

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

**CONSOLIDATED FINANCIAL STATEMENTS
with Supplementary Information**

**FOR THE YEAR ENDED
DECEMBER 31, 2016**



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

**TABLE OF CONTENTS
DECEMBER 31, 2016**

	<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	20
Consolidating Statement of Activities	21
Summary Schedule of Net Assets/Agency Endowments by Fund	22

Community Foundation

E s t . 1 9 4 4

June 2017

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

The year-ended December 31, 2016 marked another exciting and successful year in the Community Foundation's history on many fronts. Consolidated assets for the Community Foundation and its two controlled supporting organizations (The Community Renaissance Fund and the Blue Water Land Fund) reached an all-time high of \$62.5 million. These successes have placed the Foundation and its Board, Committees, donors and partners in a good position to keep the positive momentum moving forward in our region.

In March 2016, the Foundation moved into its own permanent office building. We are truly enjoying our new home and are excited to be able to be part of the investment and development of downtown Port Huron. It's important to emphasize that none of our grant-making funds were used on our new offices.

Among our noteworthy achievements in 2016 is the incredible generosity of our donors, whereby 157 new donors and 587 repeat donors collectively contributed 1,064 donations aggregating \$4.2 million. Not seen in that number is the 15 new grant-making funds established in 2016 or the exclusion of another \$2.1 million of agency contributions which is reported as part of Funds Held as Agency Endowments and is primarily attributable for the large increase over 2015.

The Foundation recognizes that its success is also dependent upon being the best steward of the funds donors have given and will continue to give. With this in mind, the Foundation's Finance and Investment Committee, advised by an independent investment advisor, has purposefully structured an investment portfolio that will typically not capture all of the market highs yet conversely will also typically not experience all of the market lows. A very risk-diversified asset allocation is involved to minimize the impact of market downturns so that the Foundation can ensure the perpetuity of endowments and relative consistency in grant-making. That long-term, comprehensive structure of our investment portfolio continues to prove positive for the Community Foundation. Through various market conditions and cycles, we have consistently performed well in comparison with our peers of foundation, endowment and institutional investors. For the year 2016, the total composite return from our main investment pool was 10.39%, which placed us in the top 4% in peer rankings among 266 foundations in the Paris database with assets ranging from \$.5 million to \$18.5 billion and representing \$1.32 trillion assets under management. Our investment pool returns over longer periods of time also proved equally commendable among our peers with 3-year, 5-year, 7-year and 10-year returns of 6.54%, 10%, 9.35% and 6.15% respectively.

Equally as important as a prudent investment portfolio is a prudent and responsible spending policy, given a community foundation's charitable grant-making is generally limited to the earnings from our endowed assets. The Foundation's spending policy not only maintains the same long-term prudent outlook to protect the health of funds in perpetuity, but it also acknowledges and addresses community needs even in times of economic struggles and minimizes over-accumulation of investment earnings. Our spending policy's calculations for 2016 along with specific earmarked gifts for granting enabled the Foundation to award \$1.8 million in grants in 2016, which was net of any refunds and excludes the FAS 136 (agency-liability) adjustment, and supporting organizations'

Community Foundation

E s t . 1 9 4 4

elimination. Additionally, \$660,093 was allocated on a consolidated basis in 2016 to Foundation programs and initiatives, many of which are described in this letter.

The Community Foundation coupled with its two Type I supporting organizations is a large and complex non-profit corporation whose mission will address our region's opportunities and challenges and help donors achieve their goals by connecting them with like-minded donors and partners striving to improve our quality of life and increase our regional vibrancy and prosperity. Whereas the Foundation has 188+ grant-making funds, many of which with donor-specific charitable purposes, it is those funds with general, discretionary charitable purposes that our Foundation can address the ever-changing community needs within region. Such 'unrestricted' grant-making funds enable the Foundation to proactively tackle large scale community issues in the pursuit of improving our people and place. In three-year increments, the Foundation assesses current community needs and strategically plans for and aligns our discretionary funds, time and available community resources to addressing those needs. For 2016-2018, the Foundation's strategic priorities are:

- Community & Economic Prosperity (place-making, downtown vitality and revitalization, waterfront development and utilization, regional collaboration, entrepreneurship, nonprofit capacity building);
- Cradle to Career Exploration (childhood literacy, career and lifetime success after K-12, skilled trades and apprenticeship programs and related career pathways, hands-on learning and training programs for youth and adults alike, re-engaging students who do not in traditional timeframes or otherwise leave college);
- Healthy Lifestyles (year-round access to healthy foods and necessities, coordination of efforts aimed at providing basic needs to school-aged children and a system of year-round support, programs and initiatives targeting the entire family and their well-being and success in life and their ability to contribute to region's growth and prosperity).

The 2016 year began the current 3-year strategic plan, and thus, large parts of the year were spent delving into the specifics to determine how best to address the needs and leverage our limited resources with those of community partners. A number of programs were initiated within each of these priority areas and we are pleased to share those efforts.

Within Community and Economic Development, one very exciting, collaborative initiative is our offering of Come Home Reverse Scholarships, under a talent retention program that pays students on the back-end of their college career, after they have completed a degree in a STEAM related field, provided they agree to move back home and work within the St. Clair County. Additionally, efforts within this priority area included providing trainings and supporting programs that increase the capacity building of local non-profits. Another such example of such collaborative efforts is the United Way's 211 Program connecting residents to the services they need. Our Blue Water River Walk continues to be a destination and ongoing maintenance, amenities and improvements such as the Fishing Pier (Phase I) are evidence of the Foundation's place-making efforts.

Efforts within the our priority area of Cradle to Career Exploration include support of several robotics programs and STEM-related workshops as well as RESA's Challenge for Future preparing junior and senior high school students with hands-on and real world experience in problem-solving. Outside of many more traditional educational and literacy programs in this priority area are two innovative and transforming initiatives. The first initiative, still being developed, is a Complete Your Degree program that is aimed at keeping SC4 students in college by addressing the life challenges

Community Foundation

E s t . 1 9 4 4

that would otherwise cause them to drop out. The second of those innovative initiatives has a priority overlap into healthy lifestyles by combining reading with exercising ---it's a Green Read & Ride pilot classroom at Avoca Elementary that is designed to achieve the triple objectives of improving reading proficiency, increasing physical activity and fitness, and getting kids interested in the STEM (Science, Technology, Engineering, and Math) elements underlying the bicycle's construction and purpose.

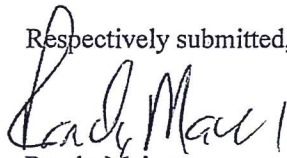
Further connecting healthy lifestyles into our grant-making, programs and initiatives is the Foundation's Friday Food for Kids program, which picked up another school in 2016 and continues to provide kid-friendly food on Fridays so that our most vulnerable students won't be hungry as they educate themselves for the future. Expanding on that program within the Algonac Schools, the Foundation, in collaboration with the Ralph C. Wilson Jr. Foundation, initiated a Fueling the Future program to help eliminate barriers students face in regards to food and basic necessities year-round. Another 2016 program undertaken to support healthy lifestyles was our Pop-Up Farmer's Markets, which provided residents living in food desert areas of Port Huron with greater access to fresh produce and healthy food.

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.

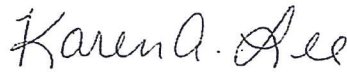
With regard to these audited financial statements, Foundation management has acknowledged and stood behind their responsibility for the financial statements, sound accounting policies, system of internal controls, and for the prevention and detection of fraud. Throughout the independent audit, management 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 Trustees
Community Foundation of St. Clair County
Port Huron, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the Community Foundation of St. Clair County (a nonprofit organization) and supporting organizations which comprise the consolidated statement of financial position as of December 31, 2016 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 financial position of the Community Foundation of St. Clair County and supporting organizations as of December 31, 2016 and the changes in their net assets and their 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, 2015 consolidated financial statements and we expressed an unmodified audit opinion on those audited consolidated financial statements in our reported dated June 16, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 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 financial statements as a whole. The accompanying supplementary information, as listed in the table of contents, 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.

Disclaimer of Opinion on Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Letter to the Volunteers, Donors, and Partners, as listed in the table of contents, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we do not express an opinion or provide any assurance on it.



Certified Public Accountants

June 5, 2017

BASIC FINANCIAL STATEMENTS

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015**

	2016	2015
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,914,639	\$ 1,942,278
Receivables -		
Pledges	1,738,643	36,289
Bequests	-	2,469,522
Interest and other	44,780	68,814
Notes	39,412	5,000
Prepaid expenses	10,301	3,307
Total Current Assets	3,747,775	4,525,210
Non-Current Assets:		
Pledges, net of discount of \$210 and \$0, respectively	1,290	-
Notes receivable, net of discount of \$10,953 and \$3,352, respectively	100,150	85,233
Total Non-Current Assets	101,440	85,233
Property and Equipment:		
Land, land improvements, building, and equipment, net of accumulated depreciation of \$413,927 and \$278,138, respectively	5,068,438	4,912,413
Other Assets:		
Cash surrender value of contributed life insurance	54,521	55,133
Certificates of deposit	273,000	271,000
Investments	53,278,541	45,405,679
Land held for sale	-	79,227
Investment - Escrow deposit	-	8,350
Total Other Assets	53,606,062	45,819,389
Total Assets	\$ 62,523,715	\$ 55,342,245
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 34,455	\$ 155,570
Grants payable	34,500	13,000
Accrued expenses	58,964	27,361
Charitable gift annuity payable	21,991	21,559
Escrow deposit	-	8,350
Total Current Liabilities	149,910	225,840
Noncurrent Liabilities:		
Note payable	68,585	68,585
Charitable gift annuity	34,695	45,778
Deferred compensation contract	70,972	62,502
Funds held as agency endowments	3,856,258	1,688,132
Total Noncurrent Liabilities	4,030,510	1,864,997
Total Liabilities	4,180,420	2,090,837
Net Assets:		
Temporarily restricted	48,256,752	43,118,144
Unrestricted	10,086,543	10,133,264
Total Net Assets	58,343,295	53,251,408
Total Liabilities and Net Assets	\$ 62,523,715	\$ 55,342,245

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, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015**

	Unrestricted	Temporarily Restricted	Total	
			2016	2015
Revenues, Gains, and Other Support:				
Public Support -				
Contributions				
Cash	\$ 710,894	\$ 596,388	\$ 1,307,282	\$ 4,007,746
Non-cash	7,101	2,894,984	2,902,085	1,821,786
Total Contributions	717,995	3,491,372	4,209,367	5,829,532
Revenue and Gains -				
Investment income, net of expense	371,778	3,692,235	4,064,013	557,215
Increase (decrease) in cash surrender value of life insurance	-	(612)	(612)	1,609
Fund management fees	19,492	-	19,492	17,834
Other	11,230	-	11,230	18,368
	402,500	3,691,623	4,094,123	595,026
Net Assets Released from Restrictions:				
Expenses appropriated by the Board	2,044,387	(2,044,387)	-	-
Total Revenues, Gains, and Other Support	3,164,882	5,138,608	8,303,490	6,424,558
Expenses:				
Program expenses:				
Grants	1,809,237	-	1,809,237	1,315,514
Community Initiatives	146,213	-	146,213	298,902
Other Program Expenses	513,880	-	513,880	445,394
Management and general	431,213	-	431,213	452,869
Fundraising expenses	311,060	-	311,060	294,809
	3,211,603	-	3,211,603	2,807,488
Total Expenses	3,211,603	-	3,211,603	2,807,488
Change in Net Assets	(46,721)	5,138,608	5,091,887	3,617,070
Net Assets at beginning of year	10,133,264	43,118,144	53,251,408	49,634,338
Net Assets at end of year	\$ 10,086,543	\$ 48,256,752	\$ 58,343,295	\$ 53,251,408

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, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015**

	Program Services			Total
	Community Foundation	Community Renaissance	Blue Water Land Fund	
Salaries	\$ 179,131	\$ -	\$ -	\$ 179,131
Employee Benefits/Payroll Taxes	47,442	-	-	47,442
Professional Services/Consultancies	3,242	-	5,770	9,012
Legal Services	-	-	-	-
Occupancy	3,619	515	-	4,134
Utilities	2,722	1,045	841	4,608
Equipment Rental and Maintenance	4,742	1,636	6,850	13,228
Telephone	1,515	-	-	1,515
Postage	1,344	271	-	1,615
Community Relations and Awareness	19,012	12,526	3,680	35,218
Donor Cultivation/Fundraising	14,615	-	-	14,615
Foundation Committee	1,884	302	17	2,203
Dues, Memberships, and Subscriptions	2,484	-	-	2,484
Insurance	4,120	2,019	15,314	21,453
Office Supplies	1,294	-	-	1,294
Stationary/Printing	632	-	-	632
Computer Equipment and Maintenance	8,008	-	-	8,008
Travel and Related Expenses	3,674	7,264	-	10,938
Youth Advisory Council	3,020	-	-	3,020
Other	47,234	393	1,466	49,093
Depreciation	13,723	22,827	67,687	104,237
	<u>363,457</u>	<u>48,798</u>	<u>101,625</u>	<u>513,880</u>
Grants	1,809,237	-	-	1,809,237
Community Initiatives	-	86,980	59,233	146,213
Total Expenses	<u>\$ 2,172,694</u>	<u>\$ 135,778</u>	<u>\$ 160,858</u>	<u>\$ 2,469,330</u>

See accompanying notes to consolidated financial statements.

Supporting Services		Total	
Management and General	Fundraising	2016	2015
\$ 253,480	\$ 193,679	\$ 626,290	\$ 582,817
78,600	53,023	179,065	180,007
23,800	-	32,812	39,948
4,349	-	4,349	11,006
5,170	3,940	13,244	55,171
3,888	2,963	11,459	27,055
6,774	5,163	25,165	18,328
2,165	1,650	5,330	4,308
1,920	1,464	4,999	4,055
-	-	35,218	17,528
-	12,044	26,659	30,631
-	-	2,203	2,164
3,549	2,705	8,738	7,663
5,886	4,486	31,825	33,105
1,849	1,409	4,552	4,440
903	688	2,223	4,454
11,441	8,720	28,169	24,358
5,249	4,000	20,187	12,392
-	-	3,020	3,025
2,584	183	51,860	34,221
19,606	14,943	138,786	96,396
431,213	311,060	1,256,153	1,193,072
-	-	1,809,237	1,315,514
-	-	146,213	298,902
<u>\$ 431,213</u>	<u>\$ 311,060</u>	<u>\$ 3,211,603</u>	<u>\$ 2,807,488</u>

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
Cash Flows from Operating Activities:		
Change in net assets	\$ 5,091,887	\$ 3,617,070
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	138,786	96,396
Decrease in cash surrender value of contributed life insurance	612	391
Increase in discount of pledges and notes	(7,811)	(1,923)
Non-cash contributions	(2,902,085)	(1,821,786)
Realized and unrealized loss (gain) on investment securities	(2,938,238)	332,625
Non-cash initiatives/expenses	7,101	40,308
Increase / decrease in operating assets and liabilities -		
Pledges/bequests receivable	765,668	(697,643)
Note receivables	(56,930)	(25,000)
Other receivables	24,034	(54,096)
Prepaid expenses	(6,994)	(257)
Surrender value of contributed life insurance	-	107,620
Accounts payable	(121,115)	135,750
Accrued expenses	31,603	6,126
Accrued employee benefits	8,470	2,046
Grants payable	21,500	-
Funds held as agency endowments	2,168,126	57,139
Charitable gift annuity payable	(10,651)	-
Net Cash Provided by Operating Activities	2,213,963	1,794,766
Cash Flows from Investing Activities:		
Proceeds from sale of investments	19,052,833	14,354,967
Purchase of investments	(20,997,624)	(14,323,059)
Purchase of certificates of deposits	(2,000)	(62,000)
Purchase of property and equipment	(294,811)	(1,123,148)
Net Cash Used in Investing Activities	(2,241,602)	(1,153,240)
Net increase (decrease) in cash and cash equivalents	(27,639)	641,526
Cash and cash equivalents at beginning of year	1,942,278	1,300,752
Cash and cash equivalents at end of year	\$ 1,914,639	\$ 1,942,278
Noncash Investing activities:		
Donated investment securities	\$ 2,894,984	\$ 48,479

See accompanying notes to consolidated financial statements.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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

DESCRIPTION OF ORGANIZATION:

The Community Foundation of St. Clair County is an IRS-approved 501(c)(3) charitable organization which works with donors and community partners to serve the charitable needs and enhance the quality of life primarily in and for the communities in 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 Trustees 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 Trustees of the Blue Water Land Fund, Inc. is 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") are in accordance with accounting principles generally accepted in the United States of America as applicable to nonprofit organizations. The following is a summary of policies which are considered significant to the Foundation:

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 (ASC) Statement 958 *Financial Statements of Not-for-Profit Organizations*. In accordance with ASC 958, the Foundation is required to report information regarding financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, or permanently restricted net assets depending on the existence and/or nature of any donor restrictions.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

**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 and the Board believes that this would be a unique and unusual circumstance, 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 estimated "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, those 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 Trustees for payment.

PROPERTY AND EQUIPMENT - Property and equipment consists of land, land improvements, buildings and improvements, office furniture, equipment, and leasehold improvements and are recorded at cost at the date of purchase or at estimated 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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

**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	10-50 years
Land improvements	10-20 years
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 is 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. However, certain investment activity of the Foundation is subject to federal income tax, which is immaterial and thus has been expensed when paid. Therefore, no provision of income taxes has been made in these financial statements.

The Foundation's forms 990 and 990-T for years ending 2013, 2014, 2015, and 2016 are subject to examination by the IRS, generally for 3 years after they were filed.

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 balance of each fund to the total investment balances of all funds in the pools.

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 Foundation accounts for certain financial assets and liabilities at fair value.

FUNCTIONAL EXPENSES - The costs of providing the program and support services have been reported on a functional basis in the statement of activities. Indirect costs have been allocated between the program and support services based on direct salaries. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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

UPCOMING ACCOUNTING PRONOUNCEMENT - In August 2016, the Financial Accounting Standards Board issued a new accounting standard, Topic 958, for not-for-profit entities aimed at improving the current net asset classification requirements and information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Included in the new standard is presenting on the face of the statement of financial position two classes of net assets at the end of the period, *net assets with donor restrictions* and *net assets without donor restrictions*, rather than the currently required three classes. The statement of activities would also present changes in each of the two classes of net assets rather than the currently required three classes. The amendments in this update are effective for the Foundation's financial statements for the year ending December 31, 2018.

SUBSEQUENT EVENTS - In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through June 5, 2017, the date the financial statements were available to be issued.

NOTE 2 - CASH AND INVESTMENTS:

CONCENTRATION OF CREDIT RISK -

Cash, cash equivalents, and certificates of deposit of \$1,914,639 at December 31, 2016 are made up of demand deposit accounts, certificates of deposit, and \$50 petty cash funds. The bank balance at December 31, 2016 totaled \$2,237,200, of which \$2,215,836 was insured by depository insurance and the remaining \$21,364 was uninsured and uncollateralized.

INVESTMENTS -

At December 31, investments within the operating (Program and Services Fund) and endowment pools of the Foundation consist of the following:

	2016	2015
Money Market Funds	\$ 1,133,675	\$ 332,157
Common Stock	1,253,182	3,309,251
Common Commingled Trust Fund	3,926,164	3,295,151
Exchange Traded & Mutual Funds	39,331,488	31,723,441
U.S. Debt Securities - mortgage-backed securities	319	410
Corporate debt securities	32	31
Alternative investments -		
Private Real Estate Investments	7,633,681	6,753,588
	\$ 53,278,541	\$ 45,414,029

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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

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

	2016	2015
Interest and Dividends	\$ 1,403,496	\$ 1,197,827
Gain on Sale of Investments	881,849	245,398
Unrealized Gain (Loss) on Investments	2,056,389	(578,023)
Investment Management Fees	(277,721)	(307,987)
Total	\$ 4,064,013	\$ 557,215

NOTE 3 - PROPERTY AND EQUIPMENT:

The following is a summary of Property and Equipment at December 31, 2016:

Land	\$ 2,788,473
Land improvements	976,515
Buildings and improvements	1,548,860
Equipment	168,517
	5,482,365
Less – accumulated depreciation	(413,927)
	\$ 5,068,438

Depreciation expense for the year was \$138,786.

NOTE 4 - PLEDGES RECEIVABLE:

The Foundation pledges receivable at December 31, 2016 totaled \$1,740,143, with \$1,738,643 due in less than one (1) year, and the remainder due within five (5) years. The amount of \$1,290 is considered the discounted value (5%) of contributions receivable in excess of one year at December 31, 2016.

In addition, the Foundation was named the beneficiary of a charitable remainder unitrust however because the donor has retained the right to redirect the benefits to another nonprofit organization, the beneficial interest has not been recorded as a receivable or revenue.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 5 - NOTES RECEIVABLE:

James C. Acheson 85 Trust - This asset and liability relate to a property acquired by Blue Water Community Action, 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, 2016 including the current portion of \$0, is:

\$ 68,585

Promissory Notes - In August 2015, the Community Foundation of St. Clair County loaned \$25,000 without interest to a nonprofit organization, to be repaid in quarterly installments of \$1,250 over five years. The discount on the note receivable in excess of one year at December 31, 2016 is \$1,432. The balance at December 31, 2016, including the current portion of \$5,000, is:

\$ 16,068

In October 2016, the Community Foundation of St. Clair County loaned \$70,000 to a downtown restaurant to be repaid in monthly installments of \$3,071 including interest of 5.0% over two years. The discount on the note receivable in excess of one year at December 31, 2016 is \$9,521. The balance at December 31, 2016, including the current portion of \$34,412, is:

54,909

\$ 70,977

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, 2016 amounted to \$66,391.

NOTE 6 - GRANTS PAYABLE:

At December 31, 2016, the Foundation's grants payable was \$34,500, which is payable in less than one year.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 7 - LIFE INSURANCE CONTRACTS:

The Foundation is the owner and beneficiary of life insurance policies for four individuals with an aggregate face value of \$391,042. 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. The cash surrender value at December 31, 2016 is \$54,521.

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 5%) 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. For the year ended December 31, 2016, the Foundation contributed \$26,898.

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. The Deferred Compensation Benefit Plan was discontinued in 2016 with the remaining unvested amounts continuing to be paid out in accordance with the vesting schedule. As of December 31, 2016, the CEO/President has "unvested" deferred compensation rights of \$70,972.

NOTE 9 - FUND MANAGEMENT FEES:

The Foundation assesses a monthly management fee on the individual funds maintained, which supports Foundation operations. Fund management 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. The Foundation also assesses fees for temporary funds that have no plans for permanence of 3% of gifts received with a minimum of \$500 and for community projects in which the Foundation has been requested to manage of 7.5% of the total project budget with a minimum of \$5,000.

Total fund management fees assessed for the year ended December 31, 2016 were \$623,517, which represents revenue to the Foundation's Program and Services 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 fund management fee revenue associated with funds held as agency endowments, as further explained in Note 13.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 10 - CHARITABLE GIFT ANNUITY:

On December 18, 2002, donors transferred assets with 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, 2016 was \$54,410 and the present value of the estimated future payments was \$56,686 at December 31, 2016, which was calculated using a discount rate of 4% and applicable mortality tables.

NOTE 11 - FAIR VALUE MEASUREMENTS:

In accordance with ASC 820, the Community Foundation uses fair value measurements to record adjustments to certain assets and liabilities. 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). Transfers between levels are deemed to have occurred as of the beginning of the year. 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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 11 - 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, 2016:

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 -				
Money Market Funds	\$ 1,133,675	\$ 1,133,675	\$ -	\$ -
Common Stock	1,253,182	1,253,182	-	-
Common Commingled Trust (1)	3,926,164	-	-	-
Exchange Traded & Mutual Funds	39,331,488	39,331,488	-	-
U.S. Debt Securities - mortgage backed securities	319	-	319	-
Corporate Debt Securities	32	-	32	-
Alternative Investments - Private Real Estate Investments (1)	<u>7,633,681</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 53,278,541</u>	<u>\$ 41,718,345</u>	<u>\$ 351</u>	<u>\$ -</u>
Liabilities				
Charitable Gift Annuity Payable	\$ 56,686	\$ 56,686	\$ -	\$ -
Funds held as Agency Endowments (2)	<u>3,856,258</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,912,944</u>	<u>\$ 56,686</u>	<u>\$ -</u>	<u>\$ -</u>

(1) These investments are measured at Net Asset Value (NAV) per share and are not classified in the fair value hierarchy.

(2) The fair value of these liabilities is based on the composite of the investments noted above.

Level 2 classifications consist of the following:

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

At year end, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
Commingled Trust	\$ 3,926,164	\$ -	End of each month	10 days
Alternative Investments	7,633,681	292,824	Varies*	Varies*

* Redemption frequency and notice periods of each investment vary from the end of each quarter to not applicable through the commitment period.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 12 - DONOR RESTRICTED 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.

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. Although the Foundation has variance power, the Foundation strives to honor any restrictions specified by the donors and would only exercise variance power in very unique and unusual circumstances. In light of these factors, 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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 12 - DONOR RESTRICTED AND BOARD DESIGNATED ENDOWMENTS - (cont'd):

	Board Designated	Donor Restricted
Balance at January 1, 2016	\$ 4,024,142	\$ 43,118,144
Contributions/grants	154,866	3,491,372
Net appreciation (depreciation)	271,017	2,667,221
Investment income	97,437	1,025,014
Other income	5,636	(612)
Expenses appropriated by the Board	(322,068)	(2,044,387)
Balance at December 31, 2016	<u>\$ 4,231,029</u>	<u>\$ 48,256,752</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 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 the market value of those funds calculated on the average of the 16 quarters ending 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 are 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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 13 - FUNDS HELD AS AGENCY ENDOWMENTS:

At December 31, 2016, the Foundation was the owner of 39 Agency Endowment Funds with a combined value of \$3,856,258. 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 Balances at January 1, 2016	\$ 1,688,132
Agency gifts	2,134,914
Interest and dividends	51,178
Realized gains on investments	25,166
Unrealized gains on investments	94,237
Grants	(108,015)
Fund management fees	(19,492)
Investment management fees	(9,862)
Agency Endowment Balances at December 31, 2016	<u>\$ 3,856,258</u>

SUPPLEMENTARY FINANCIAL INFORMATION

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

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016**

	Community Foundation	Community Renaissance	Blue Water Land Fund	Total
ASSETS				
Cash and cash equivalents	\$ 1,794,806	\$ 48,593	\$ 71,240	\$ 1,914,639
Certificates of deposit	273,000	-	-	273,000
Investments	53,278,541	-	-	53,278,541
Pledge receivable, net discount of \$210	1,739,933	-	-	1,739,933
Note receivable, net discount of \$10,953 and \$0, respectively	70,977	68,585	-	139,562
Interest and other receivables	44,780	-	-	44,780
Prepaid expense	10,301	-	-	10,301
Land, land improvements, building, and equipment, net of accumulated depreciation of \$123,344, \$107,842, and \$182,741	1,229,611	389,743	3,449,084	5,068,438
Cash surrender value of contributed life insurance	54,521	-	-	54,521
	<u>\$ 58,496,470</u>	<u>\$ 506,921</u>	<u>\$ 3,520,324</u>	<u>\$ 62,523,715</u>
Total Assets				
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable	\$ 34,351	\$ 59	\$ 45	\$ 34,455
Accrued expenses	58,964	-	-	58,964
Grants payable	34,500	-	-	34,500
Charitable gift annuity payable	56,686	-	-	56,686
Note payable	-	68,585	-	68,585
Deferred compensation contract	70,972	-	-	70,972
Funds held as agency endowments	3,856,258	-	-	3,856,258
	<u>4,111,731</u>	<u>68,644</u>	<u>45</u>	<u>4,180,420</u>
Total Liabilities				
Net Assets:				
Temporarily restricted	48,256,752	-	-	48,256,752
Unrestricted	6,127,987	438,277	3,520,279	10,086,543
	<u>54,384,739</u>	<u>438,277</u>	<u>3,520,279</u>	<u>58,343,295</u>
Total Net Assets				
Total Liabilities and Net Assets	<u>\$ 58,496,470</u>	<u>\$ 506,921</u>	<u>\$ 3,520,324</u>	<u>\$ 62,523,715</u>

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

**CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<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	\$ 1,294,143	\$ 115,193	\$ 102,784	\$(204,838)	\$ 1,307,282
Non-cash	2,898,575	-	3,510	-	2,902,085
Total Contributions	<u>4,192,718</u>	<u>115,193</u>	<u>106,294</u>	<u>(204,838)</u>	<u>4,209,367</u>
Revenue and Gains -					
Investment income net of expense	4,063,883	85	45	-	4,064,013
Decrease in cash surrender value of life insurance	(612)	-	-	-	(612)
Fund management fees	19,492	-	-	-	19,492
Other	5,995	5,235	-	-	11,230
	<u>4,088,758</u>	<u>5,320</u>	<u>45</u>	<u>-</u>	<u>4,094,123</u>
Total Revenue, Gains, and Other Support	<u>8,281,476</u>	<u>120,513</u>	<u>106,339</u>	<u>(204,838)</u>	<u>8,303,490</u>
Expenses:					
Program expenses:					
Grants	2,007,214	6,861	-	(204,838)	1,809,237
Community Initiatives	-	86,980	59,233	-	146,213
Other Program Expenses	363,457	48,798	101,625	-	513,880
Management and general	416,291	10,032	4,890	-	431,213
Fundraising expenses	307,829	-	3,231	-	311,060
	<u>3,094,791</u>	<u>152,671</u>	<u>168,979</u>	<u>(204,838)</u>	<u>3,211,603</u>
Total Expenses	<u>3,094,791</u>	<u>152,671</u>	<u>168,979</u>	<u>(204,838)</u>	<u>3,211,603</u>
Change in Net Assets	5,186,685	(32,158)	(62,640)	-	5,091,887
Net Assets at beginning of year	<u>49,198,054</u>	<u>470,435</u>	<u>3,582,919</u>	<u>-</u>	<u>53,251,408</u>
Net Assets at end of year	<u>\$ 54,384,739</u>	<u>\$ 438,277</u>	<u>\$ 3,520,279</u>	<u>\$ -</u>	<u>\$ 58,343,295</u>

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

**SUMMARY SCHEDULE OF NET ASSETS/AGENCY ENDOWMENTS BY FUND
DECEMBER 31, 2016**

	Net Assets				Agency Endowment
	Unrestricted		Temporarily Restricted		
	Undesignated	Board	Donor		
		Designated	Restricted		
			Total		
General Charitable Funds:					
Program and Services (Operating) Fund	\$ 1,896,958	\$ -	\$ -	\$ 1,896,958	\$ -
Community Investment Fund	-	2,229,717	-	2,229,717	-
Acheson Community Foundation Fund	-	-	3,031,901	3,031,901	-
James C. Acheson Fund	-	-	1,477,920	1,477,920	-
Emerson G. and Lucilda A. Brown Fund	-	-	171,510	171,510	-
Earl H. Donaldson Endowment Fund	-	34,383	-	34,383	-
Donald W. and Alice I. Giese Endowment Fund	-	-	144,100	144,100	-
Margaret C. Lutz Endowment	-	169,897	-	169,897	-
John Shier Fund	-	-	34,416	34,416	-
Burman J. Misenar Endowment Fund	-	-	160,634	160,634	-
Florence C. Stephen Fund	-	154,583	-	154,583	-
Virginia E. Farmer Endowment Fund	-	-	69,700	69,700	-
Francis P. Willson Fund	-	1,246,929	-	1,246,929	-
Wirtz/Ogden Fund	-	-	154,893	154,893	-
John and Rose Marie Wismer Fund	-	-	940,228	940,228	-
Russell A. "Tim" Sheldon Endowment	-	-	40,079	40,079	-
Turcotte/Craig Fund	-	-	-	-	-
Scholarship Funds:					
Alice W. Moore Memorial Scholarship Fund	-	-	139,662	139,662	-
Howard A. Acheson Memorial Fund	-	-	1,153,139	1,153,139	-
Father Bartone Fund	-	-	851,913	851,913	-
Beth Linsheid Duff Scholarship Fund	-	-	149,630	149,630	-
Joseph Caimi Scholarship Fund	-	-	52,818	52,818	-
Jack S. Campbell Memorial Fund	-	-	134,241	134,241	-
Kenneth and Verl Fleury Foundation Scholarship	-	-	418,161	418,161	-
Darin Conrad Memorial Scholarship Fund	-	-	44,351	44,351	-
Fuller Hansen Educational Trust Fund	-	-	910,467	910,467	-
Catherine Gellein Scholarship Fund	-	-	33,026	33,026	-
Blue Water Shipmasters' Fund	-	-	37,321	37,321	-
Charles Myron and Betty Gossman Veterans Fund	-	-	67,864	67,864	-
Pauline Groff Music Scholarship Endowment Fund	-	-	30,163	30,163	-
Christian B. and Agnes A. Haas Scholarship Fund	-	-	212,831	212,831	-
Jake Jahn Fund	-	-	4,776	4,776	-
Alexander and Celestine Lamere Fund	-	-	2,775,612	2,775,612	-
Little Brothers Little Sisters of St. Clair County Scholarship Endowment Fund	-	-	147,502	147,502	-
Lillian M. Perry Scholarship Fund	-	-	55,898	55,898	-
Marine City Scholarship Foundation Endowment Fund	-	-	15,835	15,835	132,136
River District Hospital Auxiliary McFern-Smeltzer Scholarship Endowment Fund	-	-	105,890	105,890	-
Barbara Ann Kessler-Saph Scholarship Memorial Fund	-	-	54,593	54,593	-
Randy Sugars Memorial Scholarship Fund	-	-	16,698	16,698	-
Memphis High School Alumni Association Fund	-	-	45,798	45,798	-

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

**SUMMARY SCHEDULE OF NET ASSETS/AGENCY ENDOWMENTS BY FUND
DECEMBER 31, 2016**

	Net Assets				Agency Endowment
	Unrestricted		Temporarily Restricted		
	Undesignated	Board	Donor		
		Designated	Restricted		
			Total		
Scholarship Funds (cont'd):					
St. Clair Music Study Club Endowment Fund	\$ -	\$ -	\$ 139,604	\$ 139,604	\$ 30,897
Foley, Sedwick, Stephenson Fund	-	-	-	-	-
Charles G. and Berneice M. Uligian Fund	-	-	173,108	173,108	-
Evonne Vanderheuevel Scholarship Fund	-	-	2,600	2,600	-
Douglas and Elda L. Webb Scholarship Fund	-	-	1,742,292	1,742,292	-
James Wilhelm Memorial Scholarship Fund	-	264,384	-	264,384	-
Bert D. and Rose E. Wright Memorial Scholarship Fund	-	-	117,367	117,367	-
John F. & Rose Marie Wismer Community Foundation Scholarship Fund	-	-	997,363	997,363	-
Robert and Marilyn Kovach Scholarship Fund	-	-	16,577	16,577	-
St. Clair County Reverse Scholarship Fund	-	-	10,000	10,000	-
Mark Grace Memorial Scholarship Fund	-	-	-	-	-
Nyeste-Regling Scholarship Fund	-	-	3,100	3,100	-
St. Clair High School Scholarship Fund founded by the Trumble and Frank and Bula Carney Memorial Scholarship Funds	-	-	67,261	67,261	-
Port Huron Area School District Scholarship Fund founded by Cyril Smith and James T. Kreger Memorial Scholarship Funds	-	-	51,521	51,521	-
Donor Designated Funds:					
Walter K. Brooks Memorial Fund	-	-	2,050,745	2,050,745	-
Helen David Fund for the Council on Aging	-	-	515,137	515,137	-
Marcia M. Haynes Endowment Fund	-	-	7,643	7,643	-
Marian Pollock Moore Fund	-	-	140,062	140,062	-
Tunnel Fund	-	-	5,633	5,633	-
St. Clair County Chapter - American Red Cross Endowment Fund	-	-	48,215	48,215	-
St. Clair Rotary Centennial Park Fund	-	-	48,229	48,229	-
B.D.G. for St. Clair Little League	-	-	16,066	16,066	-
Charell Thomas Fund	-	-	19,976	19,976	-
CRF Projects Fund	-	-	5	5	-
Mary B. Andreae Fund	-	-	32,977	32,977	-
BWLF Projects Fund	-	-	3,824	3,824	-
Robert J. Goff Fund	-	-	-	-	-
Bob & Ann Tompert Endowment Fund	-	-	-	-	-
River Walk Endowment Fund (for BWLF)	-	-	128,924	128,924	-
Donor Advised Funds:					
James C. Acheson Fund II	-	-	1,942,867	1,942,867	-
Acheson Fund for Education	-	-	650,494	650,494	-
Bob Abdo Memorial Fund	-	-	53,205	53,205	-
Algonac Lions Club Fund	-	-	497,515	497,515	-
Allen Stevens Fund	-	-	99,984	99,984	-
Angi Austin Fund	-	-	8,989	8,989	-
Catherine Houghton Fund	-	-	227,205	227,205	-
St. Clair Foundation Fund	-	-	2,635,802	2,635,802	-
Starting Line Youth Running Fund	-	-	4,156	4,156	-

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

**SUMMARY SCHEDULE OF NET ASSETS/AGENCY ENDOWMENTS BY FUND
DECEMBER 31, 2016**

	Net Assets					Agency Endowment
	Unrestricted		Temporarily Restricted		Total	
	Undesignated	Board	Donor			
		Designated	Restricted			
Donor Advised Funds (cont'd):						
Lisa Harris Pink Ribbon of Hope Memorial Fund	\$ -	\$ -	\$ 17,537	\$ 17,537	\$ -	-
H. & H. Whiting Foundation Fund	-	-	-	-	-	-
The DeWald/Beckett Charitable Fund	-	-	354,911	354,911	-	-
The DeWald/Cook Charitable Fund	-	-	245,556	245,556	-	-
Joelle Marie Hajjar Fund	-	-	11,598	11,598	-	-
John W. & M. Louise Shier Family Fund	-	131,136	-	131,136	-	-
McNutt Family Fund	-	-	24,983	24,983	-	-
Mino Kramer Fund	-	-	43,360	43,360	-	-
Norman and Isabel Cosgrove Memorial Fund	-	-	33,696	33,696	-	-
Wyatt Walker Friendship Fund	-	-	75,026	75,026	-	-
James L. "Jim" Little Fund	-	-	35,004	35,004	-	-
Niester Family Fund	-	-	34,652	34,652	-	-
Kusch Family Fund	-	-	217,383	217,383	-	-
Lelito Legacy Foundation Fund	-	-	7,000	7,000	-	-
Thomas & Nancy Hunter Family Fund	-	-	116,443	116,443	-	-
Taking a Shot at Breast Cancer Fund	-	-	652	652	-	-
Karen Ann Borwick Memorial Fund	-	-	1,255	1,255	-	-
Algonac Rotary Club Fund	-	-	-	-	-	-
Emery Family Fund	-	-	450	450	-	-
Charles and E. Gail Kelly Fund	-	-	4,100	4,100	-	-
Helen Kramer Memorial Fund	-	-	-	-	-	-
Nasr Family Fund	-	-	9,407	9,407	-	-
Omega Fund	-	-	-	-	-	-
River District Fund	-	-	-	-	-	-
Sushma & Ramesh Reddy Family Fund	-	-	80	80	-	-
Chuck and Barbara Staiger Fund	-	-	-	-	-	-
Chuck and Vicky Knowlton Fund	-	-	64,119	64,119	-	-
Talmer Bank and Trust Fund	-	-	-	-	-	-
David Whipple Family Fund	-	-	-	-	-	-
Keith and Wendy Zick Fund	-	-	501	501	-	-
Norm and Joyce Beauchamp Fund	-	-	-	-	-	-
Fletcher Family Fund	-	-	-	-	-	-
Fran McPhedrain Fund	-	-	-	-	-	-
Gerry Kramer Spartan Fund	-	-	83,443	83,443	-	-
Bill and Lydia Schwarz Family Fund	-	-	1	1	-	-
Dave Lomasney Family Fund	-	-	-	-	-	-
Mirabelli Family Fund	-	-	-	-	-	-
Walker Family Fund	-	-	-	-	-	-
Wladimir E. and Linda J. Boldyreff Fund	-	-	7,873	7,873	-	-
Organization Designated Funds:						
Algonac-Clay Township Historical Society Fund	-	-	11,268	11,268	10,735	-
Algonac Community Schools Education Enrichment Fund	-	-	74,452	74,452	199,057	-
Blue Water Council Boy Scout Endowment Fund	-	-	7,400	7,400	76,116	-
Disability Services Fund	-	-	560	560	25,208	-
Fort Gratiot Light Station Fund	-	-	67,695	67,695	-	-
Quota International Helen David Fund	-	-	-	-	33,967	-
SandFest Event	-	-	31,000	31,000	-	-

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

**SUMMARY SCHEDULE OF NET ASSETS/AGENCY ENDOWMENTS BY FUND
DECEMBER 31, 2016**

	Net Assets					Agency Endowment
	Unrestricted		Temporarily Restricted		Total	
	Undesignated	Board	Donor Restricted	Restricted		
		Designated				
Organization Designated Funds (cont'd):						
John R. Dolan Fund	\$ -	\$ -	\$ 717,760	\$ 717,760	\$ -	
United Way of St. Clair County Fund	-	-	1,804	1,804	31,948	
YMCA of the Blue Water Area Endowment Fund	-	-	-	-	278,030	
Supporters of East China School District Fund	-	-	155,808	155,808	59,721	
Habitat for Humanity "Power" Fund	-	-	52	52	30,768	
Blue Water Hospice and Visiting Nurse Association	-	-	15,010	15,010	45,811	
Hunter Hospitality House Fund	-	-	81	81	38,518	
McMorran Place Fund	-	-	43,465	43,465	388,562	
Girl Scouts - Michigan Waterways Council Fund	-	-	21,391	21,391	5,684	
Grace Episcopal Church Fund	-	-	-	-	1,704,946	
Blue Water Developmental Housing, Inc. Fund	-	-	-	-	36,232	
KIDS in Distress Services Fund	-	-	25,762	25,762	-	
St. Clair County Library Fund (incl. the Lawrence E. Owens Endowment)	-	-	240,332	240,332	-	
Clayton A. and Florence B Lewis Memorial Book Fund	-	-	-	-	37,809	
Community Mental Health Fund	-	-	714	714	106,385	
Marine City Historic District Restoration Committee Endowment Fund	-	-	1,993	1,993	56,293	
Michigan Nature Association Fund	-	-	-	-	-	
Peoples' Clinic, Helen David Fund	-	-	533,441	533,441	17,337	
Port Huron Area School District Fund	-	-	47,284	47,284	184,978	
Port Huron Hospital Foundation Endowment Fund	-	-	-	-	-	
Safe Horizons Fund	-	-	164,502	164,502	63,575	
Sanborn Gratiot Memorial Home Endowment Fund	-	-	958	958	33,416	
St. Clair Public Library Capital Fund	-	-	24,010	24,010	13,304	
SCORE Fund (St. Clair County Organized Recreation for Everyone)	-	-	11,802	11,802	722	
St. Clair Bar Mock Trial Fund	-	-	452	452	10,537	
St. John River District Hospital Fund	-	-	10,329	10,329	21,206	
Friends of St. Mary's School (St. Clair) Fund	-	-	74,279	74,279	378	
Thomas & Frances Treleaven Fund	-	-	700,445	700,445	-	
Cardinal Mooney Catholic High School Fund	-	-	2,638	2,638	22,201	
Field of Interest Funds:						
Algonac-Clay Community Fund	-	-	239,732	239,732	-	
Charles and Margaret Anderson Foundation Endowment Fund	-	-	1,910,212	1,910,212	-	
College Access Endowment	-	-	224,833	224,833	-	
Frank V. Carney & Bula A. Carney Memorial Fund	-	-	579,547	579,547	-	
Citizens for St. Clair Fund	-	-	581,109	581,109	-	
Harry F. Lewis Fund	-	-	164,076	164,076	-	
Rev. Rene L. Desmarais Fund	-	-	123,343	123,343	-	
Port Huron Community Fund	-	-	6,376	6,376	135,669	
Robert H. and Paula M. Cleland Community	-	-	47,497	47,497	-	

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

**SUMMARY SCHEDULE OF NET ASSETS/AGENCY ENDOWMENTS BY FUND
DECEMBER 31, 2016**

	Net Assets				Agency Endowment
	Unrestricted		Temporarily Restricted		
	Undesignated	Board	Donor		
		Designated	Restricted		
			Total		
Field of Interest Funds (cont'd):					
Charles F. Moore Memorial Fund	\$ -	\$ -	\$ 2,816,000	\$ 2,816,000	\$ -
Marwood Manor Endowment Fund	-	-	281,633	281,633	-
Access to Recreation Fund	-	-	262,371	262,371	-
Ernest T. & Barbara A. Oskin Fund	-	-	1,311,421	1,311,421	-
Native American Endowment Fund	-	-	34,495	34,495	-
Claude and Alexa Lawrence Fund	-	-	159,811	159,811	-
Maritime Fund	-	-	45,180	45,180	-
Women's Initiative Fund	-	-	827,778	827,778	-
Women's Initiative Steering Committee Giving Circle Fund	-	-	755	755	-
Smilegivers Giving Circle Fund	-	-	-	-	-
Mickey & Agnes Knowlton Fund	-	-	51,298	51,298	-
Eastern Michigan Christian Foundation Fund	-	-	186,629	186,629	-
Emily Bigelow Emergency Services Fund	-	-	85,651	85,651	-
Friday Food For Kids Fund - Algonquin	-	-	35,125	35,125	-
Friday Food For Kids Fund - Belle River Elementary	-	-	14,747	14,747	-
Friday Food For Kids Fund - Cleveland Elementary	-	-	6,161	6,161	-
Friday Food For Kids Fund - Woodrow Wilson Elementary	-	-	7,335	7,335	-
Friday Food For Kids Fund - Woodland Development Center	-	-	-	-	-
F. William & Patricia Schwarz Fund	-	-	153,341	153,341	-
Thomas K. Smith Fund	-	-	151,009	151,009	-
Youth Advisory Council Fund	-	-	1,529,268	1,529,268	-
Healthy Youth, Healthy Seniors Fund	-	-	168,526	168,526	-
Alexa Lawrence Fund for Education	-	-	86,534	86,534	-
Community Capital Club (C3) Fund	-	-	276,655	276,655	-
Henry and Harriet Whiting Memorial Fund	-	-	2,567,989	2,567,989	-
DSLTT Fund	-	-	875,229	875,229	-
Mary Moore Fund	-	-	972,200	972,200	-
Marysville Community Fund	-	-	45,551	45,551	24,112
Fred and Lezlyne Moore Family Fund	-	-	911,878	911,878	-
Juanita Gittings Youth Fund	-	-	-	-	-
Charitable Gift Annuity Fund:					
Raymond & Catherine Gellein Fund	-	-	(2,276)	(2,276)	-
Community Renaissance Fund	438,277	-	-	438,277	-
Blue Water Land Fund, Inc.	3,520,279	-	-	3,520,279	-
Total	<u>\$ 5,855,514</u>	<u>\$ 4,231,029</u>	<u>\$ 48,256,752</u>	<u>\$ 58,343,295</u>	<u>\$ 3,856,258</u>