

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

**CONSOLIDATED FINANCIAL STATEMENTS  
with Supplementary Information**

**FOR THE YEAR ENDED  
DECEMBER 31, 2011**

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

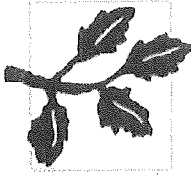
CERTIFIED PUBLIC ACCOUNTANTS



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

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community foundation

of St. Clair County

May 2012

To our Trustees, Volunteers, Donors and Partners:

We are pleased to present the enclosed financial statements for the year-ended December 31, 2011, and are very proud to report that our independent auditors have issued an unqualified opinion over our financial records and operations. Accountability, transparency and credibility are critical to the continued success of an organization and we take seriously the confidence and trust that our donors have placed in us.

It is noteworthy to highlight that the Foundation has maintained an unqualified opinion on its audited financial statements since its inception in 1944. Furthermore, we were among the first 150 community foundations to receive national certification for compliance with National Standards from the Council on Foundations in 2005, and received 5-year recertification in 2011. Our audited financial statements and IRS Form 990 are available on our website or upon request.

Education continues to be a top priority in our strategic plan and the Community Foundation has been able to make significant contributions in bringing donors and doers together. Programs such as the College Access Coordinators and the Know How 2 Go initiatives continue to show tangible results. In 2011 the Community Foundation was able to reach out to its donors and successfully met a challenge grant that led to the creation of a \$100,000 College Access Endowment Fund.

In the area of Community & Economic Development, the Foundation continues to collaborate with partners and stakeholders throughout the county who share our vision and focus on "quality of place." This focus has blended well with the continued collaboration on the Discover the Blue tourism program, increasing public amenities in our downtowns, and supporting the emergence of the Blue Water Young Professionals.

Basic needs remain a funding priority, especially in these troubling economic times. One of our efforts in this area, Friday Food for Kids, provides eligible students with backpacks full of food to take home over the weekend. Through programs like this, along with the Back to School Events & Food Giveaways, and grant awards from the many agency-designated endowment funds under our management, the Community Foundation will continue to support the basic needs of our residents.

Amidst continued economic challenges in our County, State and nation, the year-ended December 31, 2011 brought some very positive highlights and exciting news for the Community Foundation, which we would like to share in this letter.

The Community Foundation's Board awarded \$844,155 in grants including financial support for back-to-school events in 2011 (net of prior year refunds). This amount, less the FAS 136 (agency-liability) adjustment, and supporting organizations' elimination, agrees to the amounts reported on the consolidated statements. Also, an additional \$511,837 was allocated in 2011 on a consolidated basis to Foundation programs and initiatives which include those described in this letter.

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 \$2.37 million in 2011 from more than 824 donors, including eight new endowment funds and 18 new charitable checkbook funds.

One of the most exciting highlights of 2011 was the completion of an impressive gift of over 4,000 feet of St. Clair River shoreline from philanthropist and friend, Jim Acheson. After planning and preparing for this major gift since the summer of 2010, the Community Foundation received the land into its newly established supporting organization, Blue Water Land Fund, just before Christmas.

Through a series of focus group sessions, tours of the Detroit Riverfront, and a significant amount of collaboration with other local and state partners, the Community Foundation has developed a master plan for the complete restoration of the shoreline. Although the total project is a challenging, multi-year endeavor that will occur in phases as funding is secured, the result will be a legacy: public access in perpetuity to a naturalized shoreline and a multi-purpose pedestrian trail.

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. 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.

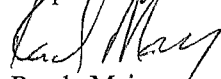
The Foundation's investments have provided historically good returns under this approach and in comparison with our peers of foundation, endowment and institutional investors, we have consistently performed well. Although our 2011 annual investment return of .41% isn't the level we'd like to boast about, it is important to note that our performance was still ranked in the 18 percentile among our peers, and our two-, three-, and five-year investment returns (7.72%, 12.41%, and 2.43% respectively) rank between the 5<sup>th</sup> and 22<sup>nd</sup> percentile among our peers.


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 and Blue Water Land Fund, its two Type I supporting organizations, is a large and complex non-profit corporation. 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. Since 1944 the Community Foundation of St. Clair County has been the leading voice for philanthropy in St. Clair County, and with the continued support, trust and involvement of our donors, volunteers and partners, we will continue to improve our community and the quality of life for its 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 organizations as of December 31, 2011, 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 2010 financial statements and, in our report dated April 28, 2011 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 and its supporting organization as of December 31, 2011, 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 financial statements taken as a whole. The introductory section, consolidating statements, and the summary schedule of net assets/agency endowments by fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. The consolidating statements and summary of net assets/agency endowments by fund, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. 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

June 4, 2012

## **BASIC FINANCIAL STATEMENTS**

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2011 AND 2010**

	2011	2010
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 1,353,787	\$ 1,039,227
Certificates of deposit	301,000	350,000
Receivables -		
Pledges	20,842	19,500
Interest and other	8,028	3,629
Notes	33,884	49,285
Prepaid expenses	165	196
Total Current Assets	1,717,706	1,461,837
<b>Non-Current Assets:</b>		
Pledges (net of discount of \$1,596 and \$2,828, respectively)	9,304	18,872
Notes receivable (net of discount of \$2,198 and \$0, respectively)	100,041	88,759
Total Non-Current Assets	109,345	107,631
<b>Land, Building, and Equipment:</b>		
Land, building, and equipment (net of accumulated depreciation of \$298,221 and \$317,821, respectively)	1,678,411	420,187
<b>Other Assets:</b>		
Cash surrender value of contributed life insurance	151,932	147,972
Investments - endowments	28,780,372	29,659,443
Investments - charitable gift annuity	127,058	151,043
Total Other Assets	29,059,362	29,958,458
Total Assets	<b>\$ 32,564,824</b>	<b>\$ 31,948,113</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 19,231	\$ 13,288
Grants payable	35,251	54,565
Accrued expenses	34,870	33,965
Deferred revenue	28,750	-
Funds held as agency endowments	1,106,824	1,103,670
Charitable gift annuity payable	62,016	82,931
Total Current Liabilities	1,286,942	1,288,419
<b>Noncurrent Liabilities:</b>		
Note payable	68,585	68,585
Deferred compensation contract	31,342	32,439
Total Noncurrent Liabilities	99,927	101,024
Total Liabilities	1,386,869	1,389,443
<b>Net Assets:</b>		
Temporarily restricted	24,271,660	24,838,430
Unrestricted	6,906,295	5,720,240
Total Net Assets	31,177,955	30,558,670
Total Liabilities and Net Assets	<b>\$ 32,564,824</b>	<b>\$ 31,948,113</b>

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

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

**CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2010**

	Unrestricted	Temporarily Restricted	Total	
			2011	2010
<b>Revenue, gains and other support:</b>				
Public Support -				
Contributions	\$ 1,801,479	\$ 565,659	\$ 2,367,138	\$ 1,659,443
Revenue and Gains -				
Government grants	6,100	-	6,100	-
Investment income (loss) net of expense	2,960	( 35,866)	( 32,906)	3,721,543
Increase in cash surrender value of life insurance	-	3,960	3,960	4,491
Administrative fee income	12,239	-	12,239	11,131
Other	10,227	3,231	13,458	25,543
	31,526	( 28,675)	2,851	3,762,708
Net Assets Released from Restrictions:				
Expenses appropriated by the Board	1,103,754	( 1,103,754)	-	-
	1,103,754	( 1,103,754)	-	-
Total Revenues, Gains, and Other Support	2,936,759	( 566,770)	2,369,989	5,422,151
<b>Expenses:</b>				
Program expenses:				
Youth Advisory Council	2,111	-	2,111	2,902
Grants	760,004	-	760,004	750,199
Back to School Initiatives	33,815	-	33,815	40,630
Access to Recreation	-	-	-	6,932
Public Arts Expense	-	-	-	43,790
Downtown Programs & Promotions	102,020	-	102,020	113,430
Other Program Expenses	407,706	-	407,706	449,382
Management and general	294,924	-	294,924	310,118
Fundraising expenses	150,124	-	150,124	146,340
	1,750,704	-	1,750,704	1,863,723
Total Expenses	1,750,704	-	1,750,704	1,863,723
Change in Net Assets	1,186,055	( 566,770)	619,285	3,558,428
Net Assets at beginning of year, restated	5,720,240	24,838,430	30,558,670	27,000,242
Net Assets at end of year	\$ 6,906,295	\$24,271,660	\$ 31,177,955	\$30,558,670

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



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

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2011  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2010**

	Program Services			Total
	Community Foundation	Community Renaissance	Blue Water Land Fund	
Salaries	\$ 166,071	\$ 9,789	\$ -	\$ 175,860
Employee Benefits/Payroll Taxes	47,649	4,687	-	52,336
Professional Services	5,247	405	33,274	38,926
Legal Services	-	-	-	-
Occupancy	5,278	32,986	-	38,264
Utilities	1,080	3,356	-	4,436
Equipment Rental and Maintenance	2,787	4,067	-	6,854
Telephone	1,243	973	-	2,216
Postage	839	37	13	889
Community Relations (net)	9,295	100	-	9,395
Donor Cultivation	4,735	-	-	4,735
Fundraising	-	-	-	-
Foundation Committee	3,310	-	-	3,310
Dues, Memberships, and Subscriptions	1,927	-	125	2,052
Insurance	3,179	3,922	2,013	9,114
Office Supplies	876	600	139	1,615
Stationary/Printing	1,228	-	-	1,228
Computer Maintenance	4,028	-	-	4,028
Conferences and Travel	3,847	-	110	3,957
Other	5,598	2,726	2,027	10,351
Depreciation	8,797	29,343	-	38,140
	<u>277,014</u>	<u>92,991</u>	<u>37,701</u>	<u>407,706</u>
Youth Advisory Council	2,111	-	-	2,111
Grants Voted from Income	760,004	-	-	760,004
Back to School Initiatives	33,815	-	-	33,815
Access to Recreation Program	-	-	-	-
Public Art Project Expenses	-	-	-	-
Downtown Programs & Promotions	-	102,020	-	102,020
	<u>-</u>	<u>102,020</u>	<u>-</u>	<u>102,020</u>
Total Expenses	<u>\$ 1,072,944</u>	<u>\$ 195,011</u>	<u>\$ 37,701</u>	<u>\$ 1,305,656</u>

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

Supporting Services		Total	
Management and General	Fundraising	2011	2010
\$ 169,654	\$ 92,591	\$ 438,105	\$ 497,083
64,711	22,353	139,400	157,257
19,800	-	58,726	23,547
1,141	-	1,141	14,258
5,787	2,838	46,889	60,518
1,185	581	6,202	6,572
3,056	1,499	11,409	5,178
1,363	669	4,248	3,997
920	451	2,260	3,968
-	-	9,395	14,672
-	-	4,735	3,674
-	12,558	12,558	5,706
-	-	3,310	2,057
2,113	1,036	5,201	6,574
3,487	1,710	14,311	9,480
961	471	3,047	3,047
1,347	661	3,236	4,955
4,417	2,167	10,612	7,440
4,219	2,069	10,245	5,565
1,116	3,739	15,206	9,689
9,647	4,731	52,518	60,603
<u>294,924</u>	<u>150,124</u>	<u>852,754</u>	<u>905,840</u>
-	-	2,111	2,902
-	-	760,004	750,199
-	-	33,815	40,630
-	-	-	6,932
-	-	-	43,790
-	-	102,020	113,430
<u>\$ 294,924</u>	<u>\$ 150,124</u>	<u>\$ 1,750,704</u>	<u>\$ 1,863,723</u>

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010**

	2011	2010
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 619,285	\$ 3,558,428
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	52,518	60,603
Increase in cash surrender value of contributed life insurance	( 3,960)	( 4,491)
Properties received as contributions	( 1,387,352)	-
Non-cash contributions	( 10,238)	( 2,934)
Unrealized (gain) loss on investments securities	1,127,900	( 2,366,414)
Non-cash initiatives	76,609	-
Loss on disposal of assets	-	234
Increase / decrease in operating assets and liabilities -		
Contributions receivable	8,226	266,114
Note receivables	4,119	34,951
Other receivables	( 4,399)	( 2,718)
Prepaid expenses	31	( 196)
Accounts payable	5,943	( 8,759)
Accrued expenses	905	1,979
Accrued employee benefits	( 1,097)	5,506
Deferred revenues	28,750	( 83,370)
Grants payable	( 19,314)	( 25,052)
Funds held as agency endowments	47,177	30,781
Charitable gift annuity payable	( 20,915)	( 20,097)
Net Cash Provided by Operating Activities	524,188	1,444,565
<b>Cash Flows from Investing Activities:</b>		
Proceeds from sale of investments	9,381,763	11,326,072
Purchase of investments	( 9,640,391)	( 12,181,909)
Sale (purchase) of certificates of deposits	49,000	( 350,000)
Purchase of equipment	-	( 34,616)
Net Cash Used in Investing Activities	( 209,628)	( 1,240,453)
Net increase in cash and cash equivalents	314,560	204,112
Cash and cash equivalents at beginning of year	1,039,227	835,115
Cash and cash equivalents at end of year	\$ 1,353,787	\$ 1,039,227

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF 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 of St. Clair County. Since the Community Foundation of St. Clair County has a controlling interest, generally accepted accounting principles require that it be consolidated with the Community Foundation of St. Clair County.

The Blue Water Land Fund, Inc. was organized in 2011 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 Blue Water Land Fund, Inc. are appointed by the Board of Directors of the Community Foundation of St. Clair County. Since the Community Foundation of St. Clair County has a controlling interest, generally accepted accounting principles 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, the Community Renaissance Fund, and Blue Water Land Fund, Inc., where any inter-company transactions are eliminated.

**SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Community Foundation of St. Clair County and its supporting organizations (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, the Community Renaissance Fund and Blue Water Land Fund, Inc., 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 COMMUNITY FOUNDATION OF ST. CLAIR COUNTY  
AND SUPPORTING ORGANIZATIONS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF 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. 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.

**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 and 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** - Land, buildings and improvements, office furniture, equipment, and leasehold improvements are recorded at cost or at fair market value at the date of donation. 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. 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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

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

**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 and Blue Water Land Fund, Inc. are classified by the Internal Revenue Service as tax-exempt under Section 501(c)(3) and Type 1 supporting organizations under Section 509(a)(3). Accordingly, no provision for income taxes is required.

**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, 2010 from which the summarized information was derived. Certain reclassifications have been made to the prior year financial statements to conform to the 2011 presentation with no effect on net assts.

**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 June 4, 2012, the date the financial statements were available to be issued.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE 2 - CASH AND INVESTMENTS:**

**CONCENTRATION OF CREDIT RISK -**

Cash and cash equivalents and certificates of deposit of \$1,654,787 at December 31, 2011 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 bank balance at December 31, 2011 totaled \$1,631,525, of which \$1,630,657 was insured by depository insurance and \$868 was uninsured and uncollateralized.

**INVESTMENTS -**

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

	<u>2011</u>	<u>2010</u>
Real Estate Fund	\$ 1,652,161	\$ 1,038,665
Common Commingled Trust Fund - Rothschild small-cap trust	3,551,235	4,152,253
Exchange Traded & Mutual Funds	22,010,924	22,397,248
U.S. Debt Securities - mortgage-backed securities	858	1,126
Corporate debt securities	65	13
Alternative investments (Hedge Fund of Funds)	<u>1,692,187</u>	<u>2,221,181</u>
Total	<u>\$ 28,907,430</u>	<u>\$ 29,810,486</u>

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

	<u>2011</u>	<u>2010</u>
Interest and Dividends	\$ 624,986	\$ 565,002
Gain on Sale of Investments	551,611	863,511
Unrealized Gain (Loss) on Investments	( 1,128,199)	2,366,414
Investment Management Fees	<u>( 81,304)</u>	<u>( 73,384)</u>
Total	<u>\$ ( 32,906)</u>	<u>\$ 3,721,543</u>

**NOTE 3 - PROPERTY AND EQUIPMENT:**

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

	<u>2011</u>	<u>2010</u>
Land	\$ 1,387,352	\$ -
Buildings and improvements	170,210	170,210
Leasehold improvements	239,329	387,307
Equipment	<u>179,741</u>	<u>180,490</u>
	1,976,632	738,008
Less – accumulated depreciation	<u>( 298,221)</u>	<u>( 317,821)</u>
	<u>\$ 1,678,411</u>	<u>\$ 420,187</u>

Depreciation expense for the years ended December 31, 2011 and 2010 was \$52,518 and \$60,603, respectively.

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY  
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**NOTE 4 - PLEDGES RECEIVABLE:**

The Foundation pledges receivable at December 31, 2011 totaled \$31,742 with \$20,842 due in less than one (1) year with the remainder due within five (5) years. There was an amount of \$1,596, which was considered the discounted value (5%) of contributions receivable in excess of one year at December 31, 2011.

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, 2011.

**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, 2011 including the current portion of \$0 is:

\$ 68,585

**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, 2011 including the current portion of \$1,390 is:

5,832

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, 2011, including the current portion of \$3,161 is:

5,869

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, 2011, including the current portion of \$3,333 is:

8,837



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

**Promissory Notes** - In July 2011, the Community Foundation of St. Clair County loaned \$30,000, without interest, to be repaid in quarterly installments of \$1,500 over five years. The discount on the note receivable in excess of one year at December 31, 2011 is \$2,198. The balance at December 31, 2011, including the current portion of \$6,000 is: \$ 24,802

In December 2011, the Community Foundation of St. Clair County loaned \$20,000, without interest, to be repaid by December 2012. The balance at December 31, 2011, including the current portion of \$20,000 is: 20,000  
\$ 133,925

**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. The balance outstanding at December 31, 2011 amounted to \$98,951.

**NOTE 6 - GRANTS PAYABLE:**

At December 31, 2011, the Foundation's grants payable was \$35,251 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 \$540,831. 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.

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**NOTE 8 - DEFERRED COMPENSATION - (cont'd):**

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, 2011, the CEO/President has "unvested" deferred compensation rights of \$31,342.

**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, 2011 were \$382,254, 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 future minimum annual rental commitments under the lease agreement in effect at December 31, 2011, 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:

2012	\$ 12,000
2013	12,000
2014	12,000
2015	<u>5,000</u>
Total	<u>\$ 41,000</u>

Total rent expense for the year ended December 31, 2011 and 2010 was \$46,889 and \$60,518, respectively.

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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, 2011, was \$127,058 and the present value of the estimated future payments was \$62,016 at December 31, 2011, calculated using a discount rate of 4% and applicable mortality tables. The difference between the assets and estimated future payments of \$65,042 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, 2011:

**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	\$ 1,652,161	\$ -	\$ -	\$ 1,652,161
Common Commingled Trust Fund-				
Rothschild small-cap trust	3,551,235	-	3,551,235	-
Exchange Traded & Mutual Funds	22,010,924	22,010,924	-	-
U.S. Debt Securities - mortgage				
backed securities	858	-	-	858
Corporate Debt Securities	65	-	-	65
Alternative Investments (Hedge				
Fund of Funds)	<u>1,692,187</u>	<u>-</u>	<u>-</u>	<u>1,692,187</u>
Total Assets	<u>\$ 28,907,430</u>	<u>\$ 22,010,924</u>	<u>\$ 3,551,235</u>	<u>\$ 3,345,271</u>
<b>Liabilities</b>				
Charitable Gift Annuity Payable	\$ 62,016	\$ 62,016	\$ -	\$ -
Funds held as Agency Endowments	<u>1,106,824*</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,168,840</u>	<u>\$ 62,016</u>	<u>\$ -</u>	<u>\$ -</u>

\* 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 classifications 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.

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

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>
Beginning balance	\$ 3,260,985
Realized/unrealized gain net of fees included in changes in net assets	84,327
Net sales	<u>( 41)</u>
Ending balance	<u>\$ 3,345,271</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.

**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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**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, 2011, restated	\$ 4,082,303	\$ 24,838,430
Contributions	36,278	565,659
Net Depreciation	( 156,676)	( 968,546)
Investment Income	153,696	932,680
Other Income	( 2,198)	7,191
Expenses Appropriated by the Board	( 177,677)	( 1,103,754)
Balance at December 31, 2011	<u>\$ 3,935,726</u>	<u>\$ 24,271,660</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.

**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'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. 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 cost 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. 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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

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

At December 31, 2011, the Foundation was the owner of 14 Agency Endowment Funds with a combined value of \$1,106,824. 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, 2011	\$ 1,103,670
Agency gifts	35,417
Interest and dividends	23,440
Realized gains on investments	20,923
Unrealized loss on investments	( 44,023)
Grants	( 17,195)
Administrative fees	( 12,239)
Investment management fees	( 3,169)
 Agency Endowment Fund Balances at December 31, 2011	 <u>\$ 1,106,824</u>

**NOTE 16 – RESTATED BEGINNING NET ASSET BALANCES:**

As noted in Note 13 to these financial statements, endowment funds were classified according to UPMIFA in 2009. During the current year, it was determined that a few funds were classified as unrestricted, either as undesignated or board designated, that have restrictions on how the Foundation can use the funds in their respective fund documents. As a result, \$1,633,158 was reclassified as of December 31, 2010 from unrestricted net assets to temporarily restricted net assets, having no effect on total net assets.



**SUPPLEMENTARY FINANCIAL INFORMATION**

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY  
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**CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2011**

	Community Foundation	Community Renaissance	Blue Water Land Fund	Consolidated Adjustments	Total
<b>ASSETS</b>					
<b>Assets:</b>					
Cash and cash equivalents	\$ 1,241,722	\$ 65,534	\$ 46,531	\$ -	\$ 1,353,787
Certificates of deposit	301,000	-	-	-	301,000
Investments	28,907,430	-	-	-	28,907,430
Pledge receivable (net of pledge discount \$1,596)	30,146	-	-	-	30,146
Note receivable (net of discount of \$2,198 and \$0, respectively)	44,802	89,123	-	-	133,925
Interest and other receivables	8,023	99	-	( 94)	8,028
Inter-company advance	28,750	-	-	( 28,750)	-
Prepaid expense	165	-	-	-	165
Land, building, and equipment (net of accumulated depreciation of \$204,748, \$93,473, and \$0)	111,761	179,298	1,387,352	-	1,678,411
Cash surrender value of contributed life insurance	151,932	-	-	-	151,932
	<u>\$ 30,825,731</u>	<u>\$ 334,054</u>	<u>\$ 1,433,883</u>	<u>\$( 28,844)</u>	<u>\$ 32,564,824</u>
Total Assets					
<b>LIABILITIES AND NET ASSETS</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 4,544	\$ 1,347	\$ 13,434	\$( 94)	\$ 19,231
Accrued expenses	34,026	844	-	-	34,870
Deferred compensation contract	31,342	-	-	-	31,342
Grants payable	35,251	-	-	-	35,251
Inter-company advance	-	-	28,750	( 28,750)	-
Note payable	-	68,585	-	-	68,585
Deferred revenue	28,750	-	-	-	28,750
Funds held as agency endowments	1,106,824	-	-	-	1,106,824
Charitable gift annuity payable	62,016	-	-	-	62,016
	<u>1,302,753</u>	<u>70,776</u>	<u>42,184</u>	<u>( 28,844)</u>	<u>1,386,869</u>
Total Liabilities					
<b>Net Assets:</b>					
Temporarily restricted	24,271,660	-	-	-	24,271,660
Unrestricted	5,251,318	263,278	1,391,699	-	6,906,295
	<u>29,522,978</u>	<u>263,278</u>	<u>1,391,699</u>	<u>-</u>	<u>31,177,955</u>
Total Net Assets					
Total Liabilities and Net Assets	<u>\$ 30,825,731</u>	<u>\$ 334,054</u>	<u>\$ 1,433,883</u>	<u>\$( 28,844)</u>	<u>\$ 32,564,824</u>

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY  
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**CONSOLIDATING STATEMENT OF ACTIVITIES  
DECEMBER 31, 2011**

	<u>Community Foundation</u>	<u>Community Renaissance</u>	<u>Blue Water Land Fund</u>	<u>Consolidated Adjustments</u>	<u>Total</u>
<b>Revenue, gains and other support:</b>					
Public Support -					
Contributions	\$ 916,768	\$ 91,326	\$ 1,429,394	\$( 70,350)	\$ 2,367,138
Revenue and Gains -					
Government grants	6,100	-	-	-	6,100
Investment income net of expense	( 35,116)	2,204	6	-	( 32,906)
Increase in cash surrender value of life insurance	3,960	-	-	-	3,960
Administrative fee income	12,239	-	-	-	12,239
Other	1,033	12,425	-	-	13,458
	<u>( 11,784)</u>	<u>14,629</u>	<u>6</u>	<u>-</u>	<u>2,851</u>
Total Revenues, Gains, and Other Support	<u>904,984</u>	<u>105,955</u>	<u>1,429,400</u>	<u>( 70,350)</u>	<u>2,369,989</u>
<b>Expenses:</b>					
Program expenses:					
Youth Advisory Council	2,111	-	-	-	2,111
Grants	793,145	37,209	-	( 70,350)	760,004
Back to School Initiative	33,815	-	-	-	33,815
Downtown Programs & Promotions	-	102,020	-	-	102,020
Other Program Expenses	277,014	92,991	37,701	-	407,706
Management and general:					
Other Management and General	292,324	2,600	-	-	294,924
Fundraising expenses	150,124	-	-	-	150,124
Total Expenses	<u>1,548,533</u>	<u>234,820</u>	<u>37,701</u>	<u>( 70,350)</u>	<u>1,750,704</u>
Change in Net Assets	( 643,549)	( 128,865)	1,391,699	-	619,285
Net Assets at beginning of year	<u>30,166,527</u>	<u>392,143</u>	<u>-</u>	<u>-</u>	<u>30,558,670</u>
Net Assets at end of year	<u>\$ 29,522,978</u>	<u>\$ 263,278</u>	<u>\$ 1,391,699</u>	<u>\$ -</u>	<u>\$ 31,177,955</u>

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

**SUMMARY SCHEDULE OF NET ASSETS/AGENCY ENDOWMENTS BY FUND  
DECEMBER 31, 2011**

	Net Assets				Agency Endowment
	Unrestricted		Temporarily Restricted		
	Undesignated	Board	Donor Restricted	Total	
		Designated			
<b>General Charitable Funds:</b>					
Program and Services (Operating) Fund	\$ 1,159,714	\$ -	\$ 3,321	\$ 1,163,035	\$ -
Community Investment Fund	-	1,853,444	6,378	1,859,822	-
Acheson Community Foundation Fund	-	456,513	2,426,592	2,883,105	-
James C. Acheson Fund	-	-	1,196,252	1,196,252	-
Emerson G. and Lucilda A. Brown Fund	-	-	138,291	138,291	-
Earl H. Donaldson Endowment Fund	-	27,787	-	27,787	-
Donald W. and Alice I. Giese Endowment Fund	-	-	101,414	101,414	-
Margaret C. Lutz Endowment	-	133,423	-	133,423	-
John Shier Fund	-	-	27,692	27,692	-
Burman J. Misener Endowment Fund	-	-	124,584	124,584	-
Florence C. Stephen Fund	-	124,094	-	124,094	-
Virginia E. Farmer Endowment Fund	-	-	56,082	56,082	-
Francis P. Willson Fund	-	1,013,150	-	1,013,150	-
Wirtz/Ogden Fund	-	-	124,429	124,429	-
John and Rose Marie Wismer Fund	-	-	742,172	742,172	-
Russell A. "Tim" Sheldon Endowment	-	-	30,764	30,764	-
Turcotte/Craig Fund	-	-	-	-	-
<b>Scholarship Funds:</b>					
Alice W. Moore Memorial Scholarship Fund	-	-	109,995	109,995	-
Howard A. Acheson Memorial Fund	-	-	907,056	907,056	-
Father Bartone Fund	-	-	670,192	670,192	-
Beth Linsheid Duff Scholarship Fund	-	-	104,920	104,920	-
Joseph Caimi Scholarship Fund	-	-	35,800	35,800	-
Jack S. Campbell Memorial Fund	-	-	104,809	104,809	-
Frank V. and Bula Carney Memorial Scholarship Fund	-	-	27,857	27,857	-
Darin Conrad Memorial Scholarship Fund	-	-	46,785	46,785	-
Fuller Hansen Educational Trust Fund	-	-	717,426	717,426	-
Catherine Gellein Scholarship Fund	-	-	25,878	25,878	-
Blue Water Shipmasters' Fund	-	-	28,660	28,660	-
Charles Myron Gossman Scholarship Fund	-	-	42,510	42,510	-
Pauline Groff Music Scholarship Endowment Fund	-	-	22,835	22,835	-
Christian B. and Agnes A. Haas Scholarship Fund	-	-	93,875	93,875	-
James T. Kreger Memorial Scholarship Fund	-	-	24,726	24,726	-
Alexander and Celestine Lamere Fund	-	-	52,651	52,651	-
Little Brothers Little Sisters of St. Clair County Scholarship Endowment Fund	-	-	117,890	117,890	-
Port Huron Museum Scholarship Endowment	-	-	25,950	25,950	-

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

**SUMMARY SCHEDULE OF NET ASSETS/AGENCY ENDOWMENTS BY FUND  
DECEMBER 31, 2011**

	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	\$ -	\$ -	\$ 53,969	\$ 53,969	\$ 24,305
Lillian M. Perry Scholarship Fund	-	-	44,930	44,930	-
Marine City Scholarship Foundation Endowment Fund	-	-	11,489	11,489	104,076
Memphis High School Alumni Association Fund	-	-	26,565	26,565	-
River District Hospital Auxiliary McFern-Smeltzer Scholarship Endowment Fund	-	-	79,624	79,624	-
Barbara Ann Kessler-Saph Scholarship Memorial Fund	-	-	43,472	43,472	-
Cyril Smith Memorial Scholarship Fund	-	15,240	-	15,240	-
Trumble Memorial Scholarship Fund	-	-	25,522	25,522	-
Randy Sugars Memorial Scholarship Fund	-	-	8,545	8,545	-
Foley, Sedwick, Stephenson Fund	-	-	-	-	-
Charles G. and Berneice M. Uligian Fund	-	-	139,492	139,492	-
Douglas and Elda L. Webb Scholarship Fund	-	-	145,226	145,226	-
James Wilhelm Memorial Scholarship Fund	-	205,629	-	205,629	-
Bert D. and Rose E. Wright Memorial Scholarship Fund	-	-	94,520	94,520	-
John F. & Rose Marie Wismer Community Foundation Scholarship Fund	-	-	756,056	756,056	-
Robert and Marilyn Kovach Scholarship Fund	-	-	10,622	10,622	-
<b>Donor Designated Funds:</b>					
Bob Abdo Memorial Fund	-	-	38,396	38,396	-
Walter K. Brooks Memorial Fund	-	-	1,606,949	1,606,949	-
Back to School Events Fund	-	-	70,850	70,850	-
Helen David Fund for the Council on Aging	-	-	332,344	332,344	-
Helen David Fund for the Peoples' Clinic	-	-	335,650	335,650	-
Marian Pollock Moore Fund	-	-	110,318	110,318	-
Tunnel Fund	-	-	3,832	3,832	-
Youth Home Fund	-	3,393	-	3,393	-
St. Clair County Chapter - American Red Cross	-	-	30,622	30,622	-
St. Clair Rotary Centennial Park Fund	-	-	38,600	38,600	-
Mary B. Andreae Fund	-	-	25,388	25,388	-
River Walk Fund	-	-	150	150	-
Robert J. Goff Fund	-	-	-	-	-
Bob & Ann Tompert Endowment Fund	-	-	-	-	-

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

**SUMMARY SCHEDULE OF NET ASSETS/AGENCY ENDOWMENTS BY FUND  
DECEMBER 31, 2011**

	Net Assets				Agency Endowment
	Unrestricted		Temporarily Restricted		
	Board		Donor		
	Undesignated	Designated	Designated	Total	
<b>Donor Advised Funds:</b>					
James C. Acheson Fund II	\$ -	\$ -	\$ 2,082,194	\$ 2,082,194	\$ -
Algonac Lions Club Fund	-	-	400,146	400,146	-
Angi Austin Fund	9,605	-	-	9,605	-
St. Clair Foundation Fund	8,860	-	-	8,860	-
H. & H. Whiting Foundation Fund	49,152	-	-	49,152	-
Lisa Harris Pink Ribbon of Hope Memorial Fund	33,354	-	-	33,354	-
Norman and Isabel Cosgrove Memorial Fund	-	-	26,023	26,023	-
Janet E. & Lee C. Hanson Endowment Fund	-	-	95,811	95,811	-
The DeWald/Beckett Charitable Fund	-	-	254,737	254,737	-
The DeWald/Cook Charitable Fund	-	-	187,411	187,411	-
Joelle Marie Hajjar Fund	12,388	-	-	12,388	-
John W. & M. Louise Shier Family Fund	-	103,053	-	103,053	-
Wyatt Walker Friendship Fund	-	-	56,266	56,266	-
James L. "Jim" Little Fund	-	-	26,339	26,339	-
Niester Family Fund	-	-	10,883	10,883	-
Kusch Family Fund	-	-	94,358	94,358	-
Algonac Rotary Club Fund	1,600	-	-	1,600	-
Emery Family Fund	50	-	-	50	-
Fred and Lezlynne Moore Fund	4,900	-	-	4,900	-
Fred S. Moore Fund	4,550	-	-	4,550	-
Charles and E. Gail Kelly Fund	2,650	-	-	2,650	-
Helen Kramer Memorial Fund	1,000	-	-	1,000	-
Nasr Family Fund	11,000	-	-	11,000	-
Omega Fund	1,000	-	-	1,000	-
River District Fund	2,900	-	-	2,900	-
Sushma & Ramesh Reddy Family Fund	2,800	-	-	2,800	-
Chuck and Barbara Staiger Fund	1,275	-	-	1,275	-
Talmer Bank and Trust Fund	3,000	-	-	3,000	-
David Whipple Family Fund	2,501	-	-	2,501	-
Keith and Wendy Zick Fund	2,501	-	-	2,501	-
Norm and Joyce Beauchamp Fund	-	-	-	-	-
Dave Lomasney Family Fund	-	-	-	-	-
Mirabelli Family Fund	-	-	-	-	-
Walker Family Fund	-	-	-	-	-
<b>Organization Designated Funds:</b>					
Algonac-Clay Township Historical Society Fund	-	-	7,112	7,112	7,620
Algonac Community Schools Education Enrichment Fund	-	-	55,233	55,233	132,701
Blue Water Council Boy Scout Endowment Fund	-	-	5,899	5,899	61,036
Blue Water Developmental Housing, Inc. Fund	-	-	-	-	26,823
Blue Water Hospice and Visiting Nurse Associatio	-	-	6,534	6,534	31,713
Council on Aging Fund	-	-	4,500	4,500	-
Disability Services Fund	-	-	250	250	24,972

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

**SUMMARY SCHEDULE OF NET ASSETS/AGENCY ENDOWMENTS BY FUND  
DECEMBER 31, 2011**

	Net Assets				Agency Endowment
	Unrestricted		Temporarily Restricted		
	Board		Donor		
	Undesignated	Designated	Designated	Total	
<b>Organization Designated Funds (cont'd):</b>					
John R. Dolan Fund	\$ -	\$ -	\$ 603,746	\$ 603,746	\$ -
Quota International Helen David Fund	-	-	-	-	25,079
United Way of St. Clair County Fund	-	-	949	949	24,555
Supporters of East China School District Fund	-	-	119,104	119,104	23,424
Kids in Distress Services Fund	-	-	4,998	4,998	-
St. Clair County Library Fund (incl. the Lawrence E. Owens Endowment)	-	-	161,065	161,065	-
Marine City Historic District Restoration Fund	-	-	1,479	1,479	41,906
McMorran Place Fund	-	-	10,270	10,270	334,883
Girl Scouts - Michigan Waterways Council Fund	-	-	15,439	15,439	4,041
Michigan Nature Association	-	-	-	-	929
Peoples' Clinic for Better Health Fund	-	-	12,244	12,244	14,132
Port Huron Area School District Fund	-	-	600	600	-
Port Huron Hospital Foundation Endowment Fund	-	-	2,899	2,899	12,701
Safe Horizons Fund	-	-	130,777	130,777	51,158
Sanborn Gratiot Memorial Home Endowment Fund	-	-	685	685	27,888
SONS Fund	-	-	-	-	5,001
St. John River District Hospital Fund	-	-	5,972	5,972	15,240
Friends of St. Mary's School (St. Clair) Fund	-	-	49,883	49,883	309
Thomas & Frances Treleaven Fund	-	-	555,379	555,379	-
<b>Field of Interest Funds:</b>					
Algonac-Clay Community Fund	-	-	146,744	146,744	-
C & M Anderson Foundation Endowment Fund	-	-	1,555,036	1,555,036	-
College Access Endowment	-	-	109,092	109,092	-
Frank V. Carney & Bula A. Carney Memorial Fund	-	-	465,820	465,820	-
Citizens for St. Clair Fund	-	-	401,733	401,733	-
Harry F. Lewis Fund	-	-	132,044	132,044	-
Rev. Rene L. Desmarais Fund	-	-	79,208	79,208	-
Port Huron Community Fund	-	-	3,773	3,773	112,332
Robert H. and Paula M. Cleland Community	-	-	36,954	36,954	-
Cottrellville Community Fund	-	-	9,460	9,460	-
Women's Initiative Fund	-	-	576,609	576,609	-
Emily Bigelow Emergency Services Fund	-	-	-	-	-
Studio 1219 Breast Cancer Fund	-	-	6,034	6,034	-
Women's Giving Circles Fund	792	-	-	792	-
Mickey & Agnes Knowlton Fund	-	-	37,831	37,831	-
Friday Food For Kids Program Master Fund	-	-	64,270	64,270	-
Claude and Alexa Lawrence Fund	-	-	122,462	122,462	-
Maritime Fund	-	-	15,354	15,354	-
Marwood Manor Endowment Fund	-	-	222,177	222,177	-

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

**SUMMARY SCHEDULE OF NET ASSETS/AGENCY ENDOWMENTS BY FUND  
DECEMBER 31, 2011**

	Net Assets			Total	Agency Endowment
	Unrestricted		Temporarily Restricted		
	Board		Donor		
	Undesignated	Designated	Designated		
Field of Interest Funds (cont'd):					
Charles F. Moore Memorial Fund	\$ -	\$ -	\$ 116,958	\$ 116,958	\$ -
Ernest T. & Barbara A. Oskin Fund	-	-	1,066,760	1,066,760	-
St. Clair High School Class of 2000 Giving Back Fund	-	-	23	23	-
Access to Recreation Fund	-	-	209,143	209,143	-
F. William & Patricia Schwarz Fund	-	-	123,361	123,361	-
Thomas K. Smith Fund	-	-	121,747	121,747	-
Youth Advisory Council Fund	-	-	1,222,682	1,222,682	-
Healthy Youth, Healthy Seniors Fund	-	-	132,362	132,362	-
Alexa Lawrence Fund for Education	-	-	68,879	68,879	-
Charitable Gift Annuity Fund:					
Raymond & Catherine Gellein Fund	-	-	65,042	65,042	-
Community Renaissance Fund	263,278	-	-	263,278	-
Blue Water Land Fund, Inc.	1,391,699	-	-	1,391,699	-
<b>Total</b>	<b>\$ 2,970,569</b>	<b>\$ 3,935,726</b>	<b>\$24,271,660</b>	<b>\$ 31,177,955</b>	<b>\$ 1,106,824</b>





## AUDIT COMMUNICATION LETTER

June 4, 2012

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

We have audited the financial statements of the Community Foundation of St. Clair County for the year ended December 31, 2011 and have issued our report thereon dated June 4, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to both the planned scope and timing of our audit. We have communicated such information in our letter dated December 9, 2011. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Community Foundation of St. Clair County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2011. We noted no transactions entered into by the Community Foundation of St. Clair County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is:

Management's estimate of depreciation. Depreciation is based on historical data and estimated useful lives.

We evaluated the key factors and assumptions used to develop the estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the adjustments detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 4, 2012.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of the Community Foundation of St. Clair County and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to be of service to the Board of Directors of the Community Foundation of St. Clair County.

Sincerely,



Certified Public Accountants