

ROSCOMMON COUNTY COMMUNITY FOUNDATION
ROSCOMMON, MICHIGAN
FINANCIAL STATEMENTS
DECEMBER 31, 2013

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Robert J. Carpenter, CPA
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Roscommon County Community Foundation
Roscommon, Michigan 48653

We have audited the accompanying financial statements of Roscommon County Community Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities 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 from material misstatement.

An audit involves performing procedures to obtain 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.

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 Roscommon County Community Foundation as of December 31, 2013 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of administrative expenses on page 12 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.

Robertson & Carpenter CPAs, P.C.
Mio, Michigan
June 30, 2014

ROSCOMMON COUNTY COMMUNITY FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013

ASSETS

Current Assets:

Cash and cash equivalents	\$ 22,559	
Short term investments	360,740	<u> </u>

Total Current Assets		<u>383,299</u>
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Investments (Note 2)		6,669,933
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Equipment, net of accumulated depreciation (Note 4)		<u>311</u>
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Total Assets	\$	<u><u>7,053,543</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 290	
Payroll withholdings and taxes	3,050	
Grants payable	238,400	<u> </u>

Total Current Liabilities/Total Liabilities		<u>241,740</u>
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Net Assets:

Unrestricted		209,100
Temporarily restricted	1,491,396	
Permanently restricted	5,111,307	<u> </u>

Total Net Assets		<u>6,811,803</u>
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Total Liabilities and Net Assets	\$	<u><u>7,053,543</u></u>
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See accompanying notes which are an integral part of the financial statements

ROSCOMMON COUNTY COMMUNITY FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support, Revenues and Reclassifications:				
Contributions	\$ -	\$ 146,544	\$ 186,660	\$ 333,204
Grants	-	31,250	-	31,250
YAC fundraising	4,963	-	-	4,963
Interest and dividends	-	146,925	-	146,925
Unrealized gains (losses)	-	605,493	-	605,493
Realized gains (losses)	-	141,070	-	141,070
Net assets released from restrictions - Satisfaction of program restrictions	<u>502,513</u>	<u>(502,513)</u>	<u>-</u>	<u>-</u>
Total Public Support, Revenues and Reclassification	<u>507,476</u>	<u>568,769</u>	<u>186,660</u>	<u>1,262,905</u>
Expenses:				
Administrative	193,043	-	-	193,043
Grants	<u>256,085</u>	<u>-</u>	<u>-</u>	<u>256,085</u>
Total Expenses	<u>449,128</u>	<u>-</u>	<u>-</u>	<u>449,128</u>
Change in Net Assets	58,348	568,769	186,660	813,777
Net Assets - beginning of year	<u>150,752</u>	<u>922,627</u>	<u>4,924,647</u>	<u>5,998,026</u>
Net Assets - end of year	<u>\$ 209,100</u>	<u>\$ 1,491,396</u>	<u>\$ 5,111,307</u>	<u>\$ 6,811,803</u>

See accompanying notes which are an integral part of the financial statements

ROSCOMMON COUNTY COMMUNITY FOUNDATION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2013

Operating Activities:	
Change in net assets	\$ 813,777
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	420
Unrealized (gains) losses on investments	(605,493)
Increase (decrease) in accounts payable	(166)
Increase (decrease) in payroll taxes and withholdings	910
Increase (decrease) in grants payable	<u>49,087</u>
Net cash provided by operating activities	<u>258,535</u>
Investing Activities:	
Investments (purchased) sold - net	<u>(498,542)</u>
Net cash (used) in investing activities	<u>(498,542)</u>
Financing Activities:	
Net cash provided by financing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(240,007)
Cash and cash equivalents - beginning of year	<u>607,872</u>
Cash and cash equivalents - end of year	<u>\$ 367,865</u>

See accompanying notes which are an integral part of the financial statements

ROSCOMMON COUNTY COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1: Nature of Business and Summary of Significant Accounting Policies

Organization and Nature of Business

Roscommon County Community Foundation was established July 10, 2001, as a community foundation dedicated to improving the quality of life for all present and future residents of Roscommon County, by providing stewardship and leadership, by attracting and holding permanent endowment funds from a wide range of donors, and by making grants of the income from its permanent endowment funds. A board of trustees is the governing body. The Foundation is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

The accounting policies of the Foundation conform to accounting principles generally accepted in the United States of America as applicable to nonprofit organizations. The following is a summary of the significant accounting policies:

Use of 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 certain reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates

Cash Equivalents

The Foundation considers all highly liquid investments purchased with a maturity date of three months or less to be cash equivalents.

Concentration of Credit Risk

The Foundation may, at various times, have balances in excess of the federal depository insurance limits. The Foundation has not experienced any losses on cash deposits and management considers the risk of loss to be minimal.

Investments

The Foundation's investments during the year ended December 31, 2013 included equity mutual funds, corporate equities, taxable bonds, and tax exempt bonds.

The Foundation reports investments in marketable securities at their fair values in the statement of financial position. Unrealized gains and losses are included in statement of activities. Realized gain or loss on the sale of investments is the difference between the proceeds received and the original cost of the specific investment sold.

Risks and Uncertainties

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

ROSCOMMON COUNTY COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Equipment

Equipment is capitalized at cost or appraised value if donated. The Foundation capitalizes equipment items that exceed \$2,000. Computers and peripheral equipment are depreciated over a 5 year life, all other equipment is depreciated over a 10 year life. The straight line method is used for all equipment.

Net Asset Classifications

The Financial Accounting Standards Board (FASB) Codification Section 958-205 on *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, and Enhanced Disclosures for All Endowment Funds* (FASB Codification Section 958-205) 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 (UPMIFA). FASB Codification Section 958-205 also improved disclosures about an organization's endowment funds (both donor restricted and board-designated endowment funds) whether or not the Organization is subject to UPMIFA.

The Foundation is governed subject to the Governing Instruments for the Foundation and most contributions are subject to the terms of the Governing Documents and the related Fund or Gift Agreements. Certain contributions are received subject to other gift or grant instruments, or are subject to specific agreements with the Foundation, and may be recorded as permanently restricted, temporarily restricted, or unrestricted, depending on the specific terms of the agreements.

Under terms of the Governing Documents and the Fund or Gift Agreements, the Board of Trustees has the ability to modify any restrictions or condition on the distribution of funds that becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community area of service. The Board of Trustees also has the ability to distribute so much of the corpus of any trust or separate gift, devise, bequest, or fund as the board in its sole discretion shall determine. As a result of the ability to distribute corpus, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement purposes.

The Foundation classifies as permanently restricted net assets a) the original value of the gifts and grants to permanent endowments b) the original value of subsequent gifts to the permanent endowments, and c) accumulations to the permanent endowments in accordance with the applicable donor or grantor gift instrument. The remaining portion of endowment fund investments that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure for the intended purpose or, when unrestricted, reported as unrestricted and designed by management for specific purposes.

Temporarily restricted net assets consist of pledges receivable because of the inherent time restrictions on the use of the funds and the remaining portion of donor-restricted endowment funds that are not classified as permanently restricted. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions.

ROSCOMMON COUNTY COMMUNITY FOUNDATION
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2013

NOTE 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Contributions

Generally, contributions, including unconditional pledges to give, are recorded at fair value when received. Contributions of fixed assets, and other non-monetary contributions are recorded at the donor's estimated fair value. All current contributions are considered unrestricted.

Grant Awards

Grants are recorded as expenses when approved by the Foundation's Board of Trustees. Grant awards are presented on the financial statements net of grant refunds.

Subsequent Events

The Foundation has evaluated subsequent events through June 30, 2014, the date these financial statements were available to be issued.

NOTE 2: Investments

The following summarizes the cost basis and market value (carrying value) of investments.

	<u>Cost</u>	<u>Market Value</u>
Stocks	\$ 2,498,685	\$ 3,862,668
Mutual Funds	1,188,262	1,461,511
Bonds	1,258,676	1,345,754
Marketable securities	<u>\$ 4,945,623</u>	<u>\$ 6,669,933</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2013.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Dividends and interest	\$ -	\$ 146,925	\$ -	\$ 146,925
Unrealized gains (losses) on investments	-	605,493	-	605,493
Realized gains (losses) on investments	-	141,070	-	141,070
	<u>\$ -</u>	<u>\$ 893,488</u>	<u>\$ -</u>	<u>\$ 893,488</u>

NOTE 3: Equipment

The cost of equipment is as follows:

Equipment	\$ 12,710
Accumulated depreciation	<u>(12,399)</u>
	<u>\$ 311</u>

Depreciation expense for the 2013 year was \$420.

ROSCOMMON COUNTY COMMUNITY FOUNDATION
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2013

NOTE 4: Lease Agreement

The Foundation leases office space which is shared with another tenant for part of the year. The Foundation leased 100% of the space effective October 1, 2013.

The lease has no expiration date and call for rent to be paid in the amount of \$298.50 per month. The rent expense for the year ended December 31, 2013 was \$2,907.

NOTE 5: Endowments

The Foundation's endowment funds consist of approximately 56 individual funds established for a variety of reasons. The endowment funds consist of both donor-restricted and funds designated by the Board of Trustees. The Board-designated net assets consist of designated endowments that would be classified as donor-restricted endowments except that the Foundation has variance power of these assets. Therefore, the Board treats these funds as designated endowments. The net assets associated with the donor-restricted and Board-designated are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation as interpreted Uniform Prudent Management of Institutional Funds Act (UPMIF) as requiring preservation of the fair value of the original gift, as of the gift date, of donor restricted endowment funds absent explicit donor stipulations to the contrary. The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds and Board-designated endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purposes of the Foundation and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation or depreciation of investments.
- (6) Other resources of the Foundation.
- (7) The investment policies of the Foundation.

Endowment Funds and Changes Therein

The Foundation's endowment net asset composition at December 31, 2013 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	\$ -	\$ 27,561	\$ 81,170	\$ 108,731
Board-designated	-	971,889	5,036,307	6,008,196
	<u>\$ -</u>	<u>\$ 999,450</u>	<u>\$ 5,117,477</u>	<u>\$ 6,116,927</u>

ROSCOMMON COUNTY COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 5: Endowments (Continued)

Endowment Funds and Changes Therein (Continued)

Changes in Board-designated and donor-restricted endowment funds during the year ended December 31, 2013 follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance January 1, 2013	\$ -	\$ 525,274	\$ 4,924,647	\$ 5,449,921
Investment income:				
Interest and dividends	-	146,925	-	146,925
Net realized gains (losses)	-	141,070	-	141,070
Net appreciation (depreciation) of assets	-	605,493	-	605,493
Net investment return	-	893,488	-	893,488
Contributions	-	-	186,660	186,660
Grants appropriated	-	(203,657)	(1,750)	(205,407)
Fees and expenses	-	(200,749)	-	(200,749)
Balance December 31, 2013	\$ -	\$ 1,014,356	\$ 5,109,557	\$ 6,123,913

Funds with Deficiencies

From time to time, the fair value of investment assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Foundations to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. The fair value of the Foundation's investment assets at December 31, 2013 exceeded the level required by the donor or UPMIFA to be retained as a fund of perpetual duration.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for its investment portfolio that attempt to provide a predictable stream of funding to programs supported by the investment portfolio while seeking to maintain the purchasing power of the endowment investments. Endowment assets include those assets of donor-restricted and Board-designated funds. As approved by the Foundation's Finance/Investment Committee, the investments are invested in a manner that is intended to achieve long-term growth of principal and income without undue exposure to risk with a targeted rate of return to exceed the Consumer Price Index by 5% using a five year moving period.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation of domestic equity, foreign equity, and fixed-income funds with performance benchmarks based on each asset class.

ROSCOMMON COUNTY COMMUNITY FOUNDATION
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation's spending policy annually calculates the amount of money available for distribution from the various endowed funds for grant making and administration. The current spending policy is to distribute 5% of the average fair value over the prior 12 quarters through the calendar year end preceding the calendar year in which the distribution is planned. The Foundation's Board reviews the percentage annually and may adjust the spending percentage based on market conditions. By limiting its current spending policy over the long term, the Foundation expects the current spending policy to allow its net assets to grow annually. This is consistent with the Foundation's objectives to maintain the purchasing power of its investment portfolio and net assets as well as to provide additional real growth through new gifts and investment return.

Note 6: Fair Value

Investment securities

Investment securities are recorded at fair value on a recurring basis. Fair value measurement is based on quoted market prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss and liquidity assumptions. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets, publically traded mutual funds, and money market funds. Level 2 securities include mortgage-backed securities issued by government-sponsored entities, municipal bonds and corporate debt securities in active markets. Level 3 securities include those in which there is little, if any, market activity.

Fair value measurements

Fair value measurement for short term investments and the investment portfolio, measured at fair value on a recurring basis, were as follows at December 31, 2013:

	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Short term investments	\$ 360,740	\$ 360,740	\$ -	\$ -
Investment securities	6,669,933	6,669,933	-	-
	<u>\$ 7,030,673</u>	<u>\$ 7,030,673</u>	<u>\$ -</u>	<u>\$ -</u>

SUPPLEMENTARY INFORMATION

ROSCOMMON COUNTY COMMUNITY FOUNDATION
ADMINISTRATIVE EXPENSES
YEAR ENDED DECEMBER 31, 2013

Salaries	\$ 101,996
Payroll taxes	8,014
Professional and consulting fees	8,800
YAC administration expenses	2,484
Ambassador fund expenses	7,093
Investment fees	32,355
Audit	2,050
Computer software	310
Office rent	2,907
Office cleaning	480
Telephone and internet	1,400
Web site hosting	360
Postage	926
Office equipment maintenance	3,712
Office supplies	1,361
FIM software	2,882
Directors & Officers insurance	1,156
Office insurance	386
Printing services	1,721
Travel	2,457
Memberships	80
Conferences and lodging	25
Meals and entertainment	261
Publicity and marketing	4,032
Annual report	4,499
Bank fees	180
Miscellaneous	696
Depreciation	<u>420</u>
Total	<u>\$ 193,043</u>