021, 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. 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 invest cash in excess of daily requirement in various investments.

NOTE 7. 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 requirement 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 \$54,822 has been recorded as forgiveness of PPP loan in the modified cash basis statement of revenue collected and expenses paid.

NOTE 8. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 15, 2022, which is the date the modified cash basis financial statements were ready to be issued. No events or transactions occurred during this period which require recognition or disclosure in the financial statements.