

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

**CONSOLIDATED FINANCIAL STATEMENTS
with Supplementary Information**

**FOR THE YEAR ENDED
DECEMBER 31, 2012**

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



CERTIFIED PUBLIC ACCOUNTANTS

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

**TABLE OF CONTENTS
DECEMBER 31, 2012**

	<u>Page Number</u>
INTRODUCTORY SECTION	
Letter to the Volunteers, Donors and Partners	I-1
FINANCIAL SECTION	
Independent Auditor's Report	1
Basic Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8
Supplementary Financial Information	
Consolidating Statement of Financial Position	21
Consolidating Statement of Activities	22
Summary Schedule of Net Assets/Agency Endowments by Fund	23



community foundation
of St. Clair County

June 2013

To our Board of Trustees, Volunteers, Donors and Partners:

The year-ended December 31, 2012 marked another exciting and successful year in the Community Foundation of St. Clair County's history on many fronts. The most visible and noteworthy achievements involve our complex, multi-year, multi-project shoreline restoration endeavor we began last year and will result in a community legacy of public access in perpetuity to a naturalized shoreline and a multi-purpose pedestrian trail. Those achievements include:

- Thorough planning and close project management resulted in the restoration of more shoreline footage than budgeted under the pilot phase of our shoreline restoration project funded by a U.S. Fish & Wildlife Service grant;
- We raised \$200,000 through gifts and multi-year pledges for the Blue Water River Walk Trail which meets the necessary community match portion of the MDOT grant awarded to the St. Clair County Road Commission and will enable the completion of a multi-use pedestrian trail in 2013;
- We received award notification of a \$2 million grant from the National Oceanic and Atmospheric Administration (NOAA) that will enable completion of the remaining natural shoreline and habitat restoration; and
- Through additional gifts and partner resources, the historic railroad ferry dock will be restored and transformed into a beautiful gathering and viewing area.

The Foundation's consolidated assets for the year-end December 31, 2012 reached an all-time high at \$35.6 million, which we believe evidences the successes we've had and puts the Foundation in a healthy position to continue the great work of our Board, Committees, donors and partners. It should be noted that the \$1.24 million increase in cash at year-end is short-term in nature and primarily is attributable to the following time-related factors: \$617,000 in redeemed investment pool holdings awaiting reinvestment into another asset class, \$202,000 from a December CD maturity reinvested in early January, \$160,000 in 4th quarter endowed gifts allocated to the investment pool in early January, and a net increase of \$257,000 in cash holdings of our supporting organizations designated for the development initiatives underway, including gifts and deferred revenue for Blue Water Land Fund's shoreline restoration, ferry dock and trail projects.

Among other notable achievements is the continued financial support of our donors, whereby 2012 brought increases in the number of gifts from new and repeat donors. The Foundation believes these increases are a result of more people becoming aware of the Foundation and its involvement in charitable projects throughout the county, along with understanding the importance of giving back to their community. As you can see by these financial statements, the Foundation received a consolidated \$1.1 million in contributions and government grants excluding all agency-designated gifts.



community foundation
of St. Clair County

With a community foundation's charitable giving generally limited to the earnings from its endowed funds, structuring an investment portfolio to maintain the endowment corpus into perpetuity targeting long-term growth while minimizing risk through diversification of asset classes, funds and managers is just as important as continued growth through donor giving. Although our 2012 composite investment return of 12.07% was solid, by purposeful design, we will not capture all of the market highs yet conversely will also not experience all of the market lows. It is important to note that our performance ranked in the top quartile among our peers (foundations having \$20-\$100 million in assets) for the 2-year, 3-year, 5-year and 7-year time horizons. Our investments are actively overseen by a dedicated, knowledgeable and experienced Finance and Investment Committee and the services of an investment advisor.

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. The mission and operations of each of these entities 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. We recognize the ever-changing community needs within our county and strive to align our discretionary funds, time and available community resources to addressing those needs. For 2012, those strategic priorities were: Education; Community and Economic Development; Arts and Culture; and Basic Needs and Human Services.

Through the work of our College Access Office Coordinator, our involvement in KnowHow2Go initiatives, recent technology-based grants, and our many donor-designated scholarships, we are proud to say that the Foundation is helping prepare our county's students to be competitive in the global market and put a college degree within reach for many students.

Community and economic development continue to be integral part of who the Foundation is and what we do. Our Foundation leadership is actively engaged with the county-wide Economic Development Strategic Plan Committee and we are proud of our outreach efforts with community groups and leaders throughout our county's communities to understand their diverse community and economic development needs and to work together to find the resources to address those needs.

The Community Foundation recognizes that businesses and people are attracted to our area in part by the arts and culture experiences offered within our community. The Foundation is proud to support arts and culture through our Blue Water Arts Committee as well as organization-designated funds with this focus.

Basic needs and human services and supporting the charitable organizations that service those needs throughout our county remain among our top priorities. Through past Match Day events and more recent 100 Women Who Care and 100 Men Events, we strive to raise awareness to those basic needs and related charitable organizations.

The consolidated financial statements report grants and back to school initiatives aggregating \$795,253 after the necessary supporting organization eliminations, FAS 136 (agency fund) reporting



community foundation

of St. Clair County

adjustments, and refunds. Prior to these adjustments, Foundation grant awards and initiatives aggregated approximately \$1.3 million.

The Foundation continues to view accountability, transparency and credibility as critical factors in its past, present and future success. We take pride in having maintained an unqualified audit opinion annually since its inception in 1944, and being one of the first 150 community foundations to receive (and maintain) certification for compliance with national standards for community foundations. Our audited financial statements and IRS Form 990s are available on our website or upon request.

With regard to these audited financial statements, Foundation management has acknowledged and stood 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.

Through the vision, experience, and efforts of our Board and Committee volunteers and staff, the Community Foundation continues to be an active community leader with the known ability to bring the donors and doers together to forge partnerships, collaboration and pooling of resources with the common goal to make our entire county a great place to live, work and play now and for years to come.

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Community Foundation of St. Clair County (a nonprofit organization) which comprise the consolidated statement of financial position as of December 31, 2012, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Community Foundation of St. Clair County and supporting organizations as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Community Foundation of St. Clair County's December 31, 2011 consolidated financial statements and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 4, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matter

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information as listed in the table of contents and presented on pages 21-27 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


Certified Public Accountants

June 17, 2013

BASIC FINANCIAL STATEMENTS

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011**

	2012	2011
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,592,823	\$ 1,353,787
Certificates of deposit	100,037	301,000
Receivables -		
Pledges	49,023	20,842
Interest and other	336	8,028
Notes	23,584	33,884
Prepaid expenses	-	165
Total Current Assets	2,765,803	1,717,706
Non-Current Assets:		
Pledges (net of discount of \$3,208 and \$1,596, respectively)	21,417	9,304
Notes receivable (net of discount of \$1,642 and \$2,198, respectively)	84,019	100,041
Total Non-Current Assets	105,436	109,345
Land, Land Improvements, Building, and Equipment:		
Land, land improvements, building, and equipment (net of accumulated depreciation of \$337,662 and \$298,221, respectively)	1,869,051	1,678,411
Other Assets:		
Cash surrender value of contributed life insurance	155,776	151,932
Investments - endowments	30,619,529	28,780,372
Investments - charitable gift annuity	116,980	127,058
Total Other Assets	30,892,285	29,059,362
Total Assets	\$ 35,632,575	\$ 32,564,824
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 37,931	\$ 19,231
Grants payable	92,451	35,251
Accrued expenses	35,697	34,870
Deferred revenue	137,103	28,750
Charitable gift annuity payable	40,248	62,016
Total Current Liabilities	343,430	180,118
Noncurrent Liabilities:		
Note payable	68,585	68,585
Deferred compensation contract	34,822	31,342
Funds held as agency endowments	1,454,519	1,106,824
Total Noncurrent Liabilities	1,557,926	1,206,751
Total Liabilities	1,901,356	1,386,869
Net Assets:		
Temporarily restricted	26,267,222	24,271,660
Unrestricted	7,463,997	6,906,295
Total Net Assets	33,731,219	31,177,955
Total Liabilities and Net Assets	\$ 35,632,575	\$ 32,564,824

See accompanying notes to consolidated financial statements.

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

**CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2011**

	Unrestricted	Temporarily Restricted	Total	
			2012	2011
Revenue, gains and other support:				
Public Support -				
Contributions				
Cash	\$ 302,220	\$ 500,018	\$ 802,238	\$ 969,548
Non-cash	-	37,623	37,623	1,397,590
Total Contributions	<u>302,220</u>	<u>537,641</u>	<u>839,861</u>	<u>2,367,138</u>
Revenue and Gains -				
Government grants	256,797	-	256,797	6,100
Investment income (loss) net of expense	465,935	2,723,180	3,189,115	(32,906)
Increase in cash surrender value of life insurance	-	3,865	3,865	3,960
Administrative fee income	13,737	-	13,737	12,239
Other	8,452	-	8,452	13,458
	<u>744,921</u>	<u>2,727,045</u>	<u>3,471,966</u>	<u>2,851</u>
Net Assets Released from Restrictions:				
Expenses appropriated by the Board	1,269,124	(1,269,124)	-	-
	<u>1,269,124</u>	<u>(1,269,124)</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>2,316,265</u>	<u>1,995,562</u>	<u>4,311,827</u>	<u>2,369,989</u>
Expenses:				
Program expenses:				
Youth Advisory Council	711	-	711	2,111
Grants	753,914	-	753,914	760,004
Back to School Initiatives	41,339	-	41,339	33,815
Initiatives	68,767	-	68,767	-
Downtown Programs & Promotions	-	-	-	102,020
Other Program Expenses	395,479	-	395,479	407,706
Management and general	357,753	-	357,753	294,924
Fundraising expenses	140,600	-	140,600	150,124
Total Expenses	<u>1,758,563</u>	<u>-</u>	<u>1,758,563</u>	<u>1,750,704</u>
Change in Net Assets	557,702	1,995,562	2,553,264	619,285
Net Assets at beginning of year	<u>6,906,295</u>	<u>24,271,660</u>	<u>31,177,955</u>	<u>30,558,670</u>
Net Assets at end of year	<u>\$ 7,463,997</u>	<u>\$26,267,222</u>	<u>\$ 33,731,219</u>	<u>\$31,177,955</u>

See accompanying notes to consolidated financial statements.

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

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2011**

	Program Services			Total
	Community Foundation	Community Renaissance	Blue Water Land Fund	
Salaries	\$ 162,977	\$ -	\$ -	\$ 162,977
Employee Benefits/Payroll Taxes	48,775	-	-	48,775
Professional Services	4,993	270	43,219	48,482
Legal Services	-	-	-	-
Occupancy	4,738	28,021	700	33,459
Utilities	1,069	3,466	-	4,535
Equipment Rental and Maintenance	2,827	3,338	-	6,165
Telephone	1,162	1,159	-	2,321
Postage	1,001	-	31	1,032
Community Relations (net)	7,028	-	4,907	11,935
Donor Cultivation	6,083	-	3,513	9,596
Fundraising	-	-	-	-
Foundation Committee	1,243	-	249	1,492
Dues, Memberships, and Subscriptions	1,834	-	300	2,134
Insurance	4,106	5,137	8,258	17,501
Office Supplies	802	570	14	1,386
Stationary/Printing	805	-	1,247	2,052
Computer Maintenance	4,910	-	-	4,910
Conferences and Travel	2,378	-	38	2,416
Other	5,496	801	1,930	8,227
Depreciation	8,163	17,921	-	26,084
	<u>270,390</u>	<u>60,683</u>	<u>64,406</u>	<u>395,479</u>
Youth Advisory Council	711	-	-	711
Grants Voted from Income	737,520	16,394	-	753,914
Back to School Initiatives	41,339	-	-	41,339
Downtown Programs & Promotions Initiatives	-	59,762	9,005	68,767
	<u>-</u>	<u>59,762</u>	<u>9,005</u>	<u>68,767</u>
Total Expenses	<u>\$1,049,960</u>	<u>\$ 136,839</u>	<u>\$ 73,411</u>	<u>\$ 1,260,210</u>

See accompanying notes to consolidated financial statements.

Supporting Services		Total	
Management and General	Fundraising	2012	2011
\$ 209,914	\$ 88,127	\$ 461,018	\$ 438,105
80,959	23,186	152,920	139,400
22,600	-	71,082	58,726
-	-	-	1,141
6,164	2,491	42,114	46,889
1,391	562	6,488	6,202
3,678	1,486	11,329	11,409
1,512	611	4,444	4,248
1,302	526	2,860	2,260
-	-	11,935	9,395
-	-	9,596	4,735
-	5,462	5,462	12,558
-	-	1,492	3,310
2,385	964	5,483	5,201
5,342	2,158	25,001	14,311
1,043	422	2,851	3,047
1,047	423	3,522	3,236
6,388	2,581	13,879	10,612
3,094	1,250	6,760	10,245
314	6,060	14,601	15,206
10,620	4,291	40,995	52,518
<u>357,753</u>	<u>140,600</u>	<u>893,832</u>	<u>852,754</u>
-	-	711	2,111
-	-	753,914	760,004
-	-	41,339	33,815
-	-	-	102,020
-	-	68,767	-
<u>\$ 357,753</u>	<u>\$ 140,600</u>	<u>\$ 1,758,563</u>	<u>\$ 1,750,704</u>

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011**

	2012	2011
Cash Flows from Operating Activities:		
Change in net assets	\$ 2,553,264	\$ 619,285
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	40,995	52,518
Increase in cash surrender value of contributed life insurance	(3,844)	(3,960)
Properties received as contributions	-	(1,387,352)
Non-cash contributions	(36,692)	(10,238)
Unrealized (gain) loss on investments securities	(1,809,776)	1,127,900
Non-cash initiatives	-	76,609
Loss on disposal of assets	216	-
Increase / decrease in operating assets and liabilities -		
Contributions receivable	(40,294)	8,226
Note receivables	26,322	4,119
Other receivables	7,692	(4,399)
Prepaid expenses	165	31
Accounts payable	(7,660)	5,943
Accrued expenses	827	905
Accrued employee benefits	3,480	(1,097)
Deferred revenues	108,353	28,750
Grants payable	57,200	(19,314)
Funds held as agency endowments	275,304	47,177
Charitable gift annuity payable	(21,768)	(20,915)
Net Cash Provided by Operating Activities	1,153,784	524,188
Cash Flows from Investing Activities:		
Proceeds from sale of investments	15,309,543	9,381,763
Purchase of investments	(15,219,763)	(9,640,391)
Sale (purchase) of certificates of deposits	200,963	49,000
Purchase of equipment	(205,491)	-
Net Cash Used in Investing Activities	85,252	(209,628)
Net increase in cash and cash equivalents	1,239,036	314,560
Cash and cash equivalents at beginning of year	1,353,787	1,039,227
Cash and cash equivalents at end of year	\$ 2,592,823	\$ 1,353,787

See accompanying notes to consolidated financial statements.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012**

**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 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 *Financial Statements of Not-for-Profit Organizations*. 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, 2012**

**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.

Interest on loans is recognized over the term of the loan and is calculated on principal amounts outstanding according to the terms of the loan agreement.

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

PROPERTY AND EQUIPMENT - Land, land improvements, 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 capitalized, 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 COMMUNITY FOUNDATION OF ST. CLAIR COUNTY
AND SUPPORTING ORGANIZATIONS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

The estimated useful lives of the assets are as follows:

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

INCOME TAXES - The Foundation is a not-for-profit organization classified by the Internal Revenue Service as tax-exempt under Section 501(c)(3) and as a nonprivate foundation under Section 509(a)(1) of the Internal Revenue Code of 1986. The Community Renaissance Fund 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, 2011 from which the summarized information was derived. Certain reclassifications have been made to the prior year financial statements to conform to the 2012 presentation with no effect on net assets.

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

SUBSEQUENT EVENTS - In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 17, 2013, 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, 2012**

NOTE 2 - CASH AND INVESTMENTS:

CONCENTRATION OF CREDIT RISK -

Cash and cash equivalents and certificates of deposit of \$2,692,860 at December 31, 2012 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, 2012 totaled \$2,776,702, of which \$2,477,290 was insured by depository insurance and \$299,412 was uninsured and uncollateralized.

INVESTMENTS -

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

	<u>2012</u>	<u>2011</u>
Real Estate Fund	\$ 1,818,748	\$ 1,652,161
Common Commingled Trust Fund - Rothschild small-cap trust	3,704,616	3,551,235
Exchange Traded & Mutual Funds	24,295,628	22,010,924
U.S. Debt Securities - mortgage-backed securities	752	858
Corporate debt securities	22	65
Alternative investments (Hedge Fund of Funds)	<u>916,743</u>	<u>1,692,187</u>
Total	<u>\$ 30,736,509</u>	<u>\$ 28,907,430</u>

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

	<u>2012</u>	<u>2011</u>
Interest and Dividends	\$ 616,762	\$ 624,986
Gain on Sale of Investments	848,572	551,611
Unrealized Gain (Loss) on Investments	1,809,776	(1,128,199)
Investment Management Fees	<u>(85,995)</u>	<u>(81,304)</u>
Total	<u>\$ 3,189,115</u>	<u>\$ (32,906)</u>

NOTE 3 - PROPERTY AND EQUIPMENT:

The following is a summary of Property and Equipment for the year ended December 31, 2012:

Land	\$ 1,590,727
Buildings and improvements	170,210
Leasehold improvements	243,317
Equipment	177,971
Construction in progress	<u>24,488</u>
	2,206,713
Less - accumulated depreciation	<u>(337,662)</u>
	<u>\$ 1,869,051</u>

Depreciation expense for the year was \$40,995.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 4 - PLEDGES RECEIVABLE:

The Foundation pledges receivable at December 31, 2012 totaled \$73,648 with \$49,023 due in less than one (1) year with the remainder due within five (5) years. There was an amount of \$3,208, which was considered the discounted value (5%) of contributions receivable in excess of one year at December 31, 2012.

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, 2012.

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, 2012 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, 2012 including the current portion of \$1,234 is: 4,598

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, 2012, including the current portion of \$2,496 is: 2,704

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, 2012, including the current portion of \$3,854 is: 5,358

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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, 2012 is \$1,642. The balance at December 31, 2012, including the current portion of \$6,000 is: \$ 16,358

In December 2011, the Community Foundation of St. Clair County loaned \$20,000, without interest, to be repaid by December 2013. The balance at December 31, 2012, including the current portion of \$10,000 is: 10,000
\$ 107,603

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, 2012 amounted to \$91,451.

NOTE 6 - GRANTS PAYABLE:

At December 31, 2012, the Foundation's grants payable was \$92,451 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 \$541,605. 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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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, 2012, the CEO/President has "unvested" deferred compensation rights of \$34,822.

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, 2012 were \$391,585, 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:

In 2000, the Foundation 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.

In 2002, the Foundation entered into a lease agreement for additional space adjacent to their office facilities, providing more office space for added staff and a large conference center. The terms of this lease provided for five renewal options in 5-year increments, the first of which was exercised in 2007 and expired in April 2012 when the Foundation began leasing the space on a month-to-month basis. The lease also 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. In June 2013, the lease was amended so the term of the current renewal period shall end May 31, 2015, which will align itself to the adjacent space.

The future minimum annual rental commitments under the lease agreement in effect at December 31, 2012, 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:

2013	\$ 12,000
2014	12,000
2015	<u>5,000</u>
Total	<u>\$ 29,000</u>

Total rent expense for the years ended December 31, 2012 and 2011 was \$42,114 and \$46,889, respectively.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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, 2012, was \$116,980 and the present value of the estimated future payments was \$40,248 at December 31, 2012, calculated using a discount rate of 4% and applicable mortality tables. The difference between the assets and estimated future payments of \$76,732 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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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, 2012:

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>
Assets				
Investments -				
Real Estate Fund	\$ 1,818,748	\$ -	\$ -	\$ 1,818,748
Common Commingled Trust Fund- Rothschild small-cap trust	3,704,616	-	3,704,616	-
Exchange Traded & Mutual Funds	24,295,628	24,295,628	-	-
U.S. Debt Securities - mortgage backed securities	752	-	-	752
Corporate Debt Securities	22	-	-	22
Alternative Investments (Hedge Fund of Funds)	<u>916,743</u>	<u>-</u>	<u>-</u>	<u>916,743</u>
Total Assets	<u>\$ 30,736,509</u>	<u>\$ 24,295,628</u>	<u>\$ 3,704,616</u>	<u>\$ 2,736,265</u>
Liabilities				
Charitable Gift Annuity Payable	\$ 40,248	\$ 40,248	\$ -	\$ -
Funds held as Agency Endowments	<u>1,454,519*</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,494,767</u>	<u>\$ 40,248</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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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	\$ 3,345,271
Realized/unrealized gain, net of fees	218,855
Sales	<u>(827,861)</u>
Ending balance	<u>\$ 2,736,265</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 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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 13 - DONOR AND BOARD DESIGNATED ENDOWMENTS - (cont'd):

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, 2012	\$ 3,935,726	\$ 24,271,660
Contributions	265,166	328,623
Net Appreciation	253,423	1,552,236
Investment Income	189,941	1,165,611
Other Income	556	1,966
Expenses Appropriated by the Board	(557,723)	(1,052,874)
Balance at December 31, 2012	<u>\$ 4,087,089</u>	<u>\$ 26,267,222</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 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 COMMUNITY FOUNDATION OF ST. CLAIR COUNTY
AND SUPPORTING ORGANIZATIONS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 13 - DONOR AND BOARD DESIGNATED ENDOWMENTS - (cont'd):

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 30th 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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 15 - FUNDS HELD AS AGENCY ENDOWMENTS:

At December 31, 2012, the Foundation was the owner of 32 Agency Endowment Funds with a combined value of \$1,454,519. 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 the activity in such funds:

Agency Endowment Fund Balances at January 1, 2012	\$ 1,106,824
Agency gifts	263,259
Interest and dividends	43,479
Realized gains on investments	36,886
Unrealized gain on investments	71,580
Grants	(49,636)
Administrative fees	(13,737)
Investment management fees	(4,136)
Agency Endowment Fund Balances at December 31, 2012	<u>\$ 1,454,519</u>

SUPPLEMENTARY FINANCIAL INFORMATION

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

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012**

	<u>Community Foundation</u>	<u>Community Renaissance</u>	<u>Blue Water Land Fund</u>	<u>Consolidated Adjustments</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 2,223,737	\$ 36,444	\$ 332,642	\$ -	\$ 2,592,823
Certificates of deposit	100,037	-	-	-	100,037
Investments	30,736,509	-	-	-	30,736,509
Pledge receivable (net of pledge discount \$3,208)	70,440	-	-	-	70,440
Note receivable (net of discount of \$1,642 and \$0, respectively)	26,358	81,245	-	-	107,603
Interest and other receivables	304	32	-	-	336
Inter-company advance	137,103	-	-	(137,103)	-
Land, land improvements, building, and equipment (net of accumulated depreciation of \$227,322, \$110,340, and \$0)	88,687	165,149	1,615,215	-	1,869,051
Cash surrender value of contributed life insurance	155,776	-	-	-	155,776
Total Assets	<u><u>\$ 33,538,951</u></u>	<u><u>\$ 282,870</u></u>	<u><u>\$ 1,947,857</u></u>	<u><u>\$ (137,103)</u></u>	<u><u>\$35,632,575</u></u>
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable	\$ 8,885	\$ 136	\$ 28,910	\$ -	\$ 37,931
Accrued expenses	34,871	826	-	-	35,697
Deferred compensation contract	34,822	-	-	-	34,822
Grants payable	87,451	5,000	-	-	92,451
Inter-company advance	-	-	137,103	(137,103)	-
Note payable	-	68,585	-	-	68,585
Deferred revenue	137,103	-	-	-	137,103
Funds held as agency endowments	1,454,519	-	-	-	1,454,519
Charitable gift annuity payable	40,248	-	-	-	40,248
Total Liabilities	<u><u>1,797,899</u></u>	<u><u>74,547</u></u>	<u><u>166,013</u></u>	<u><u>(137,103)</u></u>	<u><u>1,901,356</u></u>
Net Assets:					
Temporarily restricted	26,267,222	-	-	-	26,267,222
Unrestricted	5,473,830	208,323	1,781,844	-	7,463,997
Total Net Assets	<u><u>31,741,052</u></u>	<u><u>208,323</u></u>	<u><u>1,781,844</u></u>	<u><u>-</u></u>	<u><u>33,731,219</u></u>
Total Liabilities and Net Assets	<u><u>\$ 33,538,951</u></u>	<u><u>\$ 282,870</u></u>	<u><u>\$ 1,947,857</u></u>	<u><u>\$ (137,103)</u></u>	<u><u>\$ 35,632,575</u></u>

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

**CONSOLIDATING STATEMENT OF ACTIVITIES
DECEMBER 31, 2012**

	<u>Community Foundation</u>	<u>Community Renaissance</u>	<u>Blue Water Land Fund</u>	<u>Consolidated Adjustments</u>	<u>Total</u>
Revenue, gains and other support:					
Public Support -					
Contributions					
Cash	\$ 746,517	\$ 92,989	\$ 471,863	\$(509,131)	\$ 802,238
Non-cash	37,623	-	-	-	37,623
Total Contributions	<u>784,140</u>	<u>92,989</u>	<u>471,863</u>	<u>(509,131)</u>	<u>839,861</u>
Revenue and Gains -					
Government grants	256,797	-	-	-	256,797
Investment income net of expense	3,188,354	439	322	-	3,189,115
Increase in cash surrender value of life insurance	3,865	-	-	-	3,865
Administrative fee income	13,737	-	-	-	13,737
Other	2,000	6,452	-	-	8,452
	<u>3,464,753</u>	<u>6,891</u>	<u>322</u>	<u>-</u>	<u>3,471,966</u>
Total Revenues, Gains, and Other Support	<u>4,248,893</u>	<u>99,880</u>	<u>472,185</u>	<u>(509,131)</u>	<u>4,311,827</u>
Expenses:					
Program expenses:					
Youth Advisory Council	711	-	-	-	711
Grants	1,239,622	16,394	-	(502,102)	753,914
Back to School Initiative Initiatives	41,339	-	-	-	41,339
Other Program Expenses	-	59,762	16,034	(7,029)	68,767
Other Program Expenses	270,390	60,683	64,406	-	395,479
Management and general:					
Other Management and General	338,157	17,996	1,600	-	357,753
Fundraising expenses	140,600	-	-	-	140,600
	<u>2,030,819</u>	<u>154,835</u>	<u>82,040</u>	<u>(509,131)</u>	<u>1,758,563</u>
Total Expenses	<u>2,030,819</u>	<u>154,835</u>	<u>82,040</u>	<u>(509,131)</u>	<u>1,758,563</u>
Change in Net Assets	2,218,074	(54,955)	390,145	-	2,553,264
Net Assets at beginning of year	<u>29,522,978</u>	<u>263,278</u>	<u>1,391,699</u>	<u>-</u>	<u>31,177,955</u>
Net Assets at end of year	<u>\$ 31,741,052</u>	<u>\$ 208,323</u>	<u>\$ 1,781,844</u>	<u>\$ -</u>	<u>\$ 33,731,219</u>

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

**SUMMARY SCHEDULE OF NET ASSETS/AGENCY ENDOWMENTS BY FUND
DECEMBER 31, 2012**

	Net Assets				Agency Endowment
	Unrestricted		Temporarily Restricted		
	Undesignated	Board	Donor		
		Designated	Restricted		
			Total		
General Charitable Funds:					
Program and Services (Operating) Fund	\$ 1,216,998	\$ -	\$ -	\$ 1,216,998	\$ -
Community Investment Fund	-	1,881,207	6,634	1,887,841	-
Acheson Community Foundation Fund	-	483,800	2,583,025	3,066,825	-
James C. Acheson Fund	-	-	1,270,749	1,270,749	-
Emerson G. and Lucilda A. Brown Fund	-	-	147,178	147,178	-
Earl H. Donaldson Endowment Fund	-	29,587	-	29,587	-
Donald W. and Alice I. Giese Endowment Fund	-	-	121,933	121,933	-
Margaret C. Lutz Endowment	-	145,403	-	145,403	-
John Shier Fund	-	-	29,488	29,488	-
Burman J. Misener Endowment Fund	-	-	135,571	135,571	-
Florence C. Stephen Fund	-	132,031	-	132,031	-
Virginia E. Farmer Endowment Fund	-	-	59,685	59,685	-
Francis P. Willson Fund	-	1,065,683	-	1,065,683	-
Wirtz/Ogden Fund	-	-	132,415	132,415	-
John and Rose Marie Wismer Fund	-	-	806,273	806,273	-
Russell A. "Tim" Sheldon Endowment	-	-	33,531	33,531	-
Turcotte/Craig Fund	-	-	-	-	-
Scholarship Funds:					
Alice W. Moore Memorial Scholarship Fund	-	-	120,747	120,747	-
Howard A. Acheson Memorial Fund	-	-	985,472	985,472	-
Father Bartone Fund	-	-	730,023	730,023	-
Beth Linsheid Duff Scholarship Fund	-	-	109,217	109,217	-
Joseph Caimi Scholarship Fund	-	-	40,182	40,182	-
Jack S. Campbell Memorial Fund	-	-	113,154	113,154	-
Frank V. and Bula Carney Memorial Scholarship Fund	-	-	30,476	30,476	-
Darin Conrad Memorial Scholarship Fund	-	-	46,439	46,439	-
Fuller Hansen Educational Trust Fund	-	-	779,177	779,177	-
Catherine Gellein Scholarship Fund	-	-	28,450	28,450	-
Blue Water Shipmasters' Fund	-	-	31,509	31,509	-
Charles Myron Gossman Scholarship Fund	-	-	45,672	45,672	-
Pauline Groff Music Scholarship Endowment Fund	-	-	25,105	25,105	-
Christian B. and Agnes A. Haas Scholarship Fund	-	-	102,149	102,149	-
Jake Jahn Fund	-	-	3,200	3,200	-
James T. Kreger Memorial Scholarship Fund	-	-	27,185	27,185	-
Alexander and Celestine Lamere Fund	-	-	57,600	57,600	-
Little Brothers Little Sisters of St. Clair County Scholarship Endowment Fund	-	-	124,904	124,904	-
Lillian M. Perry Scholarship Fund	-	-	47,806	47,806	-
Marine City Scholarship Foundation Endowment Fund	-	-	12,587	12,587	113,253

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

**SUMMARY SCHEDULE OF NET ASSETS/AGENCY ENDOWMENTS BY FUND
DECEMBER 31, 2012**

	Net Assets				Agency Endowment
	Unrestricted		Temporarily Restricted		
	Undesignated	Board	Donor Restricted	Total	
		Designated			
Scholarship Funds (cont'd):					
St. Clair Music Study Club Endowment Fund	\$ -	\$ -	\$ 70,136	\$ 70,136	\$ 26,062
Memphis High School Alumni Association Fund	-	-	35,233	35,233	-
River District Hospital Auxiliary McFern-Smeltzer Scholarship Endowment Fund	-	-	90,062	90,062	-
Barbara Ann Kessler-Saph Scholarship Memorial Fund	-	-	46,386	46,386	-
Cyril Smith Memorial Scholarship Fund	-	16,756	-	16,756	-
Trumble Memorial Scholarship Fund	-	-	28,059	28,059	-
Randy Sugars Memorial Scholarship Fund	-	-	9,591	9,591	-
Foley, Sedwick, Stephenson Fund	-	-	-	-	-
Charles G. and Berneice M. Uligian Fund	-	-	149,181	149,181	-
Evonne Vanderheuvell Scholarship Fund	-	-	1,000	1,000	-
Douglas and Elda L. Webb Scholarship Fund	-	-	154,014	154,014	-
James Wilhelm Memorial Scholarship Fund	-	221,501	-	221,501	-
Bert D. and Rose E. Wright Memorial Scholarship Fund	-	-	101,361	101,361	-
John F. & Rose Marie Wismer Community Foundation Scholarship Fund	-	-	821,849	821,849	-
Robert and Marilyn Kovach Scholarship Fund	-	-	11,847	11,847	-
Donor Designated Funds:					
Walter K. Brooks Memorial Fund	-	-	1,754,643	1,754,643	-
Back to School Events Fund	-	-	52,318	52,318	-
Helen David Fund for the Council on Aging	-	-	363,151	363,151	-
Marian Pollock Moore Fund	-	-	119,373	119,373	-
Tunnel Fund	-	-	4,189	4,189	-
Youth Home Fund	-	-	-	-	-
St. Clair County Chapter - American Red Cross	-	-	34,259	34,259	-
St. Clair Rotary Centennial Park Fund	-	-	40,616	40,616	-
Mary B. Andreae Fund	-	-	28,050	28,050	-
River Walk Projects Fund	-	-	86,037	86,037	-
Robert J. Goff Fund	-	-	-	-	-
Bob & Ann Tompert Endowment Fund	-	-	-	-	-
Donor Advised Funds:					
James C. Acheson Fund II	-	-	1,654,155	1,654,155	-
Acheson Fund for Education	-	-	555,890	555,890	-
Bob Abdoo Memorial Fund	-	-	42,555	42,555	-
Algonac Lions Club Fund	-	-	431,792	431,792	-
Angi Austin Fund	9,472	-	-	9,472	-
St. Clair Foundation Fund	16,074	-	-	16,074	-
H. & H. Whiting Foundation Fund	53,855	-	-	53,855	-
Lisa Harris Pink Ribbon of Hope Memorial Fund	34,939	-	-	34,939	-
Norman and Isabel Cosgrove Memorial Fund	-	-	28,610	28,610	-

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

**SUMMARY SCHEDULE OF NET ASSETS/AGENCY ENDOWMENTS BY FUND
DECEMBER 31, 2012**

	Net Assets				Agency Endowment
	Unrestricted		Temporarily Restricted		
	Undesignated	Board	Donor Restricted	Total	
		Designated			
Donor Advised Funds (cont'd):					
Janet E. & Lee C. Hanson Endowment Fund	\$ -	\$ -	\$ 99,766	\$ 99,766	\$ -
The DeWald/Beckett Charitable Fund	-	-	282,773	282,773	-
The DeWald/Cook Charitable Fund	-	-	208,037	208,037	-
Joelle Marie Hajjar Fund	12,224	-	-	12,224	-
John W. & M. Louise Shier Family Fund	-	111,121	-	111,121	-
Wyatt Walker Friendship Fund	-	-	61,185	61,185	-
James L. "Jim" Little Fund	-	-	28,941	28,941	-
Niester Family Fund	-	-	13,153	13,153	-
Kusch Family Fund	-	-	99,158	99,158	-
Algonac Rotary Club Fund	-	-	-	-	-
Emery Family Fund	50	-	-	50	-
Fred and Lezlyne Moore Fund	2,650	-	-	2,650	-
Fred S. Moore Fund	3,550	-	-	3,550	-
Charles and E. Gail Kelly Fund	3,800	-	-	3,800	-
Helen Kramer Memorial Fund	-	-	-	-	-
Nasr Family Fund	25,000	-	-	25,000	-
Omega Fund	-	-	-	-	-
River District Fund	-	-	-	-	-
Sushma & Ramesh Reddy Family Fund	80	-	-	80	-
Chuck and Barbara Staiger Fund	-	-	-	-	-
Talmer Bank and Trust Fund	3,000	-	-	3,000	-
David Whipple Family Fund	2,001	-	-	2,001	-
Keith and Wendy Zick Fund	2,001	-	-	2,001	-
Norm and Joyce Beauchamp Fund	-	-	-	-	-
Dave Lomasney Family Fund	-	-	-	-	-
Mirabelli Family Fund	-	-	-	-	-
Walker Family Fund	-	-	-	-	-
Organization Designated Funds:					
Algonac-Clay Township Historical Society Fund	-	-	7,982	7,982	8,294
Algonac Community Schools Education Enrichment Fund	-	-	58,893	58,893	153,197
Blue Water Council Boy Scout Endowment Fund	-	-	6,295	6,295	65,014
Blue Water Developmental Housing, Inc. Fund	-	-	-	-	29,636
Blue Water Hospice and Visiting Nurse Associatio	-	-	8,912	8,912	34,643
Council on Aging Fund	-	-	4,971	4,971	-
Disability Services Fund	-	-	526	526	25,009
Quota International Helen David Fund	-	-	-	-	27,709
United Way of St. Clair County Fund	-	-	1,040	1,040	27,139
Supporters of East China School District Fund	-	-	130,323	130,323	25,416
Habitat for Humanity "Power" Fund	-	-	3,052	3,052	25,419
Kids in Distress Services Fund	-	-	5,144	5,144	-
St. Clair County Library Fund (incl. the Lawrence E. Owens Endowment)	-	-	187,763	187,763	-
Clayton A. and Florence B Lewis Memorial Book Fund	-	-	-	-	28,117
Marine City Historic District Restoration Fund	-	-	1,589	1,589	46,854

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

**SUMMARY SCHEDULE OF NET ASSETS/AGENCY ENDOWMENTS BY FUND
DECEMBER 31, 2012**

	Net Assets				Agency Endowment
	Unrestricted		Temporarily Restricted		
	Undesignated	Board	Donor Restricted	Total	
		Designated			
Organization Designated Funds (cont'd):					
John R. Dolan Fund	\$ -	\$ -	\$ 617,729	\$ 617,729	\$ -
McMorran Place Fund	-	-	11,147	11,147	363,543
Girl Scouts - Michigan Waterways Council Fund	-	-	16,737	16,737	4,455
Michigan Nature Association Fund	-	-	-	-	1,026
Peoples' Clinic, Helen David Fund	-	-	381,495	381,495	15,095
Port Huron Area School District Fund	-	-	3,430	3,430	106,524
Port Huron Hospital Foundation Endowment Fund	-	-	3,615	3,615	13,940
Safe Horizons Fund	-	-	140,013	140,013	54,608
Sanborn Gratiot Memorial Home Endowment Fund	-	-	701	701	28,466
St. Clair Public Library Capital Fund	-	-	18,993	18,993	9,997
SCORE Fund (St. Clair County Organized Recreation for Everyone)	-	-	3,915	3,915	-
St. John River District Hospital Fund	-	-	7,244	7,244	16,601
Friends of St. Mary's School (St. Clair) Fund	-	-	57,316	57,316	333
Thomas & Frances Treleaven Fund	-	-	600,672	600,672	-
Field of Interest Funds:					
Algonac-Clay Community Fund	-	-	170,953	170,953	-
C & M Anderson Foundation Endowment Fund	-	-	1,652,000	1,652,000	-
College Access Endowment	-	-	134,546	134,546	-
Frank V. Carney & Bula A. Carney Memorial Fund	-	-	495,491	495,491	-
Citizens for St. Clair Fund	-	-	424,877	424,877	-
Harry F. Lewis Fund	-	-	140,528	140,528	-
Rev. Rene L. Desmarais Fund	-	-	93,572	93,572	-
Port Huron Community Fund	-	-	3,848	3,848	114,157
Robert H. and Paula M. Cleland Community Cottrellville Community Fund	-	-	39,320	39,320	-
Women's Initiative Fund	-	-	10,370	10,370	-
Emily Bigelow Emergency Services Fund	-	-	662,705	662,705	-
Studio 1219 Breast Cancer Fund	-	-	-	-	-
Women's Initiative Steering Committee Giving Circle Fund	812	-	-	812	-
Smilegivers Giving Circle Fund	235	-	-	235	-
Mickey & Agnes Knowlton Fund	-	-	42,753	42,753	-
Eastern Michigan Christian Foundation Fund	-	-	5,101	5,101	90,012
Friday Food For Kids Fund - Algonac Elementary	-	-	25,788	25,788	-
Friday Food For Kids Fund - Belle River Elementary	-	-	856	856	-
Friday Food For Kids Fund - Cleveland Elementary	-	-	5,968	5,968	-
Friday Food For Kids Fund - Woodrow Wilson Elementary	-	-	16,226	16,226	-
Claude and Alexa Lawrence Fund	-	-	133,466	133,466	-

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

**SUMMARY SCHEDULE OF NET ASSETS/AGENCY ENDOWMENTS BY FUND
DECEMBER 31, 2012**

	Net Assets				Agency Endowment
	Unrestricted		Temporarily Restricted		
	Undesignated	Board	Donor Restricted	Total	
		Designated			
Field of Interest Funds (cont'd):					
Charles F. Moore Memorial Fund	\$ -	\$ -	\$ 124,464	\$ 124,464	\$ -
Maritime Fund	-	-	24,724	24,724	-
Marwood Manor Endowment Fund	-	-	244,268	244,268	-
Ernest T. & Barbara A. Oskin Fund	-	-	1,124,794	1,124,794	-
Native American Fund	-	-	28,580	28,580	-
St. Clair High School Class of 2000 Giving Back Fund	-	-	25	25	-
Access to Recreation Fund	-	-	220,660	220,660	-
F. William & Patricia Schwarz Fund	-	-	132,445	132,445	-
Thomas K. Smith Fund	-	-	129,389	129,389	-
Youth Advisory Council Fund	-	-	1,305,470	1,305,470	-
Healthy Youth, Healthy Seniors Fund	-	-	144,221	144,221	-
Alexa Lawrence Fund for Education	-	-	73,747	73,747	-
Charitable Gift Annuity Fund: Raymond & Catherine Gellein Fund	-	-	76,732	76,732	-
Community Renaissance Fund	208,323	-	-	208,323	-
Blue Water Land Fund, Inc.	1,781,844	-	-	1,781,844	-
Total	\$ 3,376,908	\$ 4,087,089	\$26,267,222	\$33,731,219	\$ 1,454,519



AUDIT COMMUNICATION LETTER

June 17, 2013

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

We have audited the consolidated financial statements of the Community Foundation of St. Clair County for the year ended December 31, 2012 and have issued our report thereon dated June 17, 2013. 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 October 3, 2012. 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 2012. 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, a disagreement with management is 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 17, 2013.

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.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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.


Certified Public Accountants