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**THE POKAGON FUND**

POKAGONFUND.ORG

Modified Cash Basis Financial Report

June 30, 2024



St. Joseph, MI

**The Pokagon Fund, Inc.**  
**New Buffalo, Michigan**  
**Modified Cash Basis Financial Statements**  
**June 30, 2024 and 2023**

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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 sheets as of June 30, 2024 and 2023, and the related modified cash basis statements 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, 2024 and 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the 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.

## INDEPENDENT AUDITOR'S REPORT, CONCLUDED

### 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.

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.

Respectfully submitted,

Certified Public Accountants

St. Joseph, Michigan  
MONTH DAY, YEAR

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

**MODIFIED CASH BASIS BALANCE SHEETS  
JUNE 30, 2024 AND 2023**

	2024	2023
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 856,617	\$ 1,085,121
Total current assets	<u>\$ 856,617</u>	<u>\$ 1,085,121</u>
<b>Other assets:</b>		
Investments	\$ 8,241,454	\$ 7,574,620
Property and equipment - Net	404,446	399,298
Total other assets	<u>\$ 8,645,900</u>	<u>\$ 7,973,918</u>
<b>Total assets</b>	<u><u>\$ 9,502,517</u></u>	<u><u>\$ 9,059,039</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Payroll tax liabilities	\$ 7,869	\$ 3,478
Total current liabilities	<u>\$ 7,869</u>	<u>\$ 3,478</u>
<b>Net assets:</b>		
Without donor restrictions		
Undesignated	\$ 9,494,648	\$ 9,055,561
	<u>\$ 9,494,648</u>	<u>\$ 9,055,561</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 9,502,517</u></u>	<u><u>\$ 9,059,039</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, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>Changes in net assets without donor restrictions</b>		
<b>Revenue, gains, and other support:</b>		
Four Winds Casino revenue sharing	\$ 1,212,466	\$ 1,308,123
Net realized and unrealized gains on investments	492,315	291,293
Dividends and interest income - Net	236,079	180,934
Total revenues, gains, and other support	<u>\$ 1,940,860</u>	<u>\$ 1,780,350</u>
<b>Expenses:</b>		
Program services	\$ 1,192,498	\$ 1,097,435
Management and general	309,275	288,063
Total expenses	<u>\$ 1,501,773</u>	<u>\$ 1,385,498</u>
<b>Change in net assets</b>	\$ 439,087	\$ 394,852
<b>Net assets - beginning of year</b>	<u>9,055,561</u>	<u>8,660,709</u>
<b>Net assets - end of year</b>	<u><u>\$ 9,494,648</u></u>	<u><u>\$ 9,055,561</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 STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2024**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
<b>Functional expenses</b>			
Disbursements			
Pokagon Band grants	\$ 93,940	\$ -	\$ 93,940
Municipal grants	435,124	-	435,124
Discretionary/nonprofit grants	410,193	-	410,193
Scholarship awards	154,476	-	154,476
Total disbursements	<u>\$ 1,093,733</u>	<u>\$ -</u>	<u>\$ 1,093,733</u>
Repairs and maintenance	401	3,633	4,034
Utilities	601	5,408	6,009
Office supplies	-	7,785	7,785
Director's stipends	1,090	9,810	10,900
Salaries	54,008	162,023	216,031
Employees benefits plan	3,988	35,892	39,880
Payroll taxes	4,039	12,115	16,154
Technology expense	359	3,231	3,590
Professional fees	-	38,196	38,196
Insurance	434	3,906	4,340
Advertising	2,208	3,314	5,522
Dues and subscriptions	-	5,626	5,626
Travel	562	1,313	1,875
Education and seminars	-	788	788
Meals and entertainment	3,800	1,627	5,427
Bank service fees	-	74	74
Investment fees	25,660	-	25,660
Depreciation	1,615	14,534	16,149
Total functional expenses	<u><u>\$ 1,192,498</u></u>	<u><u>\$ 309,275</u></u>	<u><u>\$ 1,501,773</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 STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2023**

	<b>Program Services</b>	<b>Management and General</b>	<b>Total Expenses</b>
<b>Functional expenses</b>			
Disbursements			
Pokagon Band grants	\$ 150,171	\$ -	\$ 150,171
Municipal grants	355,784	-	355,784
Discretionary/nonprofit grants	383,253	-	383,253
Scholarship awards	113,852	-	113,852
Total disbursements	<u>\$ 1,003,060</u>	<u>\$ -</u>	<u>\$ 1,003,060</u>
Repairs and maintenance	1,352	12,172	13,524
Utilities	572	5,144	5,716
Office supplies	-	240	240
Director's stipends	1,300	11,700	13,000
Salaries	50,611	151,832	202,443
Employees benefits plan	3,191	28,723	31,914
Payroll taxes	3,772	11,317	15,089
Technology expense	600	5,405	6,005
Professional fees	-	19,335	19,335
Insurance	697	6,271	6,968
Advertising	3,699	5,549	9,248
Dues and subscriptions	-	5,133	5,133
Travel	650	1,517	2,167
Education and seminars	-	979	979
Meals and entertainment	2,810	1,204	4,014
Bank service fees	-	37	37
Investment fees	22,873	-	22,873
Federal and foreign taxes paid	-	1,276	1,276
Depreciation	2,248	20,229	22,477
Total functional expenses	<u><u>\$ 1,097,435</u></u>	<u><u>\$ 288,063</u></u>	<u><u>\$ 1,385,498</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 CASH FLOWS  
YEAR ENDED JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 439,087	\$ 394,852
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	16,149	22,477
Realized and unrealized gain on investments	(492,315)	(291,293)
Changes in operating assets and liabilities that provided cash - Payroll tax liabilities	4,391	169
Net cash flows from (used in) operating activities	<u>\$ (32,688)</u>	<u>\$ 126,205</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	\$ (21,298)	\$ 6,557
Purchase of investments	(1,838,158)	(1,544,818)
Proceeds from sales and maturities of investments	1,663,640	1,404,432
Net cash flows used in investing activities	<u>\$ (195,816)</u>	<u>\$ (133,829)</u>
<b>Change in cash and cash equivalents</b>	<b>\$ (228,504)</b>	<b>\$ (7,624)</b>
<b>Cash and cash equivalents - beginning of year</b>	<b><u>1,085,121</u></b>	<b><u>1,092,745</u></b>
<b>Cash and cash equivalents - end of year</b>	<b><u><u>\$ 856,617</u></u></b>	<b><u><u>\$ 1,085,121</u></u></b>

*The Notes to Modified Cash Basis 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 certificates of deposits, 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 Casino New Buffalo through the remainder of the term of the Local Agreement. In the Fund's 2023-24 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 are require to be allocated 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 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.

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, 2024 and 2023, the Fund has no net assets with donor restrictions.

**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2024 AND 2023**

**NOTE 3. GRANTS**

Two board members are representatives of New Buffalo Township and the City of New Buffalo, Michigan for which grant distributions are made.

The Fund had approximately \$1,963,000 and \$2,012,000 in grant commitments outstanding at June 30, 2024 and 2023, respectively.

**NOTE 4. PROPERTY AND EQUIPMENT**

Property and equipment are summarized as follows:

	2024	2023
Land	\$ 36,500	\$ 36,500
Land improvements	10,484	10,484
Buildings	584,528	563,231
Furniture and fixtures	87,843	87,843
Total cost	719,355	698,058
Less accumulated depreciation	314,909	298,760
Net property and equipment	<u>\$ 404,446</u>	<u>\$ 399,298</u>

Depreciation expense for 2024 and 2023 was \$16,149 and \$22,477, 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, 2024 AND 2023**

**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, 2024:

Assets:	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S. government noted and bonds	\$ 2,216,599	\$ 2,216,599	\$ -	\$ -
Government agency securities	745,754	-	745,754	-
GNMA pools	95,675	-	95,675	-
Mortgage-backed pools	101,600	-	101,600	-
Corporate bonds	430,144	-	430,144	-
Money Market	246,737	246,737	-	-
Common stock	2,694,042	2,694,042	-	-
Real estate investment trust	46,038	46,038	-	-
International equity fund	449,802	449,802	-	-
U.S. equity fund	677,229	677,229	-	-
Brokerage CD	537,834	-	537,834	-
Total Assets	<u>\$ 8,241,454</u>	<u>\$ 6,330,447</u>	<u>\$ 1,911,007</u>	<u>\$ -</u>

At June 30, 2023:

Assets:	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S. government noted and bonds	\$ 1,245,711	\$ 1,245,711	\$ -	\$ -
Government agency securities	952,150	-	952,150	-
GNMA pools	110,490	-	110,490	-
Mortgage-backed pools	129,288	-	129,288	-
Corporate bonds	418,658	-	418,658	-
Money Market	195,908	195,908	-	-
Common stock	2,441,087	2,441,087	-	-
Real estate investment trust	35,187	35,187	-	-
International equity fund	467,778	467,778	-	-
U.S. equity fund	611,938	611,938	-	-
Brokerage CD	966,425	-	966,425	-
Total Assets	<u>\$ 7,574,620</u>	<u>\$ 4,997,609</u>	<u>\$ 2,577,011</u>	<u>\$ -</u>

**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2024 AND 2023**

**NOTE 6. LIQUIDITY AND AVAILABILITY OF RESOURCES**

The Fund has \$9,131,556 and \$8,659,741 of financial assets available within one year of June 30, 2024 and 2023 to meet cash needs for general expenditure consisting of cash of \$856,617 and \$1,085,121 and investments of \$8,241,454 and \$7,574,620, 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.

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. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through **MONTH DAY, YEAR**, 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.