

**THE COMMUNITY FOUNDATION  
OF ST. CLAIR COUNTY AND  
SUPPORTING ORGANIZATION**

**CONSOLIDATED FINANCIAL STATEMENTS  
with Supplementary Information**

**FOR THE YEAR ENDED  
DECEMBER 31, 2010**

**Stewart,  
Beauvais  
& Whipple P.C.**



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CERTIFIED PUBLIC ACCOUNTANTS

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY  
AND SUPPORTING ORGANIZATION**

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community foundation

of St. Clair County

April 2011

To our Trustees, Volunteers, Donors and Partners:

We are pleased to present these financial statements for the year-ended December 31, 2010. In 2010, we continued to see promising improvements in our financial health and in the economy, despite our County and State being one of the hardest hit. These struggles and the resulting budget cuts continue to place more demand for community-wide, proactive leadership, collaborations and leveraging of assets, all of which the Community Foundation has demonstrated success with.

So many look to the Community Foundation to fill a proactive, neutral leadership role and through our Board, staff and hundreds of volunteers associated with the Foundation, we have experienced great success in bringing together the donors and doers from our communities to tackle our region's challenges and opportunities, and make things happen for the overall betterment of our communities.

The Community Foundation recognizes the ever-changing community needs within our County and strives to align our discretionary funds, time and available community resources to addressing those needs as identified periodically through our assessment and evaluation including the input from over 400 of our constituents. Our current top strategic priorities for the three year period of 2010 – 2012 are:

- **Education**
- **Community and Economic Development**
- **Arts and Culture**
- **Basic Needs and Human Services**

Through our Education Taskforce initiatives including the College Access Program and the Middle School Technology Grant Program, we are proud to say that we are readying our students to be competitive in the global market and we have put a college degree within reach for many students who otherwise were destined for a less fortunate life.

Community and economic development also continue to be one of our top priorities, and Foundation leadership is actively engaged with the county-wide Economic Development Strategic Plan. Downtown businesses throughout the Blue Water area continue to receive support through the Small Business Concierge we initiated and have now transitioned to the EDA. Collectively, the entire Blue Water area has benefited from successful programs such as the Discover the Blue Tourism Campaign, and their input into the round of downtown summits now underway will keep the forward momentum going.

The Community Foundation recognizes that businesses and people are attracted to our area in part by the arts and culture experiences offered within our community. The Community Foundation is proud to support arts and culture through our Blue Water Arts Committee.

Basic needs and human services and the charitable organizations that service those needs have remained an area of funding priority in these troubling economic times and federal and state budget cuts. To raise awareness to those needs and leverage community resources, the Community Foundation proactively sponsored a "Match Day" in June 2009 for the benefit of such organizations and followed it up with a similar event in 2010 as our County continues its economic recovery.

The Community Foundation's Board awarded new grants aggregating \$862,856 in 2010, which differs slightly from the amounts reported on the consolidated statements due to prior years' grant refunds, a FAS 136 adjustment, and a supporting organization elimination. Additionally, the Community Foundation awarded \$105,182 in pass-through distributions through programs such as Match Day. On a consolidated basis, an additional \$616,436 was allocated in 2010 to Foundation programs and initiatives which include those described in subsequent paragraphs below. Through the 10 years ended December 31, 2010, the Foundation has distributed \$13 million in grants to non-profit organizations throughout St. Clair County.

Our ability to improve the quality of life in our community through grant awards would not be possible without the continued generosity of our donors. On a consolidated basis, the Community Foundation received contributions aggregating approximately \$1.66 million in 2010 from more than 716 donors along with a number of new endowment funds.

The core purpose of a community foundation is to assist donors in fulfilling their charitable goals which is predominately done by building and maintaining endowments in perpetuity, unlike most non-profit organizations that raise funds for immediate use and distribution. As a community foundation, our charitable grant-making is generally limited to the earnings from our endowed assets, which is governed by a spending policy based upon the growth and earnings from its endowed funds. The economy and market performance obviously impact the availability of funds for granting, and thus, to preserve yet grow our investments, the Foundation takes a prudent long-term total return investment approach. Our portfolio is actively overseen by a knowledgeable and experienced Finance and Investment Committee and the services of an investment advisor. Our comprehensive investment policy outlines the Foundation's diversified investment portfolio, which by purposeful design, will not capture all of the market highs yet conversely will also not experience all of the market lows.

The Foundation's investments have provided historically good returns under this approach and in comparison with our peers of foundation, endowment and institutional investors, we have consistently performed well. In 2010, our investment return of 15.58% out-performed the average return for all foundations in a recent Council on Foundations survey, including the best performing class of community foundations with assets of \$250 - \$499 million with an average return of 13.3%, and our foundation class with assets of \$25 - \$49 million with an average return of 12.2%. A more notable observation from this survey in our view, however, is that we also out-performed the average return for all asset classes on the 3-year and 5-year time horizons as well. Additionally, in another survey recently released for the period ending June 2010, we significantly out-performed university endowments like Harvard, U of M & Stanford.

The Foundation continues to view accountability, transparency and credibility as critical to its current and future success. Our audited financial statements and IRS Form 990 are available on our website or upon request. The Foundation takes pride in these achievements:

- o We have received an unqualified audit opinion annually since its inception in 1944;
- o We were among the first 150 community foundations to receive national certification for compliance with the new National Standards from the Council on Foundations in 2005, and submitted our 5-year recertification documents in the fall of 2010 and are presently awaiting confirmation of our recertification;
- o We have maintained our annual certification with the State of Michigan for the special community foundation tax credit since the credit's inception.

With regard to the following audited financial statements, Foundation management continues to acknowledge and stand behind their responsibility for the financial statements, sound accounting policies, system of internal controls, and for the prevention and detection of fraud. Throughout the independent audit, management has made available all financial records, minutes, fund agreements, policies and procedures, and other documentation, and has provided the required, signed management representations regarding our operations and financial records.


The Community Foundation of St. Clair County coupled with The Community Renaissance Fund, its Type I supporting organization, is a large and complex non-profit corporation, and our operations reflect the proactive strategies of our Board and our commitment to tackle large scale community issues in the pursuit of improving the people and place of St. Clair County.

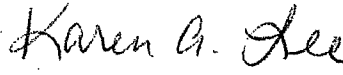
Through the leadership of its seven staff members, a very knowledgeable Board of Trustees, and a volunteer workforce of well over 100 people, the Foundation's impact goes well beyond just grant making. Through supporting organizations and collaborative projects and programs with multiple other partners, the Foundation is able to:

- Own the county's only long-term home for homeless teenagers which we rent to another nonprofit for \$1 per year.
- Provide management and accounting support for Studio 1219, the area's largest public art gallery and center, which was developed by our Community Renaissance Fund, the Port Huron Downtown Development Authority and The James C. Acheson Foundation.
- Operate the Acheson Community Resource Center which provides meeting space and workshops for local nonprofits, groups and organizations and also houses the Volunteer Action Center which connects willing volunteers with non-profits in need of assistance.
- Organize the free distribution of more than 3,000 backpacks filled with school supplies for low income children in four communities each August.
- Established and continue to facilitate a county-wide, broadly represented education taskforce with the primary goal of keeping our students on a path towards some type of post-secondary education.
- Fund a pilot College Access Office located in one of our Port Huron High Schools, which helps students understand their higher education options and guides them through the application and funding processes.
- Lead the facilitation efforts toward a regional vision plan for our waterfront downtowns.
- Partner with the various municipalities and organizations to explore and develop ways to promote the area and spur economic and community development.
- Explore and develop plans for a Blue Water River Walk and a shoreline and habitat restoration project that will permanently ensure public access and appreciation to 4000 feet of shoreline on the shores of the St. Clair River.

Since 1944 the Community Foundation of St. Clair County has been the leading voice for philanthropy in St. Clair County. With the continued support, trust and involvement of our donors, volunteers and partners, we will continue to improve the quality of life for all of our residents.

Respectively submitted,

  
Randy Maiers  
President & CEO

  
Karen A. Lee  
Director of Finance



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Community Foundation of St. Clair County  
Port Huron, Michigan

We have audited the accompanying consolidated statements of financial position of the Community Foundation of St. Clair County (a not-for-profit organization) and its supporting organization, Community Renaissance Fund, as of December 31, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summary of comparative information has been derived from the Organization's 2009 financial statements and, in our report dated June 18, 2010 we expressed an unqualified opinion on those financial statements.

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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Community Foundation of St. Clair County as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The introductory section and the supplementary information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements, and accordingly, we express no opinion.

  
Certified Public Accountants

April 28, 2011

## **BASIC FINANCIAL STATEMENTS**

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY  
AND SUPPORTING ORGANIZATION**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2010 AND 2009**

**ASSETS**

	<u>2010</u>	<u>2009</u>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 1,039,227	\$ 835,115
Certificates of deposit	350,000	-
Receivables -		
Pledges	19,500	277,001
Interest and other	3,629	911
Notes	49,285	16,341
Prepaid expenses	196	-
Total Current Assets	<u>1,461,837</u>	<u>1,129,368</u>
<b>Non-Current Asset:</b>		
Pledges (net of discount \$2,828 and \$4,765 respectively)	18,872	27,485
Notes receivable	88,759	156,654
Total Non-Current Assets	<u>107,631</u>	<u>184,139</u>
<b>Land, Building and Equipment:</b>		
Property and equipment (net of accumulated depreciation of \$317,821 and \$274,858, respectively)	<u>420,187</u>	<u>446,408</u>
<b>Other Assets:</b>		
Cash surrender value of contributed life insurance	147,972	143,481
Investments - endowments	29,659,443	26,340,844
Investments - charitable gift annuity	151,043	154,588
Total Other Assets	<u>29,958,458</u>	<u>26,638,913</u>
Total Assets	<u>\$ 31,948,113</u>	<u>\$ 28,398,828</u>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities:</b>		
Accounts payable	\$ 13,288	\$ 22,047
Grants payable	54,565	79,617
Accrued expenses	33,965	31,986
Deferred revenue	-	83,370
Funds held as agency endowments	1,103,670	983,020
Charitable gift annuity payable	82,931	103,028
Total Current Liabilities	<u>1,288,419</u>	<u>1,303,068</u>
<b>Noncurrent Liabilities:</b>		
Note payable	68,585	68,585
Deferred compensation contract	32,439	26,933
Total Noncurrent Liabilities	<u>101,024</u>	<u>95,518</u>
Total Liabilities	<u>1,389,443</u>	<u>1,398,586</u>
<b>Net Assets:</b>		
Temporarily restricted	23,205,272	20,862,704
Unrestricted	7,353,398	6,137,538
Total Net Assets	<u>30,558,670</u>	<u>27,000,242</u>
Total Liabilities and Net Assets	<u>\$ 31,948,113</u>	<u>\$ 28,398,828</u>

The accompanying notes are an integral part of these financial statements.



**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY  
AND SUPPORTING ORGANIZATION**

**CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2009**

	Unrestricted	Temporarily Restricted	Total	
			2010	2009
<b>Revenue, gains and other support:</b>				
Public Support -				
Contributions	\$ 1,142,867	\$ 516,576	\$ 1,659,443	\$ 940,987
Revenue and Gains -				
Investment income (loss) net of expense	738,026	2,983,517	3,721,543	4,522,345
Increase in cash surrender value of				
life insurance	216	4,275	4,491	5,570
Administrative fee income	11,131	-	11,131	9,336
Other	25,433	110	25,543	17,050
	774,806	2,987,902	3,762,708	4,554,301
Net Assets Released from Restrictions:				
Expenses appropriated by the Board	885,334	( 885,334)	-	-
Expiration of restrictions	276,576	( 276,576)	-	-
	1,161,910	( 1,161,910)	-	-
<b>Total Public Support, Revenues, and Gains</b>	3,079,583	2,342,568	5,422,151	5,495,288
<b>Expenses:</b>				
Program expenses:				
Youth Advisory Council	2,902	-	2,902	480
Grants	750,199	-	750,199	390,904
Back to School Initiatives	40,630	-	40,630	42,233
Access to Recreation	6,932	-	6,932	19,691
Public Arts Expense	43,790	-	43,790	-
Downtown Programs & Promotions	113,430	-	113,430	15,819
Evaluation & Development of Downtown Initiatives	-	-	-	52,987
Other Program Expenses	449,382	-	449,382	419,525
Management and general	310,118	-	310,118	363,563
Fundraising expenses	146,340	-	146,340	130,915
	1,863,723	-	1,863,723	1,436,117
<b>Total Expenses</b>	1,863,723	-	1,863,723	1,436,117
Change in Net Assets	1,215,860	2,342,568	3,558,428	4,059,171
Net Assets at beginning of year	6,137,538	20,862,704	27,000,242	22,941,071
Net Assets at end of year	\$ 7,353,398	\$ 23,205,272	\$ 30,558,670	\$ 27,000,242

The accompanying notes are an integral part of these financial statements.

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY  
AND SUPPORTING ORGANIZATION**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2010  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2009**

	Program Services			Supporting Services	
	Community Foundation	Community Renaissance	Total	Management and General	Fundraising
Salaries	\$ 187,521	\$ 39,747	\$ 227,268	\$ 174,068	\$ 95,747
Employee Benefits/Payroll Taxes	52,739	13,109	65,848	66,837	24,572
Professional Services	2,247	-	2,247	21,300	-
Legal Services	-	-	-	14,258	-
Occupancy	5,282	47,295	52,577	5,296	2,645
Utilities	1,151	3,691	4,842	1,154	576
Equipment Rental and Maintenance	1,737	829	2,566	1,742	870
Telephone	1,229	919	2,148	1,233	616
Postage	1,562	58	1,620	1,566	782
Community Relations (net)	13,433	1,239	14,672	-	-
Donor Cultivation	3,674	-	3,674	-	-
Fundraising Foundation Committee	-	-	-	-	5,706
Dues, Memberships, and Subscriptions	2,057	-	2,057	-	-
Insurance	2,626	-	2,626	2,633	1,315
Office Supplies	2,588	3,001	5,589	2,595	1,296
Stationary/Printing	937	702	1,639	939	469
Computer Maintenance	1,979	-	1,979	1,985	991
Conferences and Travel	2,972	-	2,972	2,980	1,488
Other	2,187	90	2,277	2,193	1,095
Depreciation	4,103	139	4,242	1,293	4,154
	8,024	40,515	48,539	8,046	4,018
	298,048	151,334	449,382	310,118	146,340
Youth Advisory Council	2,902	-	2,902	-	-
Grants Voted from Income	750,199	-	750,199	-	-
Back to School Initiatives	40,630	-	40,630	-	-
Access to Recreation Program	6,932	-	6,932	-	-
Public Art Project Expenses	43,790	-	43,790	-	-
Downtown Programs & Promotions	-	113,430	113,430	-	-
Evaluation & Development of Downtown Initiatives	-	-	-	-	-
<b>Total Expenses</b>	<b>\$ 1,142,501</b>	<b>\$ 264,764</b>	<b>\$ 1,407,265</b>	<b>\$ 310,118</b>	<b>\$ 146,340</b>

The accompanying notes are an integral part of these financial statements.

Total

<u>2010</u>		<u>2009</u>	
\$	497,083	\$	505,321
	157,257		144,409
	23,547		23,133
	14,258		14,584
	60,518		56,151
	6,572		6,194
	5,178		6,842
	3,997		3,729
	3,968		3,333
	14,672		20,165
	3,674		820
	5,706		7,120
	2,057		2,192
	6,574		6,516
	9,480		9,741
	3,047		3,646
	4,955		6,554
	7,440		8,690
	5,565		5,005
	9,689		19,095
	60,603		60,763
	<u>905,840</u>		<u>914,003</u>
	2,902		480
	750,199		390,904
	40,630		42,233
	6,932		19,691
	43,790		-
	113,430		15,819
	-		52,987
	<u>-</u>		<u>52,987</u>
\$	<u>1,863,723</u>	\$	<u>1,436,117</u>

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY  
AND SUPPORTING ORGANIZATION**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2010 AND 2009**

	2010	2009
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 3,558,428	\$ 4,059,171
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	60,603	60,763
Increase in cash surrender value of contributed life insurance	( 4,491)	( 5,570)
Non-cash contributions	( 2,934)	( 20,182)
Unrealized (gain) loss on investments securities	( 2,366,414)	( 3,878,778)
Increase / decrease in operating assets and liabilities -		
Contributions receivable	266,114	( 55,812)
Note receivables	34,951	( 53,689)
Other receivables	( 2,718)	9,469
Prepaid expenses	( 196)	-
Accounts payable	( 8,759)	( 11,570)
Accrued expenses	1,979	( 7,313)
Accrued employee benefits	5,506	2,663
Deferred revenues	( 83,370)	81,995
Grants payable	( 25,052)	( 440,247)
Funds held as agency endowments	30,781	184,322
Charitable gift annuity payable	( 20,097)	( 19,309)
Home held for resale	-	75,000
Net Cash Provided by (Used in) Operating activities	1,444,331	( 19,087)
<b>Cash Flows from Investing Activities:</b>		
Proceeds from sale of investments	11,326,072	3,636,274
Purchase of investments	( 12,181,909)	( 3,743,954)
Purchase of certificates of deposits	( 350,000)	-
Purchase of equipment	( 34,616)	-
Purchase of/loss on disposal of office furniture, equipment and leasehold improvements	234	71
Net Cash Provided by (Used in) Investing Activities	( 1,240,219)	( 107,609)
Net increase (decrease) in cash and cash equivalents	204,112	( 126,696)
Cash and cash equivalents at beginning of year	835,115	961,811
Cash and cash equivalents at end of year	\$ 1,039,227	\$ 835,115
<b>Non-Cash Operating Activities:</b>		
Amortized discount on contributions receivable	\$ 4,765	\$ 21,069

The accompanying notes are an integral part of these financial statements.

**COMMUNITY FOUNDATION OF ST. CLAIR COUNTY  
AND SUPPORTING ORGANIZATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES:**

**DESCRIPTION OF ORGANIZATION:**

The Community Foundation of St. Clair County (known as the Port Huron District Foundation prior to November 1985) was established on November 8, 1944 to receive and accept moneys and other properties to be administered exclusively for charitable purposes, primarily in and for the benefit of the communities of St. Clair County.

The Community Renaissance Fund was organized in 2004 as a 501(c)(3) to serve as a supporting organization of the Community Foundation of St. Clair County. The Board of Directors of the Community Renaissance Fund is determined by the Board of Directors of the Community Foundation. Since the Community Foundation of St. Clair County has a controlling interest, generally accepted accounting standards require that it be consolidated with the Community Foundation of St. Clair County. The consolidated financial statements report all activities of the Community Foundation of St. Clair County and the Community Renaissance Fund where any inter-company transactions are eliminated.

**SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Community Foundation of St. Clair County (the Foundation) conform to accounting principles generally accepted in the United States of America as applicable to nonprofit organizations. The following is a summary of the more significant accounting policies:

**BASIS OF ACCOUNTING/PRESENTATION** - The consolidated financial statements include the accounts of the Community Foundation of St. Clair County and the Community Renaissance Fund, which are reported on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Inter-organizational transactions have been eliminated in the consolidated statements. The statements are presented in accordance with the accounting principles outlined in the American Institute of Certified Public Accountants Audit and Accounting Guide for Not-for-Profit Organizations and the Financial Accounting Standards Board in its Accounting Standards Codification Statement 958. In accordance with ASC 958, contributions received are reported as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. In addition, the Foundation is required to report a Statement of Cash Flows.

The bylaws of the Foundation include a variance provision that allows the Board of Trustees of the Foundation to vary the use of substantially all contributions. The Board of Trustees strives to honor a donor's charitable intent, unless in their sole judgment that intent becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community, or area served by the Foundation. Since the Board of Trustees must exercise the variance power, these contributions have been shown as temporarily restricted.

**CASH AND CASH EQUIVALENTS** - The Foundation considers all highly liquid investments with a maturity of three months or less from the date of purchase to be cash equivalents.

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY  
AND SUPPORTING ORGANIZATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

**INVESTMENTS** - The Foundation reports its investments in accordance with generally accepted accounting principles for not-for-profit organizations, which establish accounting standards for investments in certain equity securities and for all debt securities. The guidance prescribes that covered investments be reported in the statement of financial position at fair value with any realized or unrealized gains or losses reported in the Statement of Activities. Donated investments are recorded at the "fair" value on the date received and thereafter carried in accordance with the above provisions.

Investment income is recognized as revenue in the period it is earned and gains and losses are recognized as changes in net assets in the accounting period in which they occur.

**PLEDGES RECEIVABLE** - Unconditional promises to give are recognized as contributions in the period the promise is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional contributions receivable that are expected to be collected within one year are recorded at the net realizable value. Unconditional contributions receivable that are expected to be collected in future years are recorded at the present value of the expected future cash flows using management's best estimate of key assumptions including collectability, payment period and a discount rate commensurate with current market and other risks involved.

**NOTES RECEIVABLE** - Notes receivable are stated at the amount management expects to collect from outstanding balances. All notes are recorded net of any forgivable portion and long-term notes with no interest are recorded at the estimated present value.

**GRANTS** - Grants are recorded as expenses when they are approved by the Board of Directors for payment.

**PROPERTY AND EQUIPMENT** - Office furniture, equipment, and leasehold improvements are recorded at cost. Major additions are charged to the property accounts while maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed currently. When property is retired or disposed of, the recorded value is removed from the accounts. Gains or losses from disposals are included in earnings. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

The estimated useful lives of the assets are as follows:

Building and improvements	40 years
Leasehold improvements	7-15 years
Furniture and equipment	2-15 years

**INCOME TAXES** - The Foundation is a not-for-profit organization classified by the Internal Revenue Service as tax-exempt under Section 501(c)(3) and as a nonprivate foundation under Section 509(a)(1) of the Internal Revenue Code of 1986. The Community Renaissance Fund is also classified by the Internal Revenue Service as tax-exempt under Section 501(c)(3) and a Type 1 supporting organization under Section 509(a)(3). Accordingly, no provision for income taxes is required.

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY  
AND SUPPORTING ORGANIZATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

**INVESTMENT POOLS AND ALLOCATION OF INVESTMENT INCOME** - The funds are combined into one or more investment pools with various fund managers, whereby each participating fund shares a percentage interest of the total investments. Realized and unrealized gains and losses, interest and dividend income from securities in the investment pool, bank interest, and investment management and custodial fees are allocated monthly to the individual funds based on the relationship of the investment of each fund to the total investment of all funds in the pools.

**ESTIMATES** - In preparing the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**COMPARATIVE DATA** - The financial statements include certain prior-year summarized comparative information in total but not by net asset class or by the functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2009 from which the summarized information was derived. Certain reclassifications have been made to the prior year financial statements to conform to the 2010 presentation with no effect on net assets.

**FAIR VALUE MEASUREMENTS** - ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. The Organization accounts for certain financial assets and liabilities at fair value.

**SUBSEQUENT EVENTS** - In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 28, 2011, the date the financial statements were available to be issued.

**NOTE 2 - CASH AND INVESTMENTS:**

**CONCENTRATION OF CREDIT RISK -**

Deposits of \$1,389,227 at December 31, 2010 are made up of demand deposit accounts, certificates of deposit, money market funds held at various banks and investment fund managers, and \$50 petty cash funds. The balances reflected in the accounts (without recognition of checks written but not yet cleared or of deposits in transit) at December 31, 2010 totaled \$1,387,544 of which \$1,386,314 was insured by depository insurance and \$1,230 was uninsured and uncollateralized.

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY  
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**NOTE 2 - CASH AND INVESTMENTS - (cont'd):**

**INVESTMENTS -**

At December 31, investments of the Foundation consist of the following:

	<u>2010</u>	<u>2009</u>
Real Estate Fund	\$ 1,038,665	\$ 943,274
Common Commingled Trust Fund - Rothschild small-cap trust	4,152,253	3,290,893
Exchange Traded & Mutual Funds	22,397,248	20,135,244
U.S. Debt Securities - mortgage-backed securities	1,126	1,309
Corporate debt securities	13	13
Alternative investments (Hedge Fund of Funds)	<u>2,221,181</u>	<u>2,124,699</u>
Total	<u>\$ 29,810,486</u>	<u>\$ 26,495,432</u>

The Foundation had the following return on investment for the year ended December 31:

	<u>2010</u>	<u>2009</u>
Interest and Dividends	\$ 565,002	\$ 641,324
Gain on Sale of Investments	863,511	201,016
Unrealized Gain on Investments	2,366,414	3,738,529
Investment Management Fees	<u>(73,384)</u>	<u>(58,524)</u>
Total	<u>\$ 3,721,543</u>	<u>\$ 4,522,345</u>

**NOTE 3 - PROPERTY AND EQUIPMENT:**

The following is a summary of the changes in Property and Equipment for the year ended December 31, 2010:

	Balance January 1, <u>2010</u>	<u>Additions</u>	<u>Disposals</u>	Balance December 31, <u>2010</u>
Buildings and improvements	\$ 170,210	\$ -	\$ -	\$ 170,210
Leasehold improvements	387,307	-	-	387,307
Equipment	<u>163,749</u>	<u>34,616</u>	<u>17,874</u>	<u>180,490</u>
	721,266	34,616	17,874	738,008
Less - accumulated depreciation	<u>(274,858)</u>	<u>(60,603)</u>	<u>(17,640)</u>	<u>(317,821)</u>
	<u>\$ 446,408</u>	<u>\$(25,987)</u>	<u>\$ 234</u>	<u>\$ 420,187</u>

**NOTE 4 - PLEDGES RECEIVABLE:**

The Foundation pledges receivable at December 31, 2010 totaled \$41,200 with \$19,500 due in less than one (1) year with the remainder due within five (5) years. There was an amount of \$2,828, which was considered the discounted value (5%) of contributions receivable in excess of one year at December 31, 2010.

The Foundation uses the allowance method to determine uncollectible contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. There was no allowance for uncollectible contributions receivable at December 31, 2010.



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**NOTE 5 - NOTES RECEIVABLE:**

**James C. Acheson 85 Trust** - This asset and liability relate to a property acquired by the Community Action Agency of St. Clair County, funded by the Community Renaissance Fund through a gift from the James C. Acheson 85 Trust. As stipulated in the supporting letters of agreement, when the current renters no longer reside in the property, such property will be sold. At that time, the greater of the sales proceeds or the original loan amount of \$68,585 shall be repaid to the Community Renaissance Fund, who in turn agrees to repay the James C. Acheson 85 Trust this amount, less the cost of any major repairs that were needed during the rental period. The balance at December 31, 2010 including the current portion of \$0 is: \$ 68,585

**Land Contract** - On October 23, 2008 the Community Renaissance Fund entered into a land contract for the sale of 1521 Seventh Street, Port Huron, Michigan for \$69,900 with \$30,000 paid at the time of the agreement and \$39,900 paid in monthly installments of \$309 including interest of 7%, with the entire balance to be paid by October 2011. The balance at December 31, 2010 including the current portion of \$38,623 is: 38,623

**Small Business Loans** - In June 2008 the Community Renaissance Fund provided a small business loan in the amount of \$20,000 to be repaid in monthly installments of \$167 per month over ten years, at which point the remaining balance is due. As an entrepreneurial incentive for this initial loan, the agreement outlines that at the end of two years, provided the borrower has timely made all prior payments, the principal balance shall be reduced by twenty percent (20%). Similarly for each year thereafter, the principal balance shall be reduced by ten percent (10%) if the borrower has timely made all required payments. The note has been recorded net of the forgivable portion. The balance at December 31, 2010 including the current portion of \$1,442 is: 7,118

In March 2009, the Community Renaissance Fund provided a small business loan in the amount of \$5,000 to be repaid beginning May 1, 2009 in monthly installments of \$215 over two years, at which point the remaining balance is due. The balance at December 31, 2010, including the current portion of \$2,720 is: 2,720

In December 2009, the Community Renaissance Fund provided a small business loan in the amount of \$10,000 to be repaid in monthly installments of \$222 over the next four years beginning February 1, 2010. The balance at December 31, 2010, including the current portion of \$2,500 is: 7,708

In May 2009 the Community Renaissance Fund provided a small business loan in the amount of \$20,000 to be repaid in monthly installments of \$360 over the next five years. The balance at December 31, 2010, including the current portion of \$4,000 is: 13,290

13,290  
\$ 138,044

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**NOTE 5 - NOTES RECEIVABLE - (cont'd):**

**Home Improvement Loans** - During the years 2004 through 2006, home improvement loans in amounts up to \$30,000 were offered to renters, landlords and potential buyers of homes in a ten block residential area who were willing to convert a home from renter-occupied to owner-occupied. The Port Huron geographic area involved, the eligibility criteria and loan terms were established in conjunction with applicable funding sources, and new loans were not offered after 2006. The loans were interest-free, and one-half was repayable upon the sale of the home.

The Foundation is listed on the promissory note and as a mortgagor on the mortgage. However, because of the trend of foreclosure and declining economy, and the fact that the Foundation is the second mortgagor, these loans have not been recorded as a receivable for financial statement purposes. Any subsequent payments will be recorded as revenue in the year they are received.

**NOTE 6 - GRANTS PAYABLE:**

At December 31, 2010, the Foundation's grants payable was \$54,565 which is payable in less than one year.

**NOTE 7 - LIFE INSURANCE CONTRACTS:**

The Foundation is the owner and beneficiary of six separate life insurance policies with an aggregate face value of \$539,997. The annual premiums are paid with contributions received from the individuals insured by the policies or by the policies' equity. The cash surrender value of these policies has been recorded as revenue and an asset when donated. Annual increases or decreases in the cash surrender value of the policies are recorded as revenue (or reduction of revenue) in the year incurred.

**NOTE 8 - DEFERRED COMPENSATION:**

Effective January 1, 2005, the Foundation's Board approved the creation of a 403(b) Retirement Savings Plan, for the purpose of providing employees the opportunity to accumulate a source of retirement income in addition to Social Security and personal savings. All Foundation employees may make voluntary, tax-deferred contributions to the Plan, up to IRS limits, through salary reduction agreements. The Plan also provides for discretionary non-elective employer contributions (presently at 3%) for all employees who work 1,000 hours annually and have one year of service, with 100% immediate vesting. Fidelity Investments is the service provider of this Plan and contributions made under this Plan are electronically transferred on the same day as payroll.

Additionally, effective October 1, 2004, the Foundation has a Deferred Compensation Benefit Agreement with its CEO/President. This agreement outlines a prorated, annual deferred compensation amount and a rolling 5-year vesting period as calculated from the effective date of the agreement. As of December 31, 2010, the CEO/President has "unvested" deferred compensation rights of \$32,439.

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY  
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**NOTE 9 - ADMINISTRATIVE FEES:**

The Foundation assesses a monthly management fee on the individual funds maintained, which supports Foundation operations. Administrative fees, as outlined in the current fee schedule, vary based upon the fund type and per annum, range from 1% to 2% of the market value of the fund's investments.

Total administrative fees assessed for the year ended December 31, 2010 were \$346,993, which represents revenue to the Foundation's Operating Fund and expense to the individual endowment funds. Due to the inter-fund nature of these transactions, consolidated financial statements only report the portion of administrative fee revenue associated with funds held as agency endowments, as further explained in Note 15.

**NOTE 10 - LEASE COMMITMENT:**

The Foundation has entered into a lease agreement for their office facilities, expiring May 31, 2015. Three five-year renewal options are available to the Foundation, which, if exercised, would extend the lease through May 31, 2030. The annual lease expense is \$12,000. The lease provides that the Foundation shall pay its own insurance and utilities and also provides that the rent will increase every five years based upon increases in the Consumer Price Index.

The Foundation has entered into a lease agreement for additional space adjacent to their office facilities, which expires on April 30, 2012. The lease includes the ability to sub-let the premises. The monthly lease payment of \$1,416 is being paid through an offsetting contribution from the James C. Acheson Foundation. The lease provides that the Foundation shall pay its own insurance and utilities and also provides that the rent will increase every five years based upon increases in the Consumer Price Index.

The Foundation entered into a lease agreement for additional office space which expires July 31, 2011. The lease includes the ability to sub-let the premises. A three year option to renew this lease is available which, if exercised, would extend the lease through July 31, 2014. The monthly lease payment of \$1,750 is being paid by tenants through sub-leasing. The lease provides that the Foundation shall pay its own insurance and utilities.

The future minimum annual rental commitments under the lease agreement in effect at December 31, 2010, and for each year ending December 31, and thereafter; exclusive of property taxes, insurance and utilities and without regard to any future adjustment resulting from changes in the Consumer Price Index are summarized below:

2011		\$ 15,500
2012		12,000
2013		12,000
2014		12,000
2015		<u>5,000</u>
Total		<u>\$ 56,500</u>

Total rent expense for the year ended December 31, 2010 and 2009 was \$49,992.

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY  
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**NOTE 11 - CHARITABLE GIFT ANNUITY:**

On December 18, 2002, donors transferred assets having a fair value of \$302,930 to the Community Foundation of St. Clair County whereby the Foundation agreed to pay annual distributions of \$23,931 in quarterly installments of \$5,983 beginning March 31, 2003 to the donors for the remainder of their lives.

The fair value of the transferred assets as of December 31, 2010, was \$151,043 and the present value of the estimated future payments was \$82,931 at December 31, 2010, calculated using a discount rate of 4% and applicable mortality tables. The difference between the assets and estimated future payments of \$68,112 represents the net assets.

**NOTE 12 - FAIR VALUE MEASUREMENTS:**

In accordance with ASC 820, the Community Foundation uses fair value measurements to record adjustments to certain assets. The ASC 820 defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." The Codification also sets out a fair value hierarchy ranking the levels of the inputs used as assumptions in the valuation techniques used to value an asset or liability. The fair value hierarchy gives the highest priority to quoted prices in an active market for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of hierarchy are described as follows:

Level 1 - inputs are quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date. An active market is a market in which transactions of the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - inputs are from other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include quoted market prices of similar assets or liabilities in active markets, quoted market prices for identical or similar assets or liabilities in markets that are not active, and pricing models developed principally from inputs from or corroborated by observable market data by correlation or other means.

Level 3 - inputs are unobservable and allowed in situations where there is little, if any, market activity for the asset or liability at the measurement date. These inputs reflect the reporting entity's own assumptions about assumptions that would be used by market participants.

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**NOTE 12 - FAIR VALUE MEASUREMENTS - (cont'd):**

The following table presents the Community Foundation's fair value hierarchy for the assets and liabilities measured at fair value as of December 31, 2010:

**Assets and Liabilities Measured at Fair Value on a Recurring Basis:**

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Assets</b>				
Investments -				
Real Estate Fund	\$ 1,038,665	\$ -	\$ -	\$ 1,038,665
Common Commingled Trust Fund- Rothschild small-cap trust	4,152,253	-	4,152,253	-
Exchange Traded & Mutual Funds	22,397,248	22,397,248	-	-
U.S. Debt Securities - mortgage backed securities	1,126	-	-	1,126
Corporate Debt Securities	13	-	-	13
Alternative Investments (Hedge Fund of Funds)	2,221,181	-	-	2,221,181
Variable Life Insurance Policy	147,972	-	-	147,972
Pledges Receivable	38,684	-	-	38,684
<b>Total Assets</b>	<b><u>\$ 29,997,142</u></b>	<b><u>\$ 22,397,248</u></b>	<b><u>\$ 4,152,253</u></b>	<b><u>\$ 3,447,641</u></b>
<b>Liabilities</b>				
Charitable Gift Annuity Payable	\$ 82,931	\$ 82,931	\$ -	\$ -
Funds held as Agency Endowments	1,103,670*	-	-	-
	<b><u>\$ 1,186,601</u></b>	<b><u>\$ 82,931</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

\* The fair value of these liabilities is based on the composite of the investments noted above.

Level 1 classification consists of mutual funds with observable market prices.

Level 2 classification consists of common comingled funds where detailed holdings were available and where the reporting entity can redeem its investment with the investee at Net Asset Value (NAV) per share at the measurement date.

Level 3 classification consists of the following:

Real Estate Funds - are based on investment administrators annual independent appraisals, or quarterly internal valuations by the fund managers, combined with valuations of income streams using the income approach, the current cost of replacing real estate using the cost approach and utilizing recent sales of comparable real estate in the market using the sales approach.

Mortgage Backed Securities and Corporate Debt Securities - are based on other market data for the same or comparable instrument or transactions.

Alternative Investments (Hedge Fund of Funds) - are based on information provided by the administrators of each underlying fund.

Life Insurance Policies - are based on the cash surrender value at the date as valued for the insurance company.

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 12 - FAIR VALUE MEASUREMENTS - (cont'd):**

Pledges Receivable - are based upon the present value of the expected future cash flow using management's best estimate of key assumptions including collectability, payment period, and a discount rate commensurate with the current market and other risks involved.

The following table presents a reconciliation of the beginning and ending balance of Level 3 investment activity that is measured at fair value using unobservable inputs:

	<u>Investments</u>	Life <u>Insurance</u> <u>Policies</u>	<u>Pledges</u> <u>Receivables</u>	<u>Total</u>
Beginning balance	\$ 3,069,295	\$ 143,481	\$ 304,486	\$ 3,517,262
Net new pledge	-	-	12,929	12,929
Realized/unrealized gain net of fees included in changes in net assets	191,715	4,491	-	196,206
Net sales	( 25)	-	-	( 25)
Collected	-	-	( 280,668)	( 280,668)
Discount recovery	-	-	1,937	1,937
Ending balance	<u>\$ 3,260,985</u>	<u>\$ 147,972</u>	<u>\$ 38,684</u>	<u>\$ 3,447,641</u>

The realized and unrealized gain on investments, net of fees listed above is included in the investment income, net of expenses on the statement of activities.

The realized gain on life insurance policies has a separate line item on the statement of activities and the discount recovery and new pledges are included in contributions on the statement of activities.

**NOTE 13 - DONOR AND BOARD DESIGNATED ENDOWMENTS:**

**Net Asset Classifications**

In August 2008, The Financial Accounting Standards Board issued Staff Position No. FAS 117-1 (ASC 958), Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds. ASC 958 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The ASC 958 also improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of Michigan adopted UPMIFA effective September 10, 2009. The Foundation has determined that the majority of its net assets meet the definition of endowment funds under UPMIFA.

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 13 - DONOR AND BOARD DESIGNATED ENDOWMENTS - (cont'd):**

The Foundation is governed subject to Governing Documents and most contributions are received subject to the terms of these Governing Documents. Under the terms of these Governing Documents, the Board of Trustees is given Variance Power, which is the ability to distribute so much of the corpus of any gift, bequest or fund as the Board, in its sole discretion, shall determine. 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 purposes of the donor-restricted endowment fund in conjunction with the Foundation's non-profit status;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. The Foundation's other available resources;
7. The Foundation's investment policies.

Most contributions and related fund agreements are subject to the terms of the Foundation's Governing Documents and specifically include language addressing the Community Foundation's Variance Power. As a result of this ability to distribute corpus, all contributions subject to the Governing Documents and subject to UPMIFA are classified as temporarily restricted until appropriated, at which time the appropriation is reclassified to unrestricted net assets. Temporarily restricted net assets also consist of irrevocable charitable gift annuities, cash surrender values under several life insurance policies, and contribution receivables. Contributions that are not subject to the variance power would be recorded as permanently restricted, temporarily restricted or unrestricted, depending upon the specific terms of the agreement. Generally, for those contributions and funds that are not subject to UPMIFA, net assets are classified as unrestricted.

	<u>Board Designated</u>	<u>Donor Restricted</u>
Balance at January 1, 2010	\$ 5,036,901	\$ 20,862,704
Contributions	10,200	516,576
Net Appreciation	456,783	1,081,428
Investment Income	191,468	1,902,089
Other Income	258	4,385
Released From Restrictions	6,562	( 276,576)
Expenses Appropriated by the Board	( 144,990)	( 885,334)
Balance at December 31, 2010	<u>\$ 5,557,182</u>	<u>\$ 23,205,272</u>

**Endowment Investment and Spending Policies**

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain "real" growth of assets, net of inflation, spending and fees. The Fund's investment objective is to earn a "real" rate of return which exceeds the rate of inflation by at least 4% per year over rolling five-year periods. The rate of inflation is defined as the annual rate of change in the Consumer Price Index.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 13 - DONOR AND BOARD DESIGNATED ENDOWMENTS - (cont'd):**

The Foundation's objective is based on the expected returns under a strategic asset allocation policy outlining its diversification of asset classes. This asset allocation policy should result in normal fluctuation in the actual return, year-to-year, yet the expected level of volatility (or return fluctuation) is appropriate given the Fund's current and expected tolerance for short-term return fluctuations. Through appropriate diversification of assets, investment return volatility is reduced.

The Foundation's spending policy works together with the investment policy to provide a suitable level of funding to meet the donor and community charitable needs, while preserving the real value of endowment assets. The Foundation's spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds, for both grant-making and administration, as deemed prudent by the Board after careful review and consideration of each Fund's health in terms of its corpus and the investment factors previously denoted. For each calendar year, the current spending policy is to generally distribute an amount equal to 5% of a rolling 16 quarter as determined as of September 30<sup>th</sup> of the previous year. The spending policy sets forth that a fund must be in existence for at least 12 months and have reached a \$25,000 fund minimum before spending is allowed unless otherwise supplemented by the donor. The policy further outlines spending criteria that is intended to balance the community's charitable needs, preserve funds in perpetuity, yet prevent excessive accumulation of market growth as follows:

- Suspend spending where appropriate or at least limit spending to ordinary net income when continued market downturns have begun to infringe upon a fund's long-term health; and
- Establish a spending minimum of 3% and maximum 4% of total assets on funds that well maintained their purchasing power over time.

**NOTE 14 - RELATED ORGANIZATION:**

**P.H. Arts Incubator, Inc. -**

P.H. Arts Incubator, Inc. was organized in 2004 as a 501(c)(3) for the purpose of performing the functions of, or carrying out the charitable or other exempt purposes of (a) the Community Renaissance Fund and/or the City of Port Huron Downtown Development Authority. The six member Board of Directors are appointed, three each, by the Community Renaissance Fund and the Port Huron Downtown Development Authority. Since the Community Foundation of St. Clair County does not have control of the entity, its activities have not been included with the Foundation's financial statements.

P.H. Arts Incubator, Inc. acquired a building to establish an art center and gallery. This center is known as Studio 1219 and is located at 1219 Military Street in Port Huron, Michigan. (As of April 1, 2010 the operations of Studio 1219 was transferred to Studio 1219 Inc., see below. The building remains with the P.H. Arts Incubator, Inc.). The building acquisition was made possible through a joint purchase by the Community Renaissance Fund (funded by a grant from the Community Foundation of St. Clair County), and the City of Port Huron's Downtown Development Authority, at a cot of \$87,500 each. The James C. Acheson Foundation funded substantial renovations to the building and as a result, has a first purchase option in the amount of \$175,000, should the P.H. Arts Incubator, Inc. plan to sell the building.



**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 14 - RELATED ORGANIZATION - (cont'd):**

In that event, P.H. Arts Incubator, Inc. would use the sale proceeds to return the initial investment of \$87,500 to both the City of Port Huron Downtown Development Authority and the Community Renaissance Fund.

The Foundation provided direct support of \$17,375 and indirect administrative and program support of approximately \$4,001 in 2010.

**Studio 1219 Inc. -**

Studio 1219 Inc. was organized in 2010 as a 501(c)(3) for the purpose to support the growth and development of arts and culture. The new organization is governed by an independent board, who after the initial selection, elect all successors. Since the Community Foundation of St. Clair County does not have control of the entity, its activities have not been included with the Foundation's financial statements.

On April 1, 2010 Studio 1219 Inc. assumed the operations of the Studio 1219 art center and gallery. The Foundation and its supporting organization provided direct support of \$50 and indirect administrative and program support of approximately \$9,994 to the new organization in 2010.

**NOTE 15 - FUNDS HELD AS AGENCY ENDOWMENTS:**

At December 31, 2010, the Foundation was the owner of 14 Agency Endowment Funds with a combined value of \$1,103,670. These funds are reported in accordance with Statement of Financial Accounting Standards Accounting Standards Codification Statement 605, "Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions For Others." These funds include donations from an agency for a Fund that benefits the same agency, or a hybrid of both donations from the agency and from unrelated third parties. Although all donations received are legally owned by the Community Foundation and remain its assets, the portion of the Fund that comes from the beneficiary agency is considered a reciprocal transfer and as such, The Community Foundation is required to report an offsetting liability. This liability must be equal to the donations from the agency plus the proportionate share of the Fund's realized and unrealized market gains and losses, investment income, fees and grant awards. Despite the offsetting liability, the Foundation generally considers these ASC 605 Funds to be permanently endowed and expects them to grow over time.

The following table summarizes activity in such funds during the year then ended:

Agency Endowment Fund Balances at January 1, 2010	\$ 983,020
Agency gifts	10,007
Interest and dividends	21,159
Realized gains on investments	32,725
Unrealized gains on investments	89,869
Grants	( 19,137)
Administrative fees	( 11,131)
Investment management fees	( 2,842)
Agency Endowment Fund Balances at December 31, 2010	<u>\$ 1,103,670</u>

**SUPPLEMENTARY FINANCIAL INFORMATION**

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY  
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**CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2010**

ASSETS	<u>Community Foundation</u>	<u>Community Renaissance</u>	<u>Consolidated Adjustments</u>	<u>Total</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 994,943	\$ 44,284	\$ -	\$ 1,039,227
Certificates of deposit	350,000	-	-	350,000
Investments	29,810,486	-	-	29,810,486
Pledge receivable (net of pledge discount \$2,828)	38,684	128	( 440)	38,372
Note receivable	-	138,044	-	138,044
Interest and other receivables	624	3,071	( 66)	3,629
Prepaid expense	196	-	-	196
Property and equipment (net of accumulated depreciation of \$182,323 and \$135,498)	134,936	285,251	-	420,187
Cash surrender value of contributed life insurance	147,972	-	-	147,972
	<u>147,972</u>	<u>-</u>	<u>-</u>	<u>147,972</u>
Total Assets	<u>\$ 31,477,841</u>	<u>\$ 470,778</u>	<u>\$( 506)</u>	<u>\$ 31,948,113</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 4,199	\$ 9,467	\$( 378)	\$ 13,288
Accrued expenses	33,382	583	-	33,965
Deferred compensation contract	32,439	-	-	32,439
Grants payable	54,693	-	( 128)	54,565
Note payable	-	68,585	-	68,585
Funds held as agency endowments	1,103,670	-	-	1,103,670
Charitable gift annuity payable	82,931	-	-	82,931
	<u>82,931</u>	<u>-</u>	<u>-</u>	<u>82,931</u>
Total Liabilities	<u>1,311,314</u>	<u>78,635</u>	<u>( 506)</u>	<u>1,389,443</u>
<b>Net Assets:</b>				
Temporarily restricted	23,205,272	(312)	-	23,204,960
Unrestricted	6,961,255	392,455	-	7,353,710
	<u>6,961,255</u>	<u>392,455</u>	<u>-</u>	<u>7,353,710</u>
Total Net Assets	<u>30,166,527</u>	<u>392,143</u>	<u>-</u>	<u>30,558,670</u>
Total Liabilities and Net Assets	<u>\$ 31,477,841</u>	<u>\$ 470,778</u>	<u>\$( 506)</u>	<u>\$ 31,948,113</u>

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY  
AND SUPPORTING ORGANIZATION**

**CONSOLIDATING STATEMENT OF ACTIVITIES  
DECEMBER 31, 2010**

	<u>Community Foundation</u>	<u>Community Renaissance</u>	<u>Consolidated Adjustments</u>	<u>Total</u>
<b>Revenue, gains and other support:</b>				
Public Support -				
Contributions	\$ 1,544,630	\$ 154,709	\$( 39,896)	\$ 1,659,443
Revenue and Gains -				
Investment income net of expense	3,717,538	4,005	-	3,721,543
Increase in cash surrender value of life insurance	4,491	-	-	4,491
Administrative fee income	11,131	-	-	11,131
Other	110	25,433	-	25,543
	<u>3,733,270</u>	<u>29,438</u>	<u>-</u>	<u>3,762,708</u>
<b>Total Public Support, Revenues, and Gains</b>	<u>5,277,900</u>	<u>184,147</u>	<u>( 39,896)</u>	<u>5,422,151</u>
<b>Expenses:</b>				
Program expenses:				
Youth Advisory Council	2,902	-	-	2,902
Grants	790,095	-	( 39,896)	750,199
Back to School Initiative	40,630	-	-	40,630
Access to Recreation	6,932	-	-	6,932
Public Arts Expense	43,790	-	-	43,790
Downtown Programs & Promotions	-	113,430	-	113,430
Other Program Expenses	298,048	151,334	-	449,382
Management and general:				
Other Management and General	293,864	16,254	-	310,118
Fundraising expenses	146,315	25	-	146,340
	<u>1,622,576</u>	<u>281,043</u>	<u>( 39,896)</u>	<u>1,863,723</u>
<b>Total Expenses</b>	<u>1,622,576</u>	<u>281,043</u>	<u>( 39,896)</u>	<u>1,863,723</u>
<b>Change in Net Assets</b>	3,655,324	( 96,896)	-	3,558,428
<b>Net Assets at beginning of year</b>	<u>26,511,203</u>	<u>489,039</u>	<u>-</u>	<u>27,000,242</u>
<b>Net Assets at end of year</b>	<u>\$ 30,166,527</u>	<u>\$ 392,143</u>	<u>\$ -</u>	<u>\$ 30,558,670</u>

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY  
AND SUPPORTING ORGANIZATION**

**SUMMARY SCHEDULE OF NET ASSETS/AGENCY ENDOWMENTS BY FUND  
DECEMBER 31, 2010**

	Net Assets				Agency Endowment
	Unrestricted		Temporarily Restricted		
	Undesignated	Board	Donor		
		Designated	Restricted	Total	
<b>General Charitable Funds:</b>					
Program and Services (Operating) Fund	\$ 1,123,435	\$ -	\$ -	\$ 1,123,435	\$ -
Community Investment Fund	-	1,932,913	6,120	1,939,033	-
Acheson Community Foundation Fund	-	478,982	2,554,083	3,033,065	-
James C. Acheson Fund	-	-	1,260,707	1,260,707	-
Emerson G. and Lucilda A. Brown Fund	-	-	146,578	146,578	-
Earl H. Donaldson Endowment Fund	-	29,785	-	29,785	-
Donald W. and Alice I. Giese Endowment Fund	-	-	104,277	104,277	-
Margaret C. Lutz Endowment	-	140,381	-	140,381	-
John Shier Fund	-	-	28,187	28,187	-
Burman J. Misener Endowment Fund	-	-	78,203	78,203	-
Florence C. Stephen Fund	-	130,817	-	130,817	-
Virginia E. Farmer Endowment Fund	-	-	60,086	60,086	-
Francis P. Willson Fund	-	1,031,319	-	1,031,319	-
Wirtz/Ogden Fund	-	-	131,290	131,290	-
John and Rose Marie Wismer Fund	-	-	788,755	788,755	-
Russell A. "Tim" Sheldon Endowment	-	-	31,634	31,634	-
<b>Scholarship Funds:</b>					
Alice W. Moore Memorial Scholarship Fund	-	-	115,714	115,714	-
Howard A. Acheson Memorial Fund	-	-	951,569	951,569	-
Father Bartone Fund	-	-	705,752	705,752	-
Joseph Caimi Scholarship Fund	-	-	36,006	36,006	-
Jack S. Campbell Memorial Fund	-	-	110,384	110,384	-
Frank V. and Bula Carney Memorial Scholarship Fund	-	-	28,496	28,496	-
Darin Conrad Memorial Scholarship Fund	-	-	47,056	47,056	-
Fuller Hansen Educational Trust Fund	-	-	739,748	739,748	-
Catherine Gellein Scholarship Fund	-	-	27,278	27,278	-
Blue Water Shipmasters' Fund	-	-	30,115	30,115	-
Charles Myron Gossman Scholarship Fund	-	-	42,923	42,923	-
Pauline Groff Music Scholarship Endowment Fund	-	-	23,244	23,244	-
Christian B. and Agnes A. Haas Scholarship Fund	-	-	94,608	94,608	-
James T. Kreger Memorial Scholarship Fund	-	-	25,169	25,169	-
Alexander and Celestine Lamere Fund	-	-	54,795	54,795	-
Little Brothers Little Sisters of St. Clair County Scholarship Endowment Fund	-	-	125,106	125,106	-
Port Huron Museum Scholarship Endowment	-	-	26,416	26,416	-
Lillian M. Perry Scholarship Fund	-	46,674	-	46,674	-

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY  
AND SUPPORTING ORGANIZATION**

**SUMMARY SCHEDULE OF NET ASSETS/AGENCY ENDOWMENTS BY FUND  
DECEMBER 31, 2010**

	Net Assets				Agency Endowment
	Unrestricted		Temporarily Restricted		
	Board		Donor		
	Undesignated	Designated	Designated	Total	
<b>Scholarship Funds (cont'd):</b>					
St. Clair Music Study Club Endowment Fund	\$ -	\$ -	\$ 56,058	\$ 56,058	\$ 25,446
Marine City Scholarship Foundation Endowment Fund	-	-	11,121	11,121	109,359
Memphis High School Alumni Association Fund	-	-	26,445	26,445	-
River District Hospital Auxiliary McFern-Smeltzer Scholarship Endowment Fund	-	-	83,170	83,170	-
Barbara Ann Kessler-Saph Scholarship Memorial Fund	-	-	45,556	45,556	-
Cyril Smith Memorial Scholarship fund	-	15,514	-	15,514	-
Trumble Memorial Scholarship Fund	-	-	25,979	25,979	-
Randy Sugars Memorial Scholarship Fund	-	-	7,012	7,012	-
Charles G. and Berneice M. Uligian Fund	-	-	146,792	146,792	-
Douglas and Elda L. Webb Scholarship Fund	-	-	148,577	148,577	-
James Wilhelm Memorial Scholarship Fund	-	207,564	-	207,564	-
Bert D. and Rose E. Wright Memorial Scholarship Fund	-	-	99,349	99,349	-
John F. & Rose Marie Wismer Community Foundation Scholarship Fund	-	787,506	-	787,506	-
Robert and Marilyn Kovach Scholarship Fund	-	-	10,653	10,653	-
<b>Donor Designated Funds:</b>					
Walter K. Brooks Memorial Fund	-	-	1,648,148	1,648,148	-
Back to School Events Fund	100,169	-	-	100,169	-
Helen David Fund for the Council on Aging	-	-	340,116	340,116	-
Helen David Fund for the Peoples' Clinic	-	-	343,249	343,249	-
Marian Pollock Moore Fund	-	-	111,759	111,759	-
Tunnel Fund	-	6,336	-	6,336	-
Youth Home Fund	8,043	-	-	8,043	-
St. Clair County Chapter - American Red Cross	-	-	29,154	29,154	-
St. Clair Rotary Centennial Park Fund	-	-	38,631	38,631	-
Mary B. Andreae Fund	-	-	26,804	26,804	-
<b>Donor Advised Funds:</b>					
Bob Abdoo Memorial Fund	-	-	42,703	42,703	-
James C. Acheson Fund II	-	-	2,158,078	2,158,078	-
Algonac Lions Club Fund	-	-	415,545	415,545	-
Angi Austin Fund	9,687	-	-	9,687	-
St. Clair Foundation Fund	21,745	-	-	21,745	-
H. & H. Whiting Foundation Fund	50,034	-	-	50,034	-
Norman and Isabel Cosgrove Memorial Fund	-	-	26,489	26,489	-
Janet E. & Lee C. Hanson Endowment Fund	-	-	91,821	91,821	-

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY  
AND SUPPORTING ORGANIZATION**

**SUMMARY SCHEDULE OF NET ASSETS/AGENCY ENDOWMENTS BY FUND  
DECEMBER 31, 2010**

	Net Assets				Agency Endowment
	Unrestricted		Temporarily Restricted		
	Undesignated	Board	Donor		
		Designated	Designated		
			Total		
<b>Donor Advised Funds (cont'd):</b>					
Lisa Harris Pink Ribbon of Hope Memorial Fund	\$ 27,158	\$ -	\$ -	\$ 27,158	\$ -
The DeWald/Beckett Charitable Fund	-	-	262,710	262,710	-
The DeWald/Cook Charitable Fund	-	-	192,858	192,858	-
Joelle Marie Hajjar Fund	12,548	-	-	12,548	-
John W. & M. Louise Shier Family Fund	-	106,985	-	106,985	-
Wyatt Walker Friendship Fund	-	-	57,606	57,606	-
James L. "Jim" Little Fund	-	-	26,607	26,607	-
Niester Family Fund	-	-	9,515	9,515	-
<b>Organization Designated Funds:</b>					
Algonac-Clay Township Historical Society Fund	-	-	7,118	7,118	7,702
Algonac Community Schools Education Enrichment Fund	-	-	56,647	56,647	138,421
Blue Water Council Boy Scout Endowment Fund	-	-	5,148	5,148	64,042
Blue Water Developmental Housing, Inc. Fund	-	-	-	-	27,177
Blue Water Hospice and Visiting Nurse Association	-	-	4,110	4,110	32,155
Council on Aging Fund	-	-	4,558	4,558	-
John R. Dolan Fund	-	636,286	-	636,286	-
Quota International Helen David Fund	-	-	-	-	25,405
United Way of St. Clair County Fund	-	-	872	872	25,201
Supporters of East China School District Fund	-	-	121,550	121,550	23,970
St. Clair County Library Fund (incl. the Lawrence E. Owens Endowment)	-	-	112,795	112,795	-
Marine City Historic District Restoration Fund	-	-	1,569	1,569	41,120
Girl Scouts - Michigan Waterways Council Fund	-	-	15,617	15,617	4,095
McMorran Place Fund	-	-	200	200	339,127
Peoples' Clinic for Better Health Fund	-	-	11,526	11,526	14,293
Port Huron Hospital Foundation Endowment Fund	-	-	2,590	2,590	12,858
Safe Horizons Fund	-	-	139,193	139,193	55,377
Sanborn Gratiot Memorial Home Endowment Fund	-	-	95	95	28,255
St. John River District Hospital Fund	-	-	5,178	5,178	15,423
Friends of St. Mary's School (St. Clair) Fund	-	-	52,251	52,251	-
Thomas & Frances Treleaven Fund	-	-	584,067	584,067	-
<b>Field of Interest Funds:</b>					
Algonac-Clay Community Fund	-	-	139,331	139,331	-
C & M Anderson Foundation Endowment Fund	-	-	1,643,615	1,643,615	-
BW Land Conservancy	-	-	3,293	3,293	-
Frank V. Carney & Bula A. Carney Memorial Fund	-	-	491,877	491,877	-
Citizens for St. Clair Fund	-	-	411,765	411,765	-

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY  
AND SUPPORTING ORGANIZATION**

**SUMMARY SCHEDULE OF NET ASSETS/AGENCY ENDOWMENTS BY FUND  
DECEMBER 31, 2010**

	Net Assets				Agency Endowment
	Unrestricted		Temporarily Restricted		
	Board		Donor		
	Undesignated	Designated	Designated	Total	
Field of Interest Funds (cont'd):					
Harry F. Lewis Fund	\$ -	\$ -	\$ 139,035	\$ 139,035	\$ -
Rev. Rene L. Desmarais Fund	-	-	78,761	78,761	-
Port Huron Community Fund	-	-	3,782	3,782	114,244
Robert H. and Paula M. Cleland Community	-	-	38,657	38,657	-
Cottrellville Community Fund	-	-	9,034	9,034	-
Women's Initiative Fund	-	-	592,920	592,920	-
Studio 1219 Breast Cancer Fund	8,481	-	-	8,481	-
Women's Giving Circles Fund	1,187	-	-	1,187	-
Mickey & Agnes Knowlton Fund	-	-	35,458	35,458	-
Friday Food For Kids Program Master Fund	47,706	-	-	47,706	-
Claude and Alexa Lawrence Fund	-	-	125,921	125,921	-
Maritime Fund	-	-	13,704	13,704	-
Marwood Manor Endowment Fund	-	-	234,537	234,537	-
Charles F. Moore Memorial Fund	-	-	123,190	123,190	-
Ernest T. & Barbara A. Oskin Fund	-	-	1,101,996	1,101,996	-
St. Clair High School Class of 2000 Giving Back Fund	-	-	23	23	-
Access to Recreation Fund	-	-	213,231	213,231	-
F. William & Patricia Schwarz Fund	-	-	129,789	129,789	-
Thomas K. Smith Fund	-	-	128,272	128,272	-
Youth Advisory Council Fund	-	-	1,285,517	1,285,517	-
Healthy Youth, Healthy Seniors Fund	-	-	140,413	140,413	-
Alexa Lawrence Fund for Education	-	-	71,150	71,150	-
Charitable Gift Annuity Fund: Raymond & Catherine Gellein Fund	-	-	68,113	68,113	-
Community Renaissance Fund	392,143	-	-	392,143	-
<b>Total</b>	<b>\$ 1,802,336</b>	<b>\$ 5,551,062</b>	<b>\$ 23,205,272</b>	<b>\$ 30,558,670</b>	<b>\$ 1,103,670</b>