

CHARLEVOIX COUNTY COMMUNITY FOUNDATION  
(a Michigan nonprofit corporation)

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FINANCIAL STATEMENTS  
for the year ended December 31, 2017

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

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# MASON, KAMMERMANN & ROHRBACK, P.C.

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*Certified Public Accountants*

Velda K. Kammermann  
Todd P. Rohrback

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Established 1988  
www.northmicpa.com

Corey R. Bascom

April 23, 2018

## 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, 2017, and the related statements of activities 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.

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## **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, 2017, 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.

## **Report on Summarized Comparative Information**

We have previously audited Charlevoix County Community Foundation's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 21, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, 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, 2017

(with comparative totals as of December 31, 2016)

|  | <u>ASSETS</u>        |                      |
|--|----------------------|----------------------|
|  | <u>2017</u>          | <u>2016</u>          |
| <b>CURRENT ASSETS:</b>   |                      |                      |
| Cash and cash equivalents  | \$ 4,435,922         | \$ 4,468,597         |
| Pledges and accounts receivable (Note E)   | 72,175               | 43,475               |
| Prepaid expenses   | <u>3,005</u>         | <u>6,927</u>         |
| Total current assets   | 4,511,102            | 4,518,999            |
| <b>LONG-TERM ASSETS:</b>   |                      |                      |
| Investments in marketable securities   | 35,589,264           | 30,260,935           |
| Pledges receivable (Note E)  | 55,800               | 42,475               |
| Other investment, land   | -                    | 44,585               |
| Intangible asset, net accumulated amortization (Note G)                              | 2,082                | 6,244                |
| Land, building, furniture and equipment,<br>net of accumulated depreciation (Note F) | <u>447,542</u>       | <u>456,688</u>       |
| Total assets   | <u>\$ 40,605,790</u> | <u>\$ 35,329,926</u> |
| <b><u>LIABILITIES AND NET ASSETS</u></b>   |                      |                      |
| <b>CURRENT LIABILITIES:</b>  |                      |                      |
| Grants payable   | \$ 406,856           | \$ 626,194           |
| Accounts payable and other<br>accrued liabilities                                    | <u>28,640</u>        | <u>23,349</u>        |
| Total current liabilities  | 435,496              | 649,543              |
| <b>OTHER LIABILITIES:</b>  |                      |                      |
| Grants payable, long-term  | 26,666               | 30,000               |
| Pass-through liabilities<br>and special projects (Note K)                            | 330,301              | 378,909              |
| Funds held on behalf of agencies   | <u>2,072,150</u>     | <u>1,843,084</u>     |
| Total liabilities  | 2,864,613            | 2,901,536            |
| <b>NET ASSETS:</b>   |                      |                      |
| Unrestricted   | 694,901              | 667,107              |
| Temporarily restricted for grant making  | 14,647,640           | 10,114,284           |
| Permanently restricted for endowments  | <u>22,398,636</u>    | <u>21,646,999</u>    |
| Total net assets   | <u>37,741,177</u>    | <u>32,428,390</u>    |
| Total liabilities and net assets   | <u>\$ 40,605,790</u> | <u>\$ 35,329,926</u> |

The accompanying notes are a part of the financial statements.

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

STATEMENT OF ACTIVITIES

for the year ended December 31, 2017

(with comparative totals for the year ended December 31, 2016)

|  | 2017              |                        |                        | 2016                |                      |
|--|-------------------|------------------------|------------------------|---------------------|----------------------|
|  | Unrestricted      | Temporarily Restricted | Permanently Restricted | Total               | Total                |
| <b>REVENUES AND SUPPORT:</b>                     |                   |                        |                        |                     |                      |
| Contributions                                    | \$ -              | \$ 2,076,918           | \$ 565,198             | \$ 2,642,116        | \$ 6,429,029         |
| Investment income                                | 9,430             | 1,328,831              | -                      | 1,338,261           | 616,789              |
| Other income                                     | 12,791            | 2,400                  | -                      | 15,191              | 2,400                |
| Net realized and unrealized gains on investments | -                 | 4,410,484              | -                      | 4,410,484           | 1,172,093            |
| Net assets released from restrictions            | <u>3,098,838</u>  | <u>(3,285,277)</u>     | <u>186,439</u>         | <u>-</u>            | <u>-</u>             |
| Total revenues and support                       | 3,121,059         | 4,533,356              | 751,637                | 8,406,052           | 8,220,311            |
| <b>EXPENSES:</b>                                 |                   |                        |                        |                     |                      |
| Program Services:                                |                   |                        |                        |                     |                      |
| Grants and scholarships                          | 2,502,164         | -                      | -                      | 2,502,164           | 2,075,390            |
| Operating costs                                  | <u>313,990</u>    | <u>-</u>               | <u>-</u>               | <u>313,990</u>      | <u>302,137</u>       |
| Total program services                           | 2,816,154         | -                      | -                      | 2,816,154           | 2,377,527            |
| Supporting Services:                             |                   |                        |                        |                     |                      |
| Management                                       | 149,689           | -                      | -                      | 149,689             | 138,119              |
| Fundraising                                      | <u>127,422</u>    | <u>-</u>               | <u>-</u>               | <u>127,422</u>      | <u>100,443</u>       |
| Total supporting services                        | <u>277,111</u>    | <u>-</u>               | <u>-</u>               | <u>277,111</u>      | <u>238,562</u>       |
| Total expenses                                   | <u>3,093,265</u>  | <u>-</u>               | <u>-</u>               | <u>3,093,265</u>    | <u>2,616,089</u>     |
| Change in net assets                             | 27,794            | 4,533,356              | 751,637                | 5,312,787           | 5,604,222            |
| NET ASSETS, beginning of year                    | <u>667,107</u>    | <u>10,114,284</u>      | <u>21,646,999</u>      | <u>32,428,390</u>   | <u>26,824,168</u>    |
| NET ASSETS, end of year                          | <u>\$ 694,901</u> | <u>\$ 14,647,640</u>   | <u>\$22,398,636</u>    | <u>\$37,741,177</u> | <u>\$ 32,428,390</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, 2017

(with comparative totals as of December 31, 2016)

|  | <u>2017</u>                | <u>2016</u>                |
|--|----------------------------|----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                            |                            |
| Change in net assets   | \$ 5,312,787               | \$ 5,604,222               |
| Adjustments to reconcile change in net assets<br>to net cash provided by operating activities: |                            |                            |
| Noncash donations  | (965,905)                  | (1,129,989)                |
| Noncash grant, land used in grantee's programs   | 44,585                     | -                          |
| Cash donations for endowments  | 497,420                    | (760,238)                  |
| Depreciation and amortization  | 22,183                     | 22,550                     |
| Realized losses (gains) on sales of investments  | (277,532)                  | 2,558                      |
| Net unrealized gains on investments  | (4,102,537)                | (1,174,651)                |
| Decrease (increase) in pledges and accounts receivable   | (42,025)                   | 58,575                     |
| Decrease in prepaid expenses   | 3,922                      | 5,600                      |
| Increase in accounts payable and<br>other accrued liabilities                                  | 5,291                      | 9,956                      |
| Decrease in pass-through liabilities<br>and special projects                                   | (48,608)                   | (22,001)                   |
| Increase in funds held on behalf of agencies   | 229,066                    | 239,791                    |
| Decrease in grants payable   | (222,672)                  | (82,194)                   |
| Net cash flows provided by operating activities  | <u>455,975</u>             | <u>2,774,179</u>           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                            |                            |
| Purchase of fixed assets   | (8,875)                    | (12,366)                   |
| Purchase of investments  | (2,625,727)                | (7,086,487)                |
| Proceeds from sales of investments   | <u>1,582,716</u>           | <u>4,448,744</u>           |
| Net cash flows used by investing activities  | <u>(1,051,886)</u>         | <u>(2,650,109)</u>         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |                            |                            |
| Payments for charitable remainder trusts   | (1,962)                    | (15,543)                   |
| Donations for endowments   | <u>565,198</u>             | <u>900,712</u>             |
| Net cash flows provided by financing activities  | <u>563,236</u>             | <u>885,169</u>             |
| <b>NET INCREASE (DECREASE) IN<br/>CASH AND CASH EQUIVALENTS</b>                                | <b>(32,675)</b>            | <b>1,009,239</b>           |
| <b>CASH AND CASH EQUIVALENTS, beginning of year</b>  | <b><u>4,468,597</u></b>    | <b><u>3,459,358</u></b>    |
| <b>CASH AND CASH EQUIVALENTS, end of year</b>  | <b><u>\$ 4,435,922</u></b> | <b><u>\$ 4,468,597</u></b> |

The accompanying notes are a part of the financial statements.

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2017

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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 unrestricted, temporarily restricted and permanently restricted 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.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets.

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, 2016, 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 \$18,021.



CHARLEVOIX COUNTY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2017

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

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

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, 2015.

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.

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2017

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

Advertising

Advertising costs are expensed as incurred.

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.

NOTE B – DATE OF MANAGEMENT'S REVIEW:

In preparing the financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosures through April 23, 2018, the date the financial statements were available to be issued.

NOTE C – 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:

|                             | <u>FAIR<br/>VALUE</u> | <u>COST</u>         |
|-----------------------------|-----------------------|---------------------|
| Mutual funds – equity       | \$25,366,951          | \$18,359,349        |
| Mutual funds – fixed income | 6,136,925             | 6,200,234           |
| Exchange traded funds       | 3,887,711             | 1,321,128           |
| Hedge funds                 | <u>197,677</u>        | <u>124,202</u>      |
| Totals                      | <u>\$35,589,264</u>   | <u>\$26,004,913</u> |

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2017

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NOTE C – INVESTMENTS:

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   | \$1,386,667        |
| Management investment fees                                     | (46,444)           |
| Distributions to beneficiaries of<br>split-interest agreements | <u>(1,962)</u>     |
| Total investment income  | <u>\$1,338,261</u> |

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 D – 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.

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2017

NOTE D – FAIR VALUE MEASUREMENTS (CONTINUED):

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. Fair values for hedge funds are based on meaningful third-party transactions and comparable public market valuations.

At December 31, 2017, the Foundation's investments, measured on a recurring basis, are as follows:

|                             | <u>Level 1</u>      | <u>Level 2</u> | <u>Level 3</u>    | <u>Total</u>        |
|-----------------------------|---------------------|----------------|-------------------|---------------------|
| Mutual funds - equity       | \$25,366,951        | \$ -           | \$ -              | \$25,366,951        |
| Mutual funds – fixed income | 6,136,925           | -              | -                 | 6,136,925           |
| Exchange traded funds       | 3,887,711           | -              | -                 | 3,887,711           |
| Hedge funds                 | <u>-</u>            | <u>-</u>       | <u>197,677</u>    | <u>197,677</u>      |
| Totals                      | <u>\$35,391,587</u> | <u>\$ -</u>    | <u>\$ 197,677</u> | <u>\$35,589,264</u> |

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

|  |                   |
|--|-------------------|
| Valuation, January 1, 2017               | \$ 566,177        |
| Realized and unrealized gains            | 138,343           |
| Reclassify investments<br>between levels | <u>(506,843)</u>  |
| Valuation, December 31, 2017             | <u>\$ 197,677</u> |

NOTE E – PLEDGES RECEIVABLE:

As of December 31, 2017, the Foundation has received unconditional promises to give, consisting of pledges as follows:

|       |                   |
|-------|-------------------|
| 2018  | \$ 64,275         |
| 2019  | 28,500            |
| 2020  | 14,700            |
| 2021  | 11,900            |
| 2022  | <u>700</u>        |
| Total | <u>\$ 120,075</u> |

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

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2017

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NOTE F - LAND, BUILDING, FURNITURE AND EQUIPMENT:

Fixed assets consist of the following at December 31, 2017:

|                                  |                   |
|----------------------------------|-------------------|
| Building and improvements        | \$ 439,190        |
| Office furnishings and equipment | <u>82,899</u>     |
|                                  | 522,089           |
| Less accumulated depreciation    | <u>(99,547)</u>   |
|                                  | 422,542           |
| Land                             | <u>25,000</u>     |
| Total                            | <u>\$ 447,542</u> |

Depreciation expense totaled \$18,021 for the year ended December 31, 2017.

NOTE G – INTANGIBLE ASSET:

The Foundation contracted the development of a new website totaling \$20,811 during 2013. The website is being amortized using the straight-line method over five years. Amortization expense totaled \$4,162 for the year ended December 31, 2017.

NOTE H – 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, 2017, amounts payable are scheduled as follows:

|       |                   |
|-------|-------------------|
| 2018  | \$ 406,856        |
| 2019  | <u>26,666</u>     |
| Total | <u>\$ 433,522</u> |

NOTE I - 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 2017, the Foundation's contributions to the plan totaled 5.5 percent of qualified compensation and aggregated \$16,348 for the year. Employees are allowed to make contributions to the plan from their earnings as well.

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2017

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NOTE J – 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, 2017, amounts on deposit and invested exceed the FDIC and SIPC insurance limits by approximately \$3,685,922. 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, 2017, investments were in mutual funds funded with corporate bonds and common stock issues.

NOTE K – 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 L – ENDOWMENT FUNDS:

Endowment funds are summarized as follows:

|                                   |                      |
|-----------------------------------|----------------------|
| Balance, January 1, 2017          | \$ 25,676,480        |
| Contributions                     | 918,300              |
| Net investment income             | 1,078,394            |
| Realized and<br>unrealized losses | 3,787,075            |
| Grants and scholarships           | (818,344)            |
| Transfers to other funds          | (533,450)            |
| Expenses                          | <u>(60,799)</u>      |
| Balance, December 31, 2017        | <u>\$ 30,047,656</u> |

CHARLEVOIX COUNTY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2017

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NOTE L – ENDOWMENT FUNDS (CONTINUED):

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 use 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 absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument, if any, at the time of the accumulation. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. Temporarily restricted donations specified by the donor to restore funds with deficiencies to the original corpus amount are recorded as unrestricted endowment net assets. 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  
SCHEDULE OF FINANCIAL POSITION BY FUND CLASSIFICATION

December 31, 2017

|  | Field of Interest | Donor Advised | Designated   | Agencies     | Scholarships | Unrestricted Endowment | Operations | Eliminations | Total         |
|--|-------------------|---------------|--------------|--------------|--------------|------------------------|------------|--------------|---------------|
| <b>ASSETS</b>  |                   |               |              |              |              |                        |            |              |               |
| <b>CURRENT ASSETS:</b>   |                   |               |              |              |              |                        |            |              |               |
| Cash and cash equivalents  | \$ 963,946        | \$ 1,985,224  | \$ 467,166   | \$ 685,587   | \$ 188,209   | \$ 59,516              | \$ 86,274  | \$ -         | \$ 4,435,922  |
| Pledges and accounts receivable  | -                 | 1,500         | 2,400        | 18,775       | 42,000       | -                      | 7,500      | -            | 72,175        |
| Due from other funds   | -                 | -             | -            | -            | -            | -                      | 157,622    | (157,622)    | -             |
| Prepaid expenses   | -                 | -             | -            | -            | -            | -                      | 3,005      | -            | 3,005         |
| Total current assets   | 963,946           | 1,986,724     | 469,566      | 704,362      | 230,209      | 59,516                 | 254,401    | (157,622)    | 4,511,102     |
| <b>LONG-TERM ASSETS:</b>   |                   |               |              |              |              |                        |            |              |               |
| Investments in marketable securities                                     | 5,962,576         | 11,948,196    | 4,592,116    | 4,658,733    | 6,203,462    | 2,224,181              | -          | -            | 35,589,264    |
| Pledges receivable   | -                 | 1,500         | 2,000        | 17,300       | 35,000       | -                      | -          | -            | 55,800        |
| Intangible asset, net  | -                 | -             | -            | -            | -            | -                      | 2,082      | -            | 2,082         |
| accumulated amortization   | -                 | -             | -            | -            | -            | -                      | -          | -            | -             |
| Land, building, furniture and equipment, net of accumulated depreciation | -                 | -             | -            | -            | -            | -                      | 447,542    | -            | 447,542       |
| Total assets   | \$ 6,926,522      | \$ 13,936,420 | \$ 5,063,682 | \$ 5,380,395 | \$ 6,468,671 | \$ 2,283,697           | \$ 704,025 | \$ (157,622) | \$ 40,605,790 |
| <b>LIABILITIES AND FUND BALANCES</b>                                     |                   |               |              |              |              |                        |            |              |               |
| <b>CURRENT LIABILITIES:</b>  |                   |               |              |              |              |                        |            |              |               |
| Grants payable, current  | \$ 176,202        | \$ 206,439    | \$ 1,100     | \$ -         | \$ 2,666     | \$ 20,449              | \$ -       | \$ -         | \$ 406,856    |
| Accounts payable and other accrued liabilities                           | 7,500             | -             | 12,016       | -            | -            | -                      | -          | -            | 28,640        |
| Due to other funds   | 31,872            | 60,247        | 16,015       | 14,870       | 31,401       | 3,217                  | -          | (157,622)    | -             |
| Total current liabilities  | 215,574           | 266,686       | 29,131       | 14,870       | 34,067       | 23,666                 | 9,124      | (157,622)    | 435,496       |
| <b>OTHER LIABILITIES:</b>  |                   |               |              |              |              |                        |            |              |               |
| Grants payable, long term  | -                 | 26,666        | -            | -            | -            | -                      | -          | -            | 26,666        |
| Pass-through liabilities and special projects                            | 6                 | -             | 95,794       | 234,501      | -            | -                      | -          | -            | 330,301       |
| Funds held as agency endowments  | -                 | -             | 200,218      | 1,871,932    | -            | -                      | -          | -            | 2,072,150     |
| Total liabilities  | 215,580           | 293,352       | 325,143      | 2,121,303    | 34,067       | 23,666                 | 9,124      | (157,622)    | 2,864,613     |
| <b>NET ASSETS:</b>   |                   |               |              |              |              |                        |            |              |               |
| Unrestricted   | -                 | -             | -            | -            | -            | -                      | 694,901    | -            | 694,901       |
| Temporarily restricted for grant making                                  | 1,336,931         | 8,485,256     | 1,328,639    | 902,722      | 1,676,637    | 917,455                | -          | -            | 14,647,640    |
| Permanently restricted endowment   | 5,374,011         | 5,157,812     | 3,409,900    | 2,356,370    | 4,757,967    | 1,342,576              | -          | -            | 22,398,636    |
| Total net assets   | 6,710,942         | 13,643,068    | 4,738,539    | 3,259,092    | 6,434,604    | 2,260,031              | 694,901    | -            | 37,741,177    |
| Total liabilities and fund balances                                      | \$ 6,926,522      | \$ 13,936,420 | \$ 5,063,682 | \$ 5,380,395 | \$ 6,468,671 | \$ 2,283,697           | \$ 704,025 | \$ (157,622) | \$ 40,605,790 |

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, 2017

|  | Field of Interest   | Donor Advised       | Designated          | Agencies            | Scholarships        | Unrestricted Endowment | Operations        | Total                |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|------------------------|-------------------|----------------------|
| <b>REVENUES:</b>                                     |                     |                     |                     |                     |                     |                        |                   |                      |
| Donations  | \$ 106,698          | \$ 1,596,430        | \$ 525,708          | \$ 201,103          | \$ 190,751          | \$ 21,426              | \$ -              | \$ 2,642,116         |
| Interest and dividends                               | 239,287             | 446,062             | 162,554             | 171,584             | 227,188             | 82,156                 | 9,430             | 1,338,261            |
| Fees   | (119,835)           | (222,985)           | (52,508)            | (42,449)            | (115,473)           | (12,868)               | 570,320           | 4,202                |
| Other income   | -                   | -                   | 2,400               | -                   | -                   | -                      | 8,589             | 10,989               |
| Net realized and unrealized gains on investments     | 842,282             | 1,537,025           | 585,869             | 356,123             | 794,499             | 294,686                | -                 | 4,410,484            |
| Total revenues                                       | 1,068,432           | 3,356,532           | 1,224,023           | 686,361             | 1,096,955           | 385,400                | 588,339           | 8,406,052            |
| <b>EXPENSES:</b>                                     |                     |                     |                     |                     |                     |                        |                   |                      |
| Program services:                                    |                     |                     |                     |                     |                     |                        |                   |                      |
| Grants and scholarships                              | 300,579             | 1,257,644           | 548,646             | 154,416             | 196,478             | 44,401                 | -                 | 2,502,164            |
| Operating costs                                      | 7,500               | 3,002               | 18,542              | -                   | -                   | -                      | 284,946           | 313,990              |
| Total program expenses                               | 308,079             | 1,260,646           | 567,188             | 154,416             | 196,478             | 44,401                 | 284,946           | 2,816,154            |
| Management   | 35                  | 680                 | 256                 | 356                 | 123                 | 62                     | 148,177           | 149,689              |
| Fundraising  | -                   | -                   | -                   | -                   | -                   | -                      | 127,422           | 127,422              |
| Total expenses                                       | 308,114             | 1,261,326           | 567,444             | 154,772             | 196,601             | 44,463                 | 560,545           | 3,093,265            |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b> | 760,318             | 2,095,206           | 656,579             | 531,589             | 900,364             | 340,937                | 27,794            | 5,312,787            |
| <b>NET ASSETS:</b>                                   |                     |                     |                     |                     |                     |                        |                   |                      |
| January 1, 2017                                      | 5,753,447           | 11,678,719          | 4,055,546           | 2,715,003           | 5,539,274           | 2,019,294              | 667,107           | 32,428,390           |
| Interfund transfers                                  | 197,177             | (130,857)           | 26,414              | 12,500              | (5,034)             | (100,200)              | -                 | -                    |
| <b>NET ASSETS, December 31, 2017</b>                 | <u>\$ 6,710,942</u> | <u>\$13,643,068</u> | <u>\$ 4,738,539</u> | <u>\$ 3,259,092</u> | <u>\$ 6,434,604</u> | <u>\$ 2,260,031</u>    | <u>\$ 694,901</u> | <u>\$ 37,741,177</u> |

The accompanying notes are a part of the financial statements.