

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

CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2005**

Stewart,
Beauvais
& Whipple P.C.



CERTIFIED PUBLIC ACCOUNTANTS

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

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The 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, 2005, and the related statement of activities and cash flows for the years 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.

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 consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also 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, 2005, 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 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. Such 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.

Stewart, Beauvais & Whipple
Certified Public Accountants

March 8, 2006

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2005 AND 2004**

ASSETS	<u>2005</u>	<u>2004</u>
Current Assets:		
Cash and cash equivalents	\$ 678,999	\$ 1,173,436
Certificates of deposit	509,552	819,352
Receivables -		
Contributions (net of pledge discount \$3,755)	432,624	190,060
Accrued interest	4,671	4,225
Other	80	87,500
Mortgage	21,851	-
	<u>1,647,777</u>	<u>2,274,573</u>
Non-Current Asset:		
Mortgage receivables	<u>79,705</u>	<u>-</u>
Land, Building and Equipment:		
Property and equipment (net of accumulated depreciation of \$133,323)	<u>356,186</u>	<u>207,958</u>
Other Assets:		
Cash surrender value of contributed life insurance	179,622	168,896
Investments - endowments	25,598,858	23,802,988
Investments - pass-through funds	1,190,001	1,199,735
Investments - charitable gift annuity	235,810	260,801
Assets held for investments	51,349	-
	<u>27,255,640</u>	<u>25,432,420</u>
Total Assets	<u>\$ 29,339,308</u>	<u>\$ 27,914,951</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 3,788	\$ 3,794
Grants payable	304,636	317,328
Accrued payroll and withholdings	10,280	8,182
Accrued vacation payable	12,455	7,795
Deferred revenue	6,250	1,416
Funds held as agency endowments	495,766	454,096
Charitable gift annuity payable	175,848	192,307
Pass-through funds	1,190,001	1,199,735
	<u>2,199,024</u>	<u>2,184,653</u>
Net Assets:		
Unrestricted	26,756,004	3,542,424
Temporarily restricted	384,280	3,310,584
Permanently restricted	-	18,877,290
Total Net Assets	<u>27,140,284</u>	<u>25,730,298</u>
Total Liabilities and Net Assets	<u>\$ 29,339,308</u>	<u>\$ 27,914,951</u>

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

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

**CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2005
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2004**

	Unrestricted	Temporarily Restricted	Total	
			2005	2004
Revenue, gains and other support:				
Public Support -				
Contributions	\$ 2,121,476	\$ 384,280	\$ 2,505,756	\$ 3,887,213
Revenue and Gains -				
Interest and dividends	656,376	-	656,376	556,488
Gain on sale of investments	1,463,872	-	1,463,872	446,827
Unrealized gain (loss) on investments	(795,923)	-	(795,923)	1,055,100
Increase in cash surrender value of life insurance	10,726	-	10,726	12,364
Administrative fee income	17,430	-	17,430	10,224
Other	100	-	100	-
	<u>1,352,581</u>	<u>-</u>	<u>1,352,581</u>	<u>2,081,003</u>
Net Assets Released from Restrictions:				
Expiration of restrictions	150,506	(150,506)	-	-
Total Public Support Revenues and Gains	<u>3,624,563</u>	<u>233,774</u>	<u>3,858,337</u>	<u>5,968,216</u>
Expenses:				
Grants	1,823,765	-	1,823,765	1,077,893
Investment management fees	58,673	-	58,673	52,095
Other fund expenses	14,070	-	14,070	14,245
Operating expenses	545,733	-	545,733	445,142
Program expenses - Youth Advisory Council Fund	6,110	-	6,110	4,160
Total Expenses	<u>2,448,351</u>	<u>-</u>	<u>2,448,351</u>	<u>1,593,535</u>
Change in Net Assets	1,176,212	233,774	1,409,986	4,374,681
Net Assets at beginning of year	<u>25,579,792</u>	<u>150,506</u>	<u>25,730,298</u>	<u>21,355,617</u>
Net Assets at end of year	<u>\$26,756,004</u>	<u>\$ 384,280</u>	<u>\$ 27,140,284</u>	<u>\$ 25,730,298</u>

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

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

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

	2005	2004
Cash Flows from Operating Activities:		
Change in net assets	\$ 1,409,986	\$ 4,374,681
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	31,833	20,348
Increase in cash surrender value of contributed life insurance	(10,726)	(12,364)
Gain on investments securities	(667,949)	(1,501,927)
Increase (decrease) in operating assets and liabilities -		
Contributions receivable	(242,564)	(156,492)
Accrued interest receivable	(446)	(3,326)
Other receivables	87,420	(87,500)
Mortgage receivables	(101,556)	-
Accounts payable	(6)	(2,574)
Accrued expenses	6,758	6,056
Deferred revenues	4,834	1,416
Grants payable	(12,692)	(54,081)
Funds held as agency endowments	41,670	17,816
Charitable gift annuity payable	(16,459)	(15,815)
Assets held for investments	(51,349)	-
Pass-through funds	(9,734)	(118,674)
Net Cash Provided by Operating activities	469,020	2,467,564
Cash Flows from Investing Activities:		
Proceeds from sale of investments	29,337,697	4,423,901
Purchase of investments	(30,430,893)	(5,393,598)
Purchase of certificates of deposit	-	(820,563)
Proceeds from maturities of certificates of deposit	309,800	19,960
Purchase of office furniture, equipment and leasehold improvements	(180,061)	(70,666)
Net Cash Used by Investing Activities	(963,457)	(1,840,966)
Net increase (decrease) in cash and cash equivalents	(494,437)	626,598
Cash and cash equivalents at beginning of year	1,173,436	546,838
Cash and cash equivalents at end of year	\$ 678,999	\$ 1,173,436
Non-Cash Investing and Financing Activities:		
Amortized discount on contributions receivable	\$ 3,755	\$ 6,647
Equities received for investments held on behalf of others	\$ -	\$ 60,000
Dividends reinvested in investments held on behalf of others	\$ 17,970	\$ 11,287

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

NOTES TO FINANCIAL STATEMENTS

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2005**

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.

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 non-profit 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 Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made* and (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. In accordance with (SFAS) No. 116, contributions received are reported as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2005**

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

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. Based on the variance provisions, all assets of the Foundation have been classified as unrestricted, with the exception of unconditional pledges receivable and home improvement mortgages, which are classified as temporarily restricted. The Foundation further classifies its unrestricted net assets as follows:

Board Designated Funds	\$	9,507,350
Scholarship Funds		2,770,335
Donor Designated Funds		2,033,773
Donor Advised Funds		6,561,372
Organization Designated Funds		1,453,839
Field of Interest		3,998,663
Charitable Gift Annuity Fund		60,933
Community Renaissance Fund		<u>369,739</u>
	<u>\$</u>	<u>26,756,004</u>

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.

INVESTMENTS - Investments in equity securities with readily determinable market values and all debt securities are carried at "fair" value. Realized and unrealized gains and losses are reflected 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.

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 their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the pledges are received. Amortization of the discounts is included in contribution revenue.

MORTGAGE RECEIVABLE - Home improvement loans administered through Economic Opportunity Committee are interest-free and forgivable loans up to \$30,000 to renters, potential buyers and current landlords who are willing to convert a home from renter occupied to owner occupied in a ten block residential area. One-half of the loan is forgiven if they live in the home for three years. The other half is not repayable until they sell the home. The Foundation is listed on the Promissory note and as Mortgager on the mortgage. The loans are recorded net of the 50% forgivable portion, with the remaining 50% recorded at the estimated present value.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2005**

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

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

HOMES HELD FOR REDEVELOPMENT - The Foundation's supporting organization, Community Renaissance Fund, has the specific mission of collaborating with other nonprofit, community partners to improve the quality of low-income housing, alleviate blight, and revitalize economically disadvantaged areas. In the fulfillment of this mission, the Community Renaissance Fund acquires properties for redevelopment within the established boundaries. Some of the properties are demolished (to make more green space or otherwise improve the surrounding properties), while others are sold or gifted to other non-profit organizations.

It is the intent to hold acquired properties on a short-term basis to allow for continuing redevelopment. Such properties are valued at the cost of acquisition plus any improvements, and the properties are not depreciated. When losses upon the disposition or sale of these properties are anticipated, they are recognized as program initiative expenses and grants.

At December 31, 2005, the Community Renaissance Fund held two properties under its program initiatives.

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.

INVESTMENT POOL AND ALLOCATION OF INVESTMENT INCOME - The investments of certain funds are deposited in certificates of deposit at financial institutions. The remainder of the funds are combined into one investment pool with four 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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2005**

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

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. 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, 2004, from which the summarized information was derived. Certain amounts in the 2004 financial statements have been reclassified to conform to the current presentation (See Note 14).

NOTE 2 - CASH AND INVESTMENTS:

CONCENTRATION OF CREDIT RISK -

Cash and cash equivalents of \$678,999 at December 31, 2005 are made up of demand deposit accounts, money market funds held at various banks, and \$50 of petty cash funds. The balances reflected in the accounts of the banks (without recognition of checks written but not yet cleared or of deposits in transit) at December 31, 2005 totaled \$909,486 of which \$201,649 was insured by the Federal Deposit Insurance Corporation and \$707,837 was uninsured and uncollateralized.

The Foundation believes that due to the dollar amounts of cash deposits and the limits of FDIC Insurance, it is impractical to insure all bank deposits. As a result the Foundation evaluates each financial institution and assesses the level of risk. The Foundation uses only those financial institutions with an acceptable estimated risk level as depositories.

CERTIFICATES OF DEPOSIT -

The Foundation held certificates of deposit totaling \$509,552 at December 31, 2005, of which \$100,000 was insured by the Federal Deposit Insurance Corporation with the remaining \$409,552 uninsured and uncollateralized. The certificate bears interest of 2.74%, maturing January 2, 2006.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 2 – CASH AND INVESTMENTS – (cont'd):

INVESTMENTS -

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

	2005	2004
Money market funds	\$ 36,369	\$ 1,354,542
Equity securities – Common stocks	787,735	795,178
Common commingled trust fund- Rothschild Small-Cap Trust	4,305,975	3,820,339
Exchange traded and mutual funds	21,687,073	19,097,519
U.S. debt securities - Mortgage-backed securities	2,753	4,956
Corporate debt securities	204,764	190,990
Total	\$ 27,024,669	\$ 25,263,524

NOTE 3 - PROPERTY AND EQUIPMENT:

The following is a summary of the changes in Property and Equipment for the year ended December 31, 2005:

	Balance January 1, 2005	Additions	Disposals	Balance December 31, 2005
Buildings and improvements	\$ -	\$ 170,210	\$ -	\$ 170,210
Leasehold improvements	202,181	300	-	202,481
Equipment	110,001	10,288	3,471	116,818
	312,182	180,798	3,471	489,509
Less – accumulated depreciation	(104,224)	(31,833)	(2,734)	(133,323)
	\$ 207,958	\$ (148,965)	\$ 737	\$ 356,186

NOTE 4 - PLEDGES RECEIVABLE:

The Foundation pledges receivable at December 31, 2005 totaled \$282,724 with \$259,838 due in less than one year. There was an amount of \$3,755, which was considered the discounted value of contributions receivable in excess of one year at December 31, 2005.

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, 2005.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 5 - GRANTS PAYABLE:

At December 31, the Foundation grants payable are as follows:

	2005	2004
To be paid in less than one year	\$ 53,636	\$ 67,328
To be paid in one to five years	251,000	250,000
Total	\$ 304,636	\$ 317,328

The difference between the carrying amount and the fair value of grants payable is not considered material to the accompanying financial statement. Accordingly, grants payable have not been discounted.

NOTE 6 - LIFE INSURANCE CONTRACTS:

The Foundation is the owner and beneficiary of six separate life insurance policies with an aggregate face value of \$641,062. 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 a 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.

The Foundation is the beneficiary of an additional life insurance policy with a face value of \$100,000. The policy is not considered an asset because the Foundation is not the owner and, therefore, is not reflected in these financial statements.

NOTE 7 - DEFERRED COMPENSATION:

The Foundation offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403-B. The plan, available to all full-time employees, permits them to defer a portion of their salary until future years.

NOTE 8 - ADMINISTRATIVE FEES:

The Foundation assesses a monthly management fee on the individual funds maintained by the foundation.

The Foundation has adopted an administrative fee schedule whereby the fees, which vary according to the type of fund, range from 1.0% to 2.0%, per annum, of the market value of the fund's investments. The total fees assessed for the year ended December 31, 2005 and 2004 was \$334,135 and \$289,714, respectively.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 9 – PASS-THROUGH FUNDS:

On December 31, the Foundation held funds on behalf of four private foundations as follows:

	2005	2004
Mary Moore Foundation	\$ 13,083	\$ 12,923
St. Clair Foundation	51,493	50,863
Henry & Harriet Whiting Foundation	52,857	52,192
Citizens First Savings Charitable Foundation	1,072,568	1,083,757
Total	\$ 1,190,001	\$ 1,199,735

The funds were invested in a money market account at a bank and securities at a brokerage firm. The Foundation will disburse the funds to grantees on behalf of the private foundations in accordance with their directions. The Foundation charges management fees equivalent to the lesser of 1.0% and 1.5% per annum in 2005 and 2004, respectively, of the investment balance or the earned interest income.

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, expiring April 30, 2007. Five year renewal options are available to the Foundation, which, if exercised, would extend the lease through April 30, 2032. 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 future minimum annual rental commitments under the lease agreement in effect at December 31, 2005 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:

2006	\$ 28,991	
2007	17,665	
2008	12,000	
2009	12,000	
2010	12,000	
2011 and thereafter	53,000	
Total	\$ 135,656	

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2005**

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, 2005, was \$235,810 and the present value of the estimated future payments was \$175,848, calculated using a discount rate of 4% and applicable mortality tables.

NOTE 12 – RELATED SUPPORTING ORGANIZATIONS:

James C. Acheson Charitable Foundation –

The James C. Acheson Charitable Foundation was organized in 2002 as a 509(a) to serve as a supporting organization of the Community Foundation of St. Clair County. The Board of Trustees consists of five members, three of whom were initially appointed by the incorporator, and two trustees appointed by the Community Foundation of St. Clair County. Since the Community Foundation of St. Clair County does not have control of the entity, its activities have not been included with the Foundation financial statement.

P.H. Arts Incubator, Inc. -

The P.H. Arts Incubator, Inc. was organized in 2004 as a 509(a)(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 Foundations financial statements.

NOTE 13 - FUNDS HELD AS AGENCY ENDOWMENTS:

At December 31, 2005 and 2004, the Foundation was the owner of 14 Agency Endowment Funds with a combined value of \$495,766 and \$454,096, respectively. These funds are reported in accordance with Statement of Financial Accounting Standards No. 136, "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 FAS 136 Funds to be permanently endowed and expected them to grow over time.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 13 - FUNDS HELD AS AGENCY ENDOWMENTS – (cont'd):

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

Agency Endowment Fund Balances at January 1, 2005	\$ 454,096
Agency gifts	28,472
Interest and dividends	12,102
Realized gain on investments	28,958
Unrealized losses on investments	(15,071)
Grants	(5,596)
Trust management and administrative fees	(7,195)
 Agency Endowment Fund Balances at December 31, 2005	 <u>\$ 495,766</u>

NOTE 14 – RECLASSIFICATION OF NET ASSETS:

During the year management concluded that contributions received in prior years and reported as permanently or temporarily restricted, should be classified as “unrestricted” since 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. As a result, a prior period adjustment was made that reclassified \$18,877,290 and \$3,160,078 of previously classified Permanently and Temporarily Restricted Net Assets, respectively, to Unrestricted Net Assets. Such reclassifications had no effect on previously reported revenues or expenses.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets as reported December 31, 2004	\$ 3,542,424	\$ 3,310,584	\$ 18,877,290	\$ 25,730,298
Reclassification of Net Assets	<u>22,037,368</u>	<u>(3,160,078)</u>	<u>(18,877,290)</u>	<u>-</u>
	<u>\$ 25,579,792</u>	<u>\$ 150,506</u>	<u>\$ -</u>	<u>\$ 25,730,298</u>

SUPPLEMENTARY FINANCIAL INFORMATION

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

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2005**

ASSETS	<u>Community Foundation</u>	<u>Community Renaissance</u>	<u>Consolidated Adjustments</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 677,350	\$ 1,649	\$ -	\$ 678,999
Certificates of deposit	509,552	-	-	509,552
Investments	27,024,669	-	-	27,024,669
Pledge receivable (net of pledge discount \$3,755)	282,724	-	-	282,724
Accrued interest	4,671	-	-	4,671
Mortgage receivable	101,556	-	-	101,556
Other receivables	80	-	-	80
Property and equipment (net of accumulated depreciation of \$129,954)	189,345	166,841	-	356,186
Cash surrender value of contributed life insurance	179,622	-	-	179,622
Homes held for redevelopment	-	201,249	-	201,249
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 28,969,569</u>	<u>\$ 369,739</u>	<u>\$ -</u>	<u>\$ 29,339,308</u>
 LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable	\$ 3,788	\$ -	\$ -	\$ 3,788
Accrued payroll and withholdings	16,530	-	-	16,530
Accrued vacation payable	12,455	-	-	12,455
Grants payable	304,636	-	-	304,636
Funds held as agency endowments	495,766	-	-	495,766
Charitable gift annuity payable	175,848	-	-	175,848
Pass-through funds	1,190,001	-	-	1,190,001
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>2,199,024</u>	<u>-</u>	<u>-</u>	<u>2,199,024</u>
Net Assets:				
Unrestricted	26,386,265	369,739	-	26,756,004
Temporarily restricted	384,280	-	-	384,280
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Net Assets	<u>26,770,545</u>	<u>369,739</u>	<u>-</u>	<u>27,140,284</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Net Assets	<u>\$ 28,969,569</u>	<u>\$ 369,739</u>	<u>\$ -</u>	<u>\$ 29,339,308</u>

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

**CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Community Foundation</u>	<u>Community Renaissance</u>	<u>Consolidated Adjustments</u>	<u>Total</u>
Revenue, gains and other support:				
Public Support -				
Contributions	\$ 2,336,792	\$ 384,595	\$(215,631)	\$ 2,505,756
Revenue and Gains -				
Interest and dividends	656,325	51	-	656,376
Gain on sale of investments	1,463,872	-	-	1,463,872
Unrealized gain (loss) on investments	(795,923)	-	-	(795,923)
Increase in cash surrender value of life insurance	10,726	-	-	10,726
Administrative fee income	17,430	-	-	17,430
Other	100	-	-	100
	<u>1,352,530</u>	<u>51</u>	<u>-</u>	<u>1,352,581</u>
Total Public Support Revenues and Gains	<u>3,689,322</u>	<u>384,646</u>	<u>(215,631)</u>	<u>3,858,337</u>
Expenses:				
Grants	2,039,396	-	(215,631)	1,823,765
Investment management fees	58,673	-	-	58,673
Other fund expenses	14,070	-	-	14,070
Operating expenses	530,826	14,907	-	545,733
Program expenses - Youth Advisory Council Fund	6,110	-	-	6,110
	<u>2,649,075</u>	<u>14,907</u>	<u>-</u>	<u>2,448,351</u>
Total Expenses	<u>2,649,075</u>	<u>14,907</u>	<u>-</u>	<u>2,448,351</u>
Change in Net Assets	1,040,247	369,739	-	1,409,986
Net Assets at beginning of year	<u>25,730,298</u>	<u>-</u>	<u>-</u>	<u>25,730,298</u>
Net Assets at end of year	<u>\$26,770,545</u>	<u>\$ 369,739</u>	<u>\$ -</u>	<u>\$27,140,284</u>

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

**SUMMARY SCHEDULE OF NET ASSETS/AGENCY ENDOWMENTS BY FUND
DECEMBER 31, 2005**

	Net Assets			Agency Endowment
	Unrestricted	Temporarily Restricted	Total	
Board Designated Funds:				
Operating Fund	\$ 682,166	\$ -	\$ 682,166	\$ -
Community Investment Fund	1,911,202	200	1,911,402	-
Administrative Endowment Fund	362,480	-	362,480	-
James C. Acheson Administrative Expense Fund	2,643,083	-	2,643,083	-
James C. Acheson Fund	1,327,374	-	1,327,374	-
Emerson G. and Lucilda A. Brown Fund	148,529	-	148,529	-
Earl H. Donaldson Endowment Fund	28,913	-	28,913	-
Donald W. and Alice I. Giese Endowment Fund	55,403	-	55,403	-
Margaret Lutz Endowment	141,453	-	141,453	-
Burman J. Misener Endowment Fund	48,481	-	48,481	-
Florence C. Stephen Fund	135,959	-	135,959	-
Virginia E. Farmer Endowment Fund	59,505	-	59,505	-
Francis P. Willson Fund	1,032,513	-	1,032,513	-
Wirtz/Ogden Fund	135,890	-	135,890	-
John and Rose Marie Wismer Fund	794,399	-	794,399	-
Scholarship Funds:				
Alice W. Moore Memorial Scholarship Fund	117,653	-	117,653	-
Joseph Caimi Scholarship Fund	29,273	-	29,273	-
Jack S. Campbell Memorial Fund	113,895	-	113,895	-
Darin Conrad Memorial Scholarship Fund	46,936	-	46,936	-
Fuller Hansen Educational Trust Fund	644,843	100,772	745,615	-
Charles Myron Gossman Scholarship Fund	12,562	-	12,562	-
Pauline Groff Music Scholarship Endowment Fund	21,765	-	21,765	-
Christian B. and Agnes A. Haas Scholarship Fund	65,336	-	65,336	-
Gar and Leda Henry Sports Scholarship Fund	19,009	-	19,009	-
James T. Kreger Memorial Scholarship Fund	25,421	-	25,421	-
Little Brothers Little Sisters of St. Clair County Scholarship Endowment Fund	120,557	-	120,557	-
Marine City Scholarship Foundation Endowment Fund	3,689	-	3,689	107,183
River District Hospital Auxiliary McFern-Smeltzer Scholarship Endowment Fund	76,808	-	76,808	-
St. Clair Music Study Club Endowment Fund	19,678	-	19,678	24,508
Barbara Ann Kessler-Saph Scholarship Memorial Fund	45,429	-	45,429	-
Cyril Smith Memorial Scholarship fund	15,879	-	15,879	-
Trumble Memorial Scholarship Fund	25,471	-	25,471	-
Charles G. and Berneice M. Uligian Fund	154,928	-	154,928	-

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

**SUMMARY SCHEDULE OF NET ASSETS/AGENCY ENDOWMENTS BY FUND
DECEMBER 31, 2005**

	Net Assets			Agency Endowment
	Unrestricted	Temporarily Restricted	Total	
Scholarship Funds (cont'd):				
James Wilhelm Memorial Scholarship Fund	\$ 167,922	\$ -	\$ 167,922	\$ -
Bert D. and Rose E. Wright Memorial Scholarship Fund	99,435	-	99,435	-
Memphis High School Alumni Association Fund	18,049	-	18,049	-
Port Huron Museum Scholarship Endowment Fund	23,563	-	23,563	-
Lillian M. Perry Scholarship Fund	44,760	-	44,760	-
Catherine C. Gellien Scholarship Fund	27,314	-	27,314	-
John F. & Rose Marie Wismer Community Foundation Scholarship Fund	830,160	-	830,160	-
Donor Designated Funds:				
Walter K. Brooks Memorial Fund	1,646,735	-	1,646,735	-
Cleland Community Youth Fund	29,820	-	29,820	-
Marcia M. Haynes Endowment Fund	4,082	-	4,082	-
Marian Pollock Moore Fund	107,209	-	107,209	-
Healthy Youth, Healthy Seniors Fund	143,071	-	143,071	-
Tunnel Fund	33,336	-	33,336	-
Youth Home Fund	25,970	-	25,970	-
St. Clair County Chapter - American Red Cross Fund	16,339	-	16,339	-
Mary B. Andreae Fund	27,211	-	27,211	-
Donor Advised Funds:				
Bob Abdo Memorial Fund	27,162	-	27,162	-
James C. Acheson Fund II	1,710,477	101,556	1,812,033	-
Howard A. Acheson Memorial Fund	842,172	124,810	966,982	-
James C. Acheson Foundation & Times Herald Academic Achievement Fund	575,018	-	575,018	-
Algonac Lions Club Fund	418,301	-	418,301	-
Charles and Margaret Anderson Foundation Endowment Fund	1,680,809	-	1,680,809	-
Back to School Event	251	-	251	-
Father Bartone Fund	702,232	-	702,232	-
Norman and Isabel Cosgrove Memorial Fund	27,319	-	27,319	-
Janet E. & Lee C. Hanson Endowment Fund	73,754	-	73,754	-
John W. & M. Louise Shier Family Fund	103,182	-	103,182	-
Blue Water Shipmasters' Fund	28,305	-	28,305	-
Wyatt Walker Friendship Fund	53,186	-	53,186	-
Women's Giving Circles Fund	3,123	-	3,123	-
Women's Initiative Fund	316,081	29,350	345,431	-
Organization Designated Funds:				
Algonac-Clay Township Historical Society Fund	3,504	-	3,504	6,700
Algonac Community Schools Education Enrichment Fund	43,071	-	43,071	76,005

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

**SUMMARY SCHEDULE OF NET ASSETS/AGENCY ENDOWMENTS BY FUND
DECEMBER 31, 2005**

	Net Assets			Agency Endowment
	Unrestricted	Temporarily Restricted	Total	
Organization Designated Funds (cont'd):				
Blue Water Council Boy Scout Endowment Fund	\$ 4,593	\$ -	\$ 4,593	\$ 64,070
John R. Dolan Fund	655,657	-	655,657	-
Supporters of East China School District Fund	87,041	15,011	102,052	-
St. Clair County Library Fund (incl. the Lawrence E. Owens Endowment)	38,696	-	38,696	-
Marine City Historic District Restoration	327	-	327	33,170
MI Waterways Council of Girl Scouts Endowment Fund	13,749	-	13,749	926
Peoples' Clinic for Better Health Fund	734	-	734	13,197
Port Huron Hospital Foundation Endowment Fund	205	-	205	10,950
Sanborn Gratiot Memorial Home Endowment Fund	72	-	72	28,732
St. John River District Endowment Fund	859	-	859	13,203
Friends of St. Mary's School (St. Clair) Fund	32,548	-	32,548	-
Thomas & Frances Treleaven Fund	572,783	-	572,783	-
Field of Interest Funds:				
Algonac-Clay Community Fund	79,767	12,487	92,254	-
Arts & Culture Endowment Fund	2,142	-	2,142	-
Frank V. Carney & Bula A. Carney Memorial Fund	501,113	-	501,113	-
Citizens for St. Clair Fund	133,449	-	133,449	-
City of Port Huron	1,040	-	1,040	117,122
Cottellville Community Fund	6,485	94	6,579	-
Education Endowment Fund	535	-	535	-
Emergency Fund	10,000	-	10,000	-
Health & Human Services Fund	631	-	631	-
Housing Endowment Fund	614	-	614	-
Land & Water Endowment Fund	11	-	11	-
Harry F. Lewis Fund	148,753	-	148,753	-
Maritime Fund	177	-	177	-
Marwood Manor Endowment Fund	239,530	-	239,530	-
Charles F. Moore Memorial Fund	132,431	-	132,431	-
Ernest T. & Barbara A. Oskin Fund	1,108,903	-	1,108,903	-
Recreation Fund	244	-	244	-
F. William & Patricia Schwarz Fund	133,483	-	133,483	-
Seniors Endowment Fund	925	-	925	-
Thomas K. Smith Fund	133,399	-	133,399	-
Youth Advisory Council Fund	1,365,031	-	1,365,031	-
Charitable Gift Annuity Fund:				
Raymond & Catherine Gellien Fund	60,933	-	60,933	-
Community Renaissance Fund	369,739	-	369,739	-
Total	\$ 26,756,004	\$ 384,280	\$ 27,140,284	\$ 495,766

THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY

OPERATING FUND

**SCHEDULE OF OPERATING REVENUES AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

	2005	2004
Revenues:		
Administration Fees Charged Donor Endowments (Annually 1%, 1.5% or 2% depending on fund type)	\$ 334,135 *	\$ 289,714 *
Earnings on Administrative Endowment Funds	42,255	28,481
Donations from Community Partners/Others Specifically Designated for Operations	182,742	204,509
Interest on Operation Funds	13,802	13,054
	\$ 572,934	\$ 535,758
Expenses:		
Salaries	\$ 300,289	\$ 241,643
Payroll taxes	26,593	20,102
Employee benefits	36,107	28,357
Contract services	702	283
Rent	32,482	32,443
Utilities	3,197	2,955
Telephone	2,579	3,348
Postage	5,310	3,802
Office supplies	5,704	5,154
Equipment rental and maintenance	5,249	3,646
Insurance	4,987	4,766
Audit and accounting services	14,500	12,450
Legal fees	-	9,548
Computer software maintenance	4,761	4,280
Stationery and printing	3,590	4,275
Awareness expense	15,168	11,288
Annual dinner expense - net of \$7,285 in 2005 and \$5,280 in 2004	1,391	1,984
Annual report	12,006	9,767
Newsletter expense	2,216	1,561
Conferences, training and travel	7,898	3,200
Dues and membership	6,438	5,423
Committee expense	2,604	7,563
CRC expenses	7,045	-
Other expenses	1,546	6,956
Total expenses before depreciation	502,362	424,794
Depreciation	28,464	20,348
Total Expenses	\$ 530,826	\$ 445,142

* The total administrative fee revenue is 1.23% for 2005 and 1.16% for 2004 as a percentage of Endowment Fund investments plus investments held as pass through funds.