

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

(a Michigan nonprofit corporation)

FINANCIAL STATEMENTS

for the year ended December 31, 2018

MASON, KAMMERMANN & ROHRBACK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CHARLEVOIX, MICHIGAN

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MASON, KAMMERMANN & ROHRBACK, P.C.

Certified Public Accountants

Velda K. Kammermann
Todd P. Rohrback

Established 1988
www.northmicpa.com

Corey R. Bascom

May 7, 2019

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Charlevoix County Community Foundation:

We have audited the accompanying financial statements of Charlevoix County Community Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the 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 Foundation'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 financial statements.

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

~ Boyne City ~

116 E. Main Street
Boyne City, MI 49712
p: 231-582-7211

~ Charlevoix ~

110 Park Avenue
Charlevoix, MI 49720
p: 231-547-4911

~ Petoskey ~

2780 Charlevoix Avenue – Unit 16
Petoskey, MI 49770
p: 231-348-6930

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Charlevoix County Community Foundation as of December 31, 2018, 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.

Emphasis of Matter

Accounting Changes

As described in Note A to the financial statements, the Foundation adopted the provisions of Financial Accounting Standards Board ASU 2016-14, *Not-for Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, during the year ended December 31, 2018.

Report on Summarized Comparative Information

We have previously audited Charlevoix County Community Foundation's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 23, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. Schedules listed as additional information in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Mason, Kammermann & Rohrback, P.C.

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

STATEMENT OF FINANCIAL POSITION

December 31, 2018

(with comparative totals as of December 31, 2017)

	<u>ASSETS</u>	
	<u>2018</u>	<u>2017</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,852,966	\$ 4,435,922
Pledges and accounts receivable (Note F)	37,500	72,175
Prepaid expenses	<u>3,005</u>	<u>3,005</u>
Total current assets	3,893,471	4,511,102
LONG-TERM ASSETS:		
Investments in marketable securities	32,515,543	35,589,264
Pledges receivable (Note F)	37,000	55,800
Intangible asset, net accumulated amortization (Note G)	-	2,082
Land, building, furniture and equipment, net of accumulated depreciation (Note H)	<u>428,433</u>	<u>447,542</u>
Total assets	<u>\$ 36,874,447</u>	<u>\$ 40,605,790</u>
	<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES:		
Grants payable (Note I)	\$ 577,100	\$ 406,856
Accounts payable and other accrued liabilities	<u>14,065</u>	<u>28,640</u>
Total current liabilities	591,165	435,496
OTHER LIABILITIES:		
Grants payable, long-term	-	26,666
Pass-through liabilities and special projects (Note L)	446,836	330,301
Funds held on behalf of agencies	<u>2,260,999</u>	<u>2,072,150</u>
Total liabilities	3,299,000	2,864,613
NET ASSETS:		
Without donor restrictions	784,601	694,901
With donor restrictions	<u>32,790,846</u>	<u>37,046,276</u>
Total net assets	<u>33,575,447</u>	<u>37,741,177</u>
Total liabilities and net assets	<u>\$ 36,874,447</u>	<u>\$ 40,605,790</u>

The accompanying notes are a part of the financial statements.

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

STATEMENT OF ACTIVITIES

for the year ended December 31, 2018

(with comparative totals for the year ended December 31, 2017)

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUES AND SUPPORT:				
Contributions	\$ -	\$ 1,738,504	\$ 1,738,504	\$ 2,642,116
Investment income	17,994	1,428,872	1,446,866	1,338,261
Other income	12,792	-	12,792	15,191
Net realized and unrealized gains (losses) on investments	-	(4,146,602)	(4,146,602)	4,410,484
Net assets released from restrictions	<u>3,276,204</u>	<u>(3,276,204)</u>	<u>-</u>	<u>-</u>
Total revenues and support	3,306,990	(4,255,430)	(948,440)	8,406,052
EXPENSES:				
Program Services:				
Grants and scholarships	2,643,484	-	2,643,484	2,502,164
Operating costs	<u>306,884</u>	<u>-</u>	<u>306,884</u>	<u>313,990</u>
Total program services	2,950,368	-	2,950,368	2,816,154
Supporting Services:				
Management	145,058	-	145,058	149,689
Fundraising	<u>121,864</u>	<u>-</u>	<u>121,864</u>	<u>127,422</u>
Total supporting services	<u>266,922</u>	<u>-</u>	<u>266,922</u>	<u>277,111</u>
Total expenses	<u>3,217,290</u>	<u>-</u>	<u>3,217,290</u>	<u>3,093,265</u>
Change in net assets	89,700	(4,255,430)	(4,165,730)	5,312,787
NET ASSETS, beginning of year	<u>694,901</u>	<u>37,046,276</u>	<u>37,741,177</u>	<u>32,428,390</u>
NET ASSETS, end of year	<u>\$ 784,601</u>	<u>\$ 32,790,846</u>	<u>\$ 33,575,447</u>	<u>\$ 37,741,177</u>

The accompanying notes are a part of the financial statements.

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

for the year ended December 31, 2018

	Program Services	Supporting Services			Total Expenses
		Management	Fundraising	Total	
Salaries and wages	\$ 157,547	\$ 71,133	\$ 70,427	\$ 141,560	\$ 299,107
Payroll taxes	14,005	6,323	6,262	12,585	26,590
Employee benefits	25,495	11,511	11,400	22,911	48,406
Advertising and marketing	14,006	3,820	7,640	11,460	25,466
Professional services	10,449	5,700	2,850	8,550	18,999
Office expenses	15,027	8,196	4,098	12,294	27,321
Travel	8,147	4,444	2,221	6,665	14,812
Grants and scholarships	2,643,484	-	-	-	2,643,484
Supplies	15,822	8,630	4,315	12,945	28,767
Occupancy	5,662	3,088	1,544	4,632	10,294
Consulting expense	15,084	8,228	4,114	12,342	27,426
Conferences	10,235	5,583	2,791	8,374	18,609
Memberships and dues	3,750	2,045	1,023	3,068	6,818
Depreciation and amortization	11,655	6,357	3,179	9,536	21,191
Totals	<u>\$ 2,950,368</u>	<u>\$ 145,058</u>	<u>\$ 121,864</u>	<u>\$ 266,922</u>	<u>\$ 3,217,290</u>

The accompanying notes are a part of the financial statements.

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

STATEMENT OF CASH FLOWS

for the year ended December 31, 2018

(with comparative totals as of December 31, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (4,165,730)	\$ 5,312,787
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Noncash donations	(175,582)	(965,905)
Noncash grant, land used in grantee's programs	-	44,585
Cash donations for endowments	(1,053,360)	(497,420)
Depreciation and amortization	21,191	22,183
Realized gains on sales of investments	(482,191)	(277,532)
Net unrealized losses (gains) on investments	4,628,793	(4,102,537)
Decrease (increase) in pledges and accounts receivable	53,475	(42,025)
Decrease in prepaid expenses	-	3,922
Increase (decrease) in accounts payable and other accrued liabilities	(14,575)	5,291
Increase (decrease) in pass-through liabilities and special projects	116,535	(48,608)
Increase in funds held on behalf of agencies	188,849	229,066
Increase (decrease) in grants payable	143,578	(222,672)
Net cash flows used by operating activities	(739,017)	(538,865)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	-	(8,875)
Purchase of investments	(3,424,208)	(1,630,887)
Proceeds from sales of investments	2,351,327	1,582,716
Net cash flows used by investing activities	(1,072,881)	(57,046)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments for charitable remainder trusts	-	(1,962)
Donations for endowments	1,228,942	565,198
Net cash flows provided by financing activities	1,228,942	563,236
NET DECREASE IN CASH AND CASH EQUIVALENTS	(582,956)	(32,675)
CASH AND CASH EQUIVALENTS, beginning of year	4,435,922	4,468,597
CASH AND CASH EQUIVALENTS, end of year	\$ 3,852,966	\$ 4,435,922

The accompanying notes are a part of the financial statements.

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2018

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity

The Charlevoix County Community Foundation was incorporated as a Michigan nonprofit corporation on December 4, 1991. The Foundation's purpose is to manage various restricted and unrestricted endowment funds. Income from these funds is used to support charitable organizations and activities primarily in the County of Charlevoix, Michigan. The Foundation is governed by a Board of Trustees representing each of the five school districts in Charlevoix County. Support for the Foundation comes primarily from donor contributions and long-term investment income.

Basis of Accounting

The Foundation uses the accrual basis of accounting whereby revenues are recognized when earned or when the commitment of a future gift to the Foundation becomes unconditional and expensed when an obligation is incurred.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based on the existence or absence of restrictions on use that are established by its donors, as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the Foundation, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for a particular purpose or in a future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions.

The Foundation's unspent contributions are included in this class if the donor limited their use, including donor-restricted endowment funds.

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2018

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Net Assets With Donor Restrictions (Continued)

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without restrictions. Net assets restricted for acquisition of buildings or equipment (or the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the organization.

Basis of Presentation

The financial statements include certain prior-year summarized comparative information in total but not by asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Cash Equivalents

For purposes of the Statement of Cash Flows, cash and cash equivalents consist of bank accounts and investments with initial maturities of three months or less.

Fixed Assets

Property and equipment are recorded at cost for purchased items and estimated value on the date of donation for donated assets. Depreciation is recorded using the straight-line method based on the estimated useful life of the asset. The Foundation capitalizes property and equipment acquired in excess of \$1,000. Depreciation expense for the year totaled \$19,109.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses are reported as decreases in net assets without donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2018

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Classification of Transactions (Continued)

The Foundation administers various types of funds in accordance with agreements establishing the fund between the original donors and the Foundation. Fund distributions are approved by the Board of Directors in accordance with the fund agreement. Administrative charges and interfund grants have been eliminated in the financial statements. It is the Foundation's intent to honor donor instructions and stipulations regarding the use of gifts made to the Foundation. However, the Board has retained authority to vary the condition of any gift otherwise subject to donor-imposed conditions, if adherence to any such conditions or stipulations would, in the judgment of the Board, be unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the communities served by the Foundation.

Income Tax Status

The Internal Revenue Service has determined that the Foundation qualifies as a public charity and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Also, the Foundation has received determination as "other than a private foundation" under Section 170(b)(1)(A)(vi) of the Internal Revenue Code. The Foundation believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Foundation's financial condition, results of operations, or cash flows. Therefore, the financial statements reflect no provision or liability for federal income tax. The Foundation's tax filings are no longer subject to examination for years prior to December 31, 2016.

Fund Administrative Fees

The Foundation charges a fee for management of each fund. Fees are charged quarterly and vary by type of fund ranging from 0 to 0.5 percent of the average quarterly market value.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the year totaled \$25,466.

Reclassifications

Certain amounts in the prior year financial information have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2018

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Funds Held on Behalf of Agencies

The Foundation has adopted Statement of Financial Accounting Standard No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others* (FAS 136). This statement establishes standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets or both to another entity that is specified by the donor.

FAS 136 guidelines state that if an organization establishes a fund at a community foundation with its own monies and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as agency or designated funds.

The Foundation maintains variance power and legal ownership of agency endowment funds and as such continues to report the funds as assets of the Foundation. However, in accordance with FAS 136, a liability has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be made to the organization.

The effect of this policy results in the reclassification of a portion of net assets to a liability entitled "funds held on behalf of agencies" found in the Statement of Financial Position.

Change in Accounting Principles

The Foundation implemented FASB ASU No. 2016-14 in the current year, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a disclosure about liquidity and availability of resources.

The changes have the following effect on net assets at December 31, 2018 and 2017:

	2018		2017	
	As Originally Presented	After Adoption of ASU 2016-14	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	\$ 784,601	\$ -	\$ 694,901	\$ -
Temporarily restricted net assets	10,550,641	-	14,647,640	-
Permanently restricted net assets	22,240,205	-	22,398,636	-
Net assets without donor restrictions	-	784,601	-	694,901
Net assets with donor restrictions	-	32,790,846	-	37,046,276
Total	<u>\$33,575,447</u>	<u>\$ 33,575,447</u>	<u>\$37,741,177</u>	<u>\$ 37,741,177</u>

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2018

NOTE B – LIQUIDITY AND AVAILABILITY:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2018 are:

Financial assets:	
Cash and cash equivalents	\$ 199,688
Pledges and accounts receivable	7,500
Due from other funds	<u>149,040</u>
Total financial assets	356,228
Less financial assets held to meet obligations, accounts payable	<u>(3,065)</u>
Amount available for general expenditures within one year	<u>\$ 353,163</u>

NOTE C – DATE OF MANAGEMENT'S REVIEW:

In preparing the financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosures through May 7, 2019, the date the financial statements were available to be issued.

NOTE D – INVESTMENTS:

Investments are carried at estimated fair market value, as determined by the agency holding the investments. Unrealized increases or decreases resulting from changes in market value of investments are included annually in the Statement of Activities. The Foundation's investments are held primarily by brokerage companies and are summarized as follows:

	FAIR VALUE	COST
Mutual funds – equity	\$22,251,414	\$19,538,103
Mutual funds – fixed income	6,751,432	7,001,308
Exchange traded funds	<u>3,512,697</u>	<u>1,321,128</u>
Totals	<u>\$32,515,543</u>	<u>\$27,860,539</u>

The Statement of Activities reports interest and dividend income earned on investments plus interest earned on interest-bearing bank accounts. Investment income is reported net of investment fees and is summarized as follows:

Interest and dividends	\$1,491,069
Management investment fees	<u>(44,203)</u>
Total investment income	<u>\$1,446,866</u>

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2018

NOTE D – INVESTMENTS (CONTINUED):

The investment policies follow a target of 67.5 percent equities, 20 percent fixed income, 7.5 percent emerging markets, and 5 percent real estate funds. The objective is to achieve a total return in excess of spending and inflation plus 6 percent. The volatility is expected to be no greater than 1.2 times the weighted average of various benchmarked index funds, representing equities and fixed income funds.

NOTE E – FAIR VALUE MEASUREMENTS:

Financial Accounting Standards Board Codification 820.10 (FASB ASC 820.10) establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820.10 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Fair values for mutual funds are determined by reference to quoted market prices and other relevant information by market transactions.

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2018

NOTE E – FAIR VALUE MEASUREMENTS (CONTINUED):

At December 31, 2018, the Foundation's investments, measured on a recurring basis, are as follows:

	Level 1	Level 2	Level 3	Total
Mutual funds - equity	\$22,251,414	\$ -	\$ -	\$22,251,414
Mutual funds – fixed income	6,751,432	-	-	6,751,432
Exchange traded funds	<u>3,512,697</u>	-	-	<u>3,512,697</u>
Totals	<u>\$32,515,543</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$32,515,543</u>

Following is a summary of changes in Level 3 investments during the year.

Valuation, January 1, 2018	\$ 197,677
Realized and unrealized gains	(7,087)
Transfers between levels	<u>(190,590)</u>
Valuation, December 31, 2018	<u>\$ -</u>

NOTE F – PLEDGES RECEIVABLE:

As of December 31, 2018, the Foundation has received unconditional promises to give, consisting of pledges as follows:

2019	\$ 37,500
2020	13,400
2021	12,400
2022	6,200
2023	<u>5,000</u>
Total	<u>\$ 74,500</u>

The pledges are recorded at face value and no allowance for uncollectible pledges is recorded.

NOTE G – INTANGIBLE ASSET:

The Foundation contracted the development of a new website totaling \$20,811 during 2013. The website has been amortized using the straight-line method over five years. Amortization expense totaled \$2,082 for the year ended December 31, 2018.

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2018

NOTE H - LAND, BUILDING, FURNITURE AND EQUIPMENT:

Fixed assets consist of the following at December 31, 2018:

Building and improvements	\$ 439,190
Office furnishings and equipment	<u>82,899</u>
	522,089
Less accumulated depreciation	<u>(118,656)</u>
	403,433
Land	<u>25,000</u>
Total	<u>\$ 428,433</u>

Depreciation expense totaled \$19,109 for the year ended December 31, 2018.

NOTE I – GRANTS PAYABLE:

Grants payable consist of grants approved for distribution under its spending policy, but not yet paid, to local nonprofit organizations or individual scholarship recipients. At December 31, 2018, amounts payable are scheduled as follows:

2019	<u>\$ 577,100</u>
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NOTE J - EMPLOYEE RETIREMENT PLAN:

The Foundation has adopted a tax sheltered annuity plan. The plan provides retirement benefits for all employees and is a defined contribution retirement plan. For 2018, the Foundation's contributions to the plan totaled 5.5 percent of qualified compensation and aggregated \$16,327 for the year. Employees are allowed to make contributions to the plan from their earnings as well.

NOTE K – CONCENTRATION OF CREDIT RISK:

Financial instruments that potentially subject the Foundation to a significant concentration of credit risk consist of cash and investments. Cash is deposited in banks and brokerage accounts with satisfactory credit ratings.

At December 31, 2018, amounts on deposit and invested exceed the FDIC and SIPC insurance limits by approximately \$3,102,966. The Foundation's cash balances are maintained at the level deemed appropriate by management for near-term grant making and pass-through funding for special projects, as described in Note K.

Investments are subject to market fluctuations but are spread among a number of different investments in order to minimize risk. At December 31, 2018, investments were in mutual funds funded with corporate bonds and common stock issues.

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2018

NOTE L – PASS-THROUGH LIABILITIES, SPECIAL PROJECTS:

Several nonprofit organizations are presently working on capital campaigns or special projects. The Foundation has agreed to receive contributions on behalf of these organizations and disburse them upon adequate funding for eligible costs. These contributions are recorded as pass-through liabilities.

NOTE M – ENDOWMENT FUNDS:

Endowment funds are summarized as follows:

	<u>With Donor Restrictions</u>
Balance, January 1, 2018	\$ 30,047,656
Contributions	1,330,267
Net investment income	1,147,977
Realized and unrealized losses	(3,618,563)
Grants and scholarships	(547,034)
Transfers to other funds	(494,949)
Expenses	<u>(403,676)</u>
Balance, December 31, 2018	<u>\$ 27,461,678</u>

The distributions for grants and scholarships are determined by averaging 12 quarters of each fund's market value multiplied by a spending rate. The Foundation uses 4.75 percent for all endowed fund sub-types, except scholarship funds, which uses 5 percent.

The Foundation has interpreted the Michigan Uniform Prudent Management of Institutional Funds Act (UPMIFA) (Act 87 of 2009) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds unless there are explicit donor stipulations to the contrary. The original gift is defined by the Foundation as (a) the original value of gifts donated to all donor-restricted endowments, (b) the original value of subsequent gifts to donor-restricted endowments and (c) accumulations to the donor-restricted endowments made in accordance with the direction of the applicable donor gift instrument at the time of the accumulation. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purpose of the organization and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation (depreciation) of investments;
6. Other resources of the organization;
7. The investment policies of the organization.

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2018

NOTE N – NET ASSETS WITH DONOR RESTRICTIONS:

As of December 31, 2018, net assets with donor restrictions are available for the following purposes:

Purpose restrictions, available for grant spending:	
Field of interest	\$ 445,343
Donor advised	6,243,324
Donor designated	627,763
Agency endowments	1,553,267
Scholarships	1,008,160
Endowments	<u>672,784</u>
Total purpose-restricted net assets	10,550,641
Endowment funds	<u>22,240,205</u>
Total net assets with donor restrictions	<u>\$ 32,790,846</u>

CHARLEVOIX COUNTY COMMUNITY FOUNDATION
SCHEDULE OF FINANCIAL POSITION BY FUND CLASSIFICATION
December 31, 2018

	Field of Interest	Donor Advised	Designated	Agencies	Scholarships	Unrestricted Endowment	Operations	Eliminations	Total
ASSETS									
CURRENT ASSETS:									
Cash and cash equivalents	\$ 827,585	\$ 1,296,814	\$ 745,966	\$ 486,366	\$ 210,582	\$ 85,965	\$ 199,688	\$ -	\$ 3,852,966
Pledges and accounts receivable	-	1,000	2,000	12,500	22,000	-	7,500	(7,500)	37,500
Due from other funds	-	-	-	-	-	-	149,040	(149,040)	-
Prepaid expenses	-	-	-	-	-	-	3,005	-	3,005
Total current assets	827,585	1,297,814	747,966	498,866	232,582	85,965	359,233	(156,540)	3,893,471
LONG-TERM ASSETS:									
Investments in marketable securities	5,325,509	10,653,337	3,998,965	4,637,852	5,904,562	1,995,318	-	-	32,515,543
Pledges receivable	-	500	-	5,000	31,500	-	-	-	37,000
Intangible asset, net	-	-	-	-	-	-	-	-	-
accumulated amortization	-	-	-	-	-	-	-	-	-
Land, building, furniture and equipment, net of accumulated depreciation	-	-	-	-	-	-	428,433	-	428,433
Total assets	\$ 6,153,094	\$ 11,951,651	\$ 4,746,931	\$ 5,141,718	\$ 6,168,644	\$ 2,081,283	\$ 787,666	\$ (156,540)	\$ 36,874,447
LIABILITIES AND FUND BALANCES									
CURRENT LIABILITIES:									
Grants payable, current	\$ 155,243	\$ 408,278	\$ 2,200	\$ -	\$ 5,354	\$ 6,025	\$ -	\$ -	\$ 577,100
Accounts payable and other	7,500	-	11,000	-	-	-	3,065	(7,500)	14,065
accrued liabilities	30,751	57,494	15,078	11,543	30,931	3,243	-	(149,040)	-
Due to other funds	-	-	-	-	-	-	-	-	-
Total current liabilities	193,494	465,772	28,278	11,543	36,285	9,268	3,065	(156,540)	591,165
OTHER LIABILITIES:									
Pass-through liabilities and special projects	-	-	436,858	9,978	-	-	-	-	446,836
Funds held as agency endowments	-	-	135,961	2,125,038	-	-	-	-	2,260,999
Total liabilities	193,494	465,772	601,097	2,146,559	36,285	9,268	3,065	(156,540)	3,299,000
NET ASSETS:									
Without donor restrictions	-	-	-	-	-	-	784,601	-	784,601
With donor restrictions	5,959,600	11,485,879	4,145,834	2,995,159	6,132,359	2,072,015	-	-	32,790,846
Total net assets	5,959,600	11,485,879	4,145,834	2,995,159	6,132,359	2,072,015	784,601	-	33,575,447
Total liabilities and fund balances	\$ 6,153,094	\$ 11,951,651	\$ 4,746,931	\$ 5,141,718	\$ 6,168,644	\$ 2,081,283	\$ 787,666	\$ (156,540)	\$ 36,874,447

The accompanying notes are a part of the financial statements.

CHARLEVOIX COUNTY COMMUNITY FOUNDATION
SCHEDULE OF ACTIVITIES BY FUND CLASSIFICATION

for the year ended December 31, 2018

	Field of Interest	Donor Advised	Designated	Agencies	Scholarships	Unrestricted Endowment	Operations	Total
REVENUES:								
Donations	\$ 93,596	\$ 806,342	\$ 356,698	\$ 87,414	\$ 361,504	\$ 32,950	\$ -	\$ 1,738,504
Interest and dividends	248,956	473,140	167,859	201,516	251,885	85,516	17,994	1,446,866
Fees	(125,747)	(236,040)	(53,504)	(46,926)	(125,809)	(12,970)	605,310	4,314
Other income	-	-	-	-	-	-	8,478	8,478
Net realized and unrealized losses on investments	(776,221)	(1,450,313)	(512,420)	(342,777)	(797,937)	(266,934)	-	(4,146,602)
Total revenues (losses)	(559,416)	(406,871)	(41,367)	(100,773)	(310,357)	(161,438)	631,782	(948,440)
EXPENSES:								
Program services:								
Grants and scholarships	297,577	1,546,200	308,996	236,394	200,729	53,588	-	2,643,484
Operating costs	7,500	5,322	3,422	-	12,547	-	278,093	306,884
Total program expenses	305,077	1,551,522	312,418	236,394	213,276	53,588	278,093	2,950,368
Management Fundraising	123	870	119	1,032	108	55	142,751	145,058
	-	-	-	-	-	-	121,864	121,864
Total expenses	305,200	1,552,392	312,537	237,426	213,384	53,643	542,708	3,217,290
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(864,616)	(1,959,263)	(353,904)	(338,199)	(523,741)	(215,081)	89,074	(4,165,730)
NET ASSETS:								
January 1, 2018	6,710,942	13,643,068	4,738,539	3,259,092	6,434,604	2,260,031	694,901	37,741,177
Interfund transfers	113,274	(197,926)	(238,801)	74,266	221,496	27,065	626	-
NET ASSETS, December 31, 2018	\$ 5,959,600	\$11,485,879	\$ 4,145,834	\$ 2,995,159	\$ 6,132,359	\$ 2,072,015	\$ 784,601	\$ 33,575,447