

**LAPEER COUNTY
COMMUNITY FOUNDATION**

**FINANCIAL REPORT
DECEMBER 31, 2016 AND 2015**

LAPEER COUNTY COMMUNITY FOUNDATION

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INDEPENDENT AUDITORS' REPORT

Members of
Michigan Association of
Certified Public Accountants

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Certified Public Accountants

To the Board of Directors of
Lapeer County Community Foundation
Lapeer, Michigan 48446

We have audited the accompanying financial statements of the Lapeer County Community Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years 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 from material misstatement.

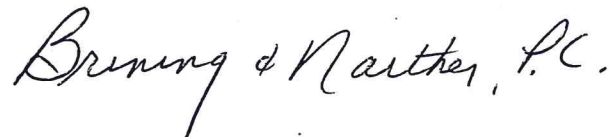
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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.

Board of Directors
September 19, 2017

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 financial statements referred to above present fairly, in all material respects, the financial position of the Lapeer County Community Foundation as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



BRINING & NARTKER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
SANDUSKY, MICHIGAN

September 19, 2017

FINANCIAL STATEMENTS

**LAPEER COUNTY COMMUNITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION**

<u>ASSETS</u>	DECEMBER 31,	
	2016	2015
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	\$ 99,174	\$ 11,292
Investments - at market value (Note 5)	9,279,334	8,851,180
Accrued investment income receivable	23,460	23,602
Prepaid expenses	1,014	1,210
TOTAL CURRENT ASSETS	9,402,982	8,887,284
PROPERTY AND EQUIPMENT - AT COST: (Note 4)		
Furniture and equipment	6,645	4,355
Less: accumulated depreciation	(3,888)	(3,121)
PROPERTY AND EQUIPMENT - NET	2,757	1,234
TOTAL ASSETS	\$ 9,405,739	\$ 8,888,518
 <u>LIABILITIES AND NET ASSETS</u> 		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,580	\$ 5,001
Accrued expenses:		
Accrued payroll	2,212	1,258
Accrued payroll liabilities	1,404	1,859
Investment management fees payable	4,616	4,438
TOTAL CURRENT LIABILITIES	9,812	12,556
NONCURRENT LIABILITIES:		
Assets held for others (Note 11)	1,464,494	1,398,640
TOTAL LIABILITIES	1,474,306	1,411,196
NET ASSETS:		
Unrestricted	7,866,159	7,477,322
Temporarily restricted	65,274	-
TOTAL NET ASSETS	7,931,433	7,477,322
TOTAL LIABILITIES AND NET ASSETS	\$ 9,405,739	\$ 8,888,518

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

**LAPEER COUNTY COMMUNITY FOUNDATION
STATEMENTS OF ACTIVITIES**

	FOR THE YEARS ENDED	
	DECEMBER 31,	
	2016	2015
CHANGES IN UNRESTRICTED NET ASSETS		
UNRESTRICTED REVENUES AND GAINS:		
Gifts and pledges	\$ 139,275	\$ 132,587
Investment income	229,370	214,927
Realized gains (losses) on investments - net	554	128,411
Unrealized gains (losses) on investments - net	419,962	(315,368)
LCCF administrative fees	132,765	127,905
Net assets released from restrictions	9,726	-
TOTAL UNRESTRICTED REVENUES AND GAINS	931,652	288,462
EXPENSES:		
Program Services:		
Grants and direct fund expenses	265,066	286,212
Healthy Living Lapeer expenses	9,726	-
Total Program Services	274,792	286,212
General Supporting Expenses:		
Annual report	5,351	2,339
Computer software and support	1,097	666
Conferences	1,058	70
Contracted services	10,800	10,800
Depreciation	767	574
Dues	4,830	2,800
Grant applications, mailings, and brochures	2,163	7,419
Insurance - directors and officers liability	1,176	1,153
Insurance - general liability	498	499
Insurance - workmens' compensation	383	380
Investment management fees	45,749	46,093
LCCF - administrative fees	112,147	107,348
Meetings and travel	358	204
Office supplies	3,390	3,995
Postage	531	1,925
Professional fees	11,696	2,620
Rent - office (Note 9)	2,244	2,244
Repairs and maintenance	-	2,677
Salary - director	52,669	45,519
Special events	3,027	1,621
Taxes - payroll	5,917	3,976
Telephone and internet	1,577	1,414
Wages - office	25,737	6,590
Website development	1,975	975
Total General Supporting Expenses	295,140	253,901
TOTAL EXPENSES	569,932	540,113
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	361,720	(251,651)

**LAPEER COUNTY COMMUNITY FOUNDATION
STATEMENTS OF ACTIVITIES
(CONTINUED)**

	FOR THE YEARS ENDED DECEMBER 31,	
	2016	2015
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Grants (Note 8)	\$ 75,000	\$ -
Net assets released from restrictions	(9,726)	-
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	65,274	-
INCREASE (DECREASE) IN NET ASSETS	426,994	(251,651)
NET ASSETS - BEGINNING OF YEAR	7,477,322	7,724,839
RECLASSIFICATION OF FUND AS NON- AGENCY FUND (NOTE 10)	27,117	4,134
NET ASSETS - END OF YEAR	\$ 7,931,433	\$ 7,477,322

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

**LAPEER COUNTY COMMUNITY FOUNDATION
STATEMENTS OF CASH FLOWS**

	FOR THE YEARS ENDED DECEMBER 31,	
	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 426,994	\$ (251,651)
Adjustments to reconcile net assets to net cash provided by operating activities:		
Depreciation	767	574
Net realized (gain) loss on investments	(579)	(152,002)
Unrealized (gain) loss on investments	(497,517)	373,339
Changes in assets and liabilities:		
(Increase) Decrease in:		
Accrued investment income receivable	142	(1,149)
Prepaid expenses	196	29
Increase (Decrease) in:		
Accounts payable	(3,421)	4,147
Accrued expenses		
Accrued payroll	954	108
Accrued payroll liabilities	(455)	115
Investment management fees payable	178	(123)
Total Adjustments	<u>(499,735)</u>	<u>225,038</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(72,741)</u>	<u>(26,613)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net (increase) decrease in investment accounts	162,913	7,008
Purchase of fixed assets	(2,290)	(640)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>160,623</u>	<u>6,368</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	87,882	(20,245)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>11,292</u>	<u>31,537</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 99,174</u>	<u>\$ 11,292</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Income tax	<u>\$ N/A</u>	<u>\$ N/A</u>
Interest	<u>\$ NONE</u>	<u>\$ NONE</u>

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

NOTES TO THE FINANCIAL STATEMENTS

**LAPEER COUNTY COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF ACTIVITIES:

The Lapeer County Community Foundation (the “Foundation”), is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been found not to be a private foundation under Section 509(a)(1) of the Code. The Foundation receives gifts from individuals, foundations and organizations and places them into individual funds that match the giving priorities of the donors. The majority of the gifts are endowment gifts that are preserved into perpetuity, with a portion of the cumulative net appreciation returned to the community through grants to area not-for-profit organizations, as well as individuals. The Foundation’s current priorities include: strengthening donor services in order to more effectively build the community’s endowment; building a local infrastructure that supports community engagement processes; and leveraging discretionary grants to address long-term issues of systemic change that strengthen the social fabric of the community. In everything the Foundation does and supports, it seeks to create a more cohesive and vital sense of community throughout Lapeer County.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Financial Statement Presentation

The financial statements are prepared on the accrual basis of accounting and are in conformity with Accounting Standards Codification (ASC) No. 958, *Not-for-Profit Entities*. Under ASC No. 958, information regarding financial position and activities according to three classes of net assets are required to be reported: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Foundation has no permanently restricted net assets and has presented its unrestricted net assets and temporarily restricted net assets according to the requirements of the statement.

In addition, under ASC No. 958, a statement of cash flows is required to be presented.

Contributions Received and Contributions Made

Contributions to the Foundation are recorded in two dimensions. The first distinguishes between whether the contribution is to a permanent (endowed) fund, meaning that distributions are made only from net cumulative appreciation, never from principal, or a non-permanent (non-endowed) fund, meaning that distributions can be made from income and principal. One form of a non-permanent contribution can also occur in cases when a donor makes a gift to income of a permanent fund. In the latter case, the gift does not add to the permanent assets of the fund, but passes through the Foundation as an added amount to whatever is available for distribution from the fund in a given year.

The second dimension distinguishes between whether the distributions from the fund are restricted or unrestricted. A fund is restricted when its creating document defines the purpose for which its distributions are to be made. In this case the Foundation’s Board of Trustees authorizes distributions based on the restrictions of the creating document, varying from extremely broad (field of interest) to extremely specific (designated agency, or specific programs or issues). Such funds function within the Foundation’s variance power, described in its Bylaws (Section 2.12(a)).

**LAPEER COUNTY COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Contributions Received and Contributions Made (Continued)

The variance power gives the Foundation's Board of Trustees the power to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to any specified organization if, in the sole judgment of the Foundation's Board of Trustees, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the County of Lapeer. A fund is unrestricted when its creating document defines no purpose or specifies that the purpose is to support the Foundation. In either of these events, the Foundation's Board of Trustees authorizes distributions for a wide variety of charitable purposes according to its grant-making priorities.

Endowment Management Policy

The Foundation's Board of Trustees interprets Michigan law to require the preservation of the corpus of the endowment funds unless explicit donor stipulations specify how net appreciation must be used. To meet that objective, endowment management policies are followed requiring that net cumulative market appreciation and investment income be retained in an amount needed to equal the original endowment gift. Any remaining total return (net income plus realized and unrealized gains and losses) is available for appropriation, subject to the spending policy of the Foundation. Michigan law allows the Foundation's Board to spend so much of net appreciation as is prudent considering the Foundation's long and short-term needs, present and anticipated financial requirements, expected total investment return, price level trends and general economic conditions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents except those temporarily uninvested monies considered part of the investment portfolios.

Investments

Investments in government and corporate debt and equity securities are stated at current quoted market value. Money market investment funds held under the custody of fund managers represent temporarily uninvested monies and are considered short-term investments. Investments in common and preferred stocks, bonds, U.S. Treasury bills and mutual funds are carried at quoted fair market value whenever available. Realized gains and losses on sales of investments represent the difference between the net sales price and the cost of the securities sold as represented by the custodian. Unrealized gains or losses on investments represent the net change in unrealized appreciation between the balance at the beginning and the end of the year.

Depreciation

Depreciation for financial reporting purposes is computed using the modified accelerated cost recovery method over estimated useful lives of the respective assets. The Foundation uses 5 to 7 years as its useful lives for furniture and equipment purchases. Depreciation expense for financial reporting purposes for the years ending December 31, 2016 and 2015 was \$767 and \$574, respectively.

**LAPEER COUNTY COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Grants

Grants are recognized as liabilities at the time the Board of Trustees authorizes the expenditures, regardless of the year in which the grants are paid. Grants are currently authorized to the extent net income is earned subject to the spending rule limitation.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Tax-exempt Status

The Internal Revenue Service has ruled that the Foundation is a public charity as described in Section 501(c)(3) of the Internal Revenue Code. The Foundation received their 501(c)(3) status on November 2, 2004. Consequently, the Foundation is exempt from federal income tax.

Functional Expenses

The Foundation allocates expenses on a functional basis to funding sources, programs, and support services. Expenses that can be identified with a specific funding source, program, and support service are allocated directly according to their natural expenditure classification. Certain expenses such as administration, accounting, and occupancy are allocated and charged to specific programs and/or funding sources where budgetary considerations permit. Although methods used are considered reasonable, methods could be used that would produce different results.

Advertising

The Foundation expenses advertising as incurred. The Foundation has not incurred any advertising costs for the years ending December 31, 2016 and 2015, respectively.

Subsequent Events

The Foundation has evaluated subsequent events through the date of the auditors' report, the date the financial statements were available to be issued.

NOTE 3 – CONCENTRATION OF CREDIT RISK:

The Foundation is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments which potentially subject the Foundation to credit risk consist principally of cash and investments. The Foundation's cash is deposited with high-credit-quality financial institutions. The Foundation maintains one checking account at a local bank. The checking account is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2016 and 2015, the Foundation did not have any uninsured cash balances in its checking account.

**LAPEER COUNTY COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 3 – CONCENTRATION OF CREDIT RISK (Continued):

The Foundation also maintains investments at a local bank. The investments, as further discussed in Note 5, include equities, corporate bonds, U.S. Government instruments, money market funds and notes receivable. The balances of \$9,279,334 and \$8,851,180, as of December 31, 2016 and 2015, respectively, are not insured by the FDIC or otherwise guaranteed by the U.S. Government. Credit risk with respect to investments is limited because of the wide variety of companies and industries.

NOTE 4 – PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

	DECEMBER 31,	
	2016	2015
FURNITURE AND EQUIPMENT	\$ 6,645	\$ 4,355
LESS: ACCUMULATED DEPRECIATION	(3,888)	(3,121)
PROPERTY AND EQUIPMENT – NET	\$ 2,757	\$ 1,234

Property and equipment are recorded at cost as of the date of acquisition or fair market value as of the date of receipts in the case of gifts. The cost of property sold or retired is removed from the related asset accounts and any resulting gain or loss is recorded in the period of disposal. Renewals and improvements which extended the useful lives of assets are capitalized at cost. Maintenance and repairs are included as expenses in the statement of activities.

NOTE 5 – INVESTMENTS:

Investments are carried at fair value. Realized and unrealized gains and losses are reflected in the statements of activities. A summary of investments is as follows:

DECEMBER 31, 2016

	COST	FAIR VALUE	UNREALIZED INCREASE (DECREASE) IN FAIR VALUE
Stocks	\$ 2,721,741	\$ 3,392,064	\$ 670,323
Equity Mutual Funds	3,113,664	3,142,398	28,734
Corporate Bond Mutual Funds	1,407,146	1,409,588	2,442
U.S. Government Agency Obligations	1,174,615	1,156,530	(18,085)
Money Market Funds	178,754	178,754	-
Totals	\$ 8,595,920	\$ 9,279,334	\$ 683,414

**LAPEER COUNTY COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 5 – INVESTMENTS (Continued):

DECEMBER 31, 2015	COST	FAIR VALUE	UNREALIZED INCREASE (DECREASE) IN FAIR VALUE
	<u> </u>	<u> </u>	<u> </u>
Stocks	\$2,691,424	\$3,069,085	\$ 377,661
Equity Mutual Funds	3,366,644	3,203,492	(163,152)
Corporate Bond Mutual Funds	1,426,257	1,423,429	(2,828)
U.S. Government Agency Obligations	1,044,964	1,038,897	(6,067)
Money Market Funds	116,277	116,277	-
	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$8,645,566</u>	<u>\$8,851,180</u>	<u>\$ 205,614</u>

The Foundation is subject to the provisions of the Accounting Standards Codification (ASC) No. 820 (ASC 820), *Fair Value Measurements and Disclosures*, effective January 1, 2008. ASC 820 establishes a hierarchy that prioritizes the inputs to valuation techniques giving the highest priority to readily available unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements) when market prices are not readily available or reliable. The three levels of the hierarchy under ASC 820 are described below:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

Following are market value summaries by the level of inputs used in evaluating the investments carried at value. The inputs or methodology used for valuing securities may not be an indication of the risk associated with investing in those securities. There have been no changes in the valuation techniques used.

**LAPEER COUNTY COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 5 – INVESTMENTS (Continued):

DECEMBER 31, 2016

	<u>Level 1</u> Quoted prices in active markets for identical assets	<u>Level 2</u> Significant other observable inputs	<u>Level 3</u> Significant unobservable inputs	TOTAL
Investments:				
Stocks	\$ 3,392,064	\$ -	\$ -	\$ 3,392,064
Equity Securities	4,477,682	-	-	4,477,682
Corporate and Other Bonds	-	1,409,588	-	1,409,588
Totals	<u>\$ 7,869,746</u>	<u>\$ 1,409,588</u>	<u>\$ -</u>	<u>\$ 9,279,334</u>

DECEMBER 31, 2015

	<u>Level 1</u> Quoted prices in active markets for identical assets	<u>Level 2</u> Significant other observable inputs	<u>Level 3</u> Significant unobservable inputs	TOTAL
Investments:				
Stocks	\$ 3,069,085	\$ -	\$ -	\$ 3,069,085
Equity Securities	4,358,666	-	-	4,358,666
Corporate and Other Bonds	-	1,423,429	-	1,423,429
Totals	<u>\$ 7,427,751</u>	<u>\$ 1,423,429</u>	<u>\$ -</u>	<u>\$ 8,851,180</u>

The following is a reconciliation of the beginning and ending balances for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year.

Balance, beginning of year	<u>\$ -</u>
Balance, end of year	<u>\$ -</u>

NOTE 6 – DONOR AND BOARD DESIGNATED ENDOWMENTS:

Net Asset Classifications

The Foundation adopted Accounting Standards Codification No. 958, *Not-for-Profit Entities* (ASC 958). 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.

**LAPEER COUNTY COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 6 – DONOR AND BOARD DESIGNATED ENDOWMENTS (Continued):

Net Asset Classifications (Continued)

The following table summarizes activity in the board designated endowment funds for the years ending December 31, 2016 and 2015, respectively. The Foundation does not hold any donor designated endowment funds as of December 31, 2016 and 2015.

	BOARD DESIGNATED
Balance at January 1, 2016	\$ 8,620,545
Contributions	164,202
Net Appreciation (Depreciation) of Value	485,003
Investment Income	264,643
Other Income and Transfers	27,444
Expenses Appropriated by the Board	(476,953)
 Balance at December 31, 2016	 \$ 9,084,884
	BOARD DESIGNATED
Balance at January 1, 2015	\$ 8,928,111
Contributions	134,574
Net Appreciation (Depreciation) of Value	(215,619)
Investment Income	248,526
Other Income and Transfers	14,750
Expenses Appropriated by the Board	(489,797)
 Balance at December 31, 2015	 \$ 8,620,545

The Foundation has adopted investment and spending policies that preserve the real (inflation adjusted) value of endowment assets while providing a consistent flow of funds in support of the charitable purposes for which the fund was established.

Since the ultimate purpose of the Foundation is to be a philanthropic force in the Lapeer County community, the making of grants from the invested assets is paramount.

The Foundation's assets are placed in investments carrying a moderate level of risk as a means to safeguard principal from erosion while providing an opportunity for growth over time as a result of return on investment. The Foundation is mindful of its objectives and conservative yet steady long-term growth is the preferred method for the investments. 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 calendar years 2016 and 2015, the spending policy was to generally distribute an amount equal to 5.5% and 5.5%, respectively. For calendar years 2016 and 2015, 4% and 4% respectively, went towards grants and awards and 1.5% and 1.5%, respectively, went towards administrative fees, of rolling 12 quarter periods as determined as of September 30th of the previous year.

**LAPEER COUNTY COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 7 – COMMITMENTS:

The Foundation's commitment for grants payable, as of December 31, 2016 and 2015, were \$-0- and \$-0-, respectively.

NOTE 8 – GIFTS, GRANTS, AND PLEDGES RECEIVED:

Gifts received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending upon the existence of any donor restrictions. It is the Foundation Board's interpretation of ASC 958, which all gifts received by the Foundation constitute unrestricted assets unless the assets are received with specific restrictions relating to the use of investment income, realized gains and losses, and unrealized gains and losses. The Bylaws of the corporation give the governing board of the Foundation the authority to modify any restriction or condition on distribution of funds for any charitable purposes or to specific organizations, if in its sole judgment such restrictions or conditions become, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the County of Lapeer.

Included in changes in temporarily restricted net assets is the following grant:

	FOR YEARS ENDED DECEMBER 31,	
	2016	2015
Michigan Health Endowment Fund awarded funds to support a program to support the extension of the current Woman, Infant and Children (WIC) program to include nutrition education and weight management for parents and children enrolled in the program with the goal being to promote behavioral changes that would support weight loss, increase nutrition knowledge and to diminish a child's risk of becoming overweight. The grant amount was \$75,000, the full amount of which has been received. The grant period runs from January 1, 2016 through December 31, 2018.	\$ 75,000	\$ -
Total grants reported as temporarily restricted support and revenue.	\$ 75,000	\$ -

NOTE 9 – BUILDING RENT:

The Foundation leases office space located at 264 Cedar Street, Lapeer, Michigan from the County of Lapeer. No lease agreement has been signed, and rent of \$187 is being paid on a month-to-month basis on the first day of each month. Rent expense amounted to \$2,244 and \$2,244 for the years ended December 31, 2016 and 2015, respectively.

NOTE 10 – RECLASSIFICATION OF FUND AS NON-AGENCY FUND:

For the year ended December 31, 2016, the following funds were reclassified as non-agency:

- George D. Lutz Camp Fund
- GLBLC Conservation Easement Fund

**LAPEER COUNTY COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 11 – ASSETS HELD FOR OTHERS:

The Foundation adopted Accounting Standards Codification No. 958, *Not-for-Profit Entities* (ASC 958). This statement establishes standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets or both to another entity that is specified by the donor. ASC 958 specifically requires that if a Not-for-Profit Organization (NPO) establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as assets held for others.

The Foundation maintains variance power and legal ownership of agency funds and as such continues to report the funds as assets of the Foundation. However, in accordance with ASC 958, a liability has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be made to the NPOs.

At December 31, 2016 and 2015, the Foundation was the owner of 30 and 32 agency funds, respectively. The following table summarizes activity in the funds during the years then ended.

	<u>DECEMBER 31,</u>	
	<u>2016</u>	<u>2015</u>
Fund balance – beginning of year	\$ 1,398,640	\$ 1,462,488
Investment income	42,417	40,342
Unrealized and realized investment gains (losses)	77,580	(34,381)
Contributions	33,977	14,367
Grants	(31,929)	(50,810)
Fund activity expenses	(28)	(47)
Investment fees	(8,429)	(8,628)
Administrative fees	(20,617)	(20,557)
Reclassification of Funds as Non-Agency	(27,117)	(4,134)
Fund balance – end of year	<u>\$ 1,464,494</u>	<u>\$ 1,398,640</u>

NOTE 12 – LIFE INSURANCE:

The Foundation is the owner-beneficiary of two life insurance policies issued in the grand total amount of \$151,826. The annual premium charges are paid by the donors.