

DICKINSON AREA COMMUNITY FOUNDATION

April 30, 2008

The Dickinson Area Community Foundation have been independently audited by Fleury, Singler & Company, P.C., Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Dickinson Area Community Foundation
Iron Mountain, Michigan

We have audited the accompanying statement of financial position of the **DICKINSON AREA COMMUNITY FOUNDATION** (a nonprofit organization) as of April 30, 2008 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **DICKINSON AREA COMMUNITY FOUNDATION** as of April 30, 2008, 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.

Certified Public Accountants

January 6, 2009

DICKINSON AREA COMMUNITY FOUNDATION

STATEMENT OF FINANCIAL POSITION

April 30, 2008

Assets		
Cash		\$ 66,733
Interest receivable		1,543
Investments		5,896,466
Office equipment	10,033	
Less accumulated depreciation	<u>6,880</u>	<u>3,153</u>
	Total assets	<u>\$ 5,967,895</u>
 Liabilities and Net Assets		
Liabilities		
Accrued payroll and payroll taxes		\$ <u>1,916</u>
	Total liabilities	1,916
 Net assets		
Unrestricted (Note B)		37,733
Temporarily restricted (Note C)		1,271,392
Permanently restricted (Note D)		<u>4,656,854</u>
	Total net assets	<u>5,965,979</u>
	Total liabilities and net assets	<u>\$ 5,967,895</u>

See notes to financial statements.

DICKINSON AREA COMMUNITY FOUNDATION

STATEMENT OF ACTIVITIES

Year ended April 30, 2008

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Permanently Restricted Net Assets</u>	<u>Total</u>
Revenues, gains and other support				
Investment income	\$ 4	\$ 190,938	\$ -	\$ 190,942
Net unrealized and realized loss on long-term investments	-	(61,636)	-	(61,636)
Contributions	40,774	8,285	295,582	344,641
Fundraising (net of direct expenses of \$10,098) (Note I)	9,687	2,387	-	12,074
Donated services (Note J)	1,821	-	-	1,821
Grants	2,012	-	-	2,012
Net assets released from restrictions due to satisfaction of program restrictions	284,961	(284,961)	-	-
Total revenues, gains and other support	339,259	(144,987)	295,582	489,854
Expenses				
Program services	266,214	-	-	266,214
Fundraising	5,550	-	-	5,550
Administrative	36,690	-	-	36,690
Total expenses	308,454	-	-	308,454
Change in net assets	30,805	(144,987)	295,582	181,400
Net assets - Beginning of year	6,928	1,416,379	4,361,272	5,784,579
Net assets - End of year	\$ 37,733	\$ 1,271,392	\$ 4,656,854	\$ 5,965,979

See notes to financial statements.

DICKINSON AREA COMMUNITY FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year ended April 30, 2008

	<u>Program Services</u>	<u>Support Services</u>		<u>Total</u>
		<u>Fundraising</u>	<u>Administrative</u>	
Salaries	\$ 39,271	\$ 2,805	\$ 14,025	\$ 56,101
Payroll taxes	3,032	216	1,083	4,331
Grants	78,139	-	-	78,139
Scholarships	100,223	-	-	100,223
Management fees	33,156	-	-	33,156
Accounting and legal	-	-	6,721	6,721
Rent	2,142	153	765	3,060
Office supplies and expense	4,860	1,463	3,652	9,975
Telephone	688	49	246	983
Advertising	-	780	-	780
Bank charges	-	-	334	334
Dues and subscriptions	-	-	1,902	1,902
Travel and meetings	-	-	5,922	5,922
Program services	3,483	-	-	3,483
Depreciation	-	-	1,622	1,622
Insurance	1,170	84	418	1,672
Licenses and permits	50	-	-	50
Total expenses	<u>\$ 266,214</u>	<u>\$ 5,550</u>	<u>\$ 36,690</u>	<u>\$ 308,454</u>

See notes to financial statements.

DICKINSON AREA COMMUNITY FOUNDATION

STATEMENT OF CASH FLOWS

Year ended April 30, 2008

Cash flows from operating activities	
Change in net assets	\$ 181,400
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	1,622
Decrease in interest receivable	2,600
Increase in accrued liabilities	621
Net unrealized and realized loss on long-term investments	<u>61,636</u>
Net cash provided by operating activities	247,879
Cash flows from investing activities	
Purchases of investment securities	(3,134,518)
Proceeds from sale of investments	<u>2,928,027</u>
Net cash (used in) investing activities	(206,491)
	Net increase in cash
	41,388
Cash - Beginning of year	<u>25,345</u>
	Cash - End of year
	<u>\$ 66,733</u>

See notes to financial statements.

DICKINSON AREA COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Dickinson Area Community Foundation (Foundation) is a public, nonprofit organization that encourages philanthropic investment in Dickinson County, Michigan and the surrounding area by accumulating and managing funds and utilizing the income to support charitable activities within guidelines set forth in various grant and scholarship fund agreements. The Foundation generates the majority of its income from investments and endowed contributions. It has been certified by the State of Michigan as a Community Foundation for the purpose of Michigan tax credits for tax years 2007 and 2008.

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 and disclosures. Accordingly, actual results could differ from those estimates.

Risks and Uncertainties

The Foundation utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. 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 such changes could materially affect the amounts reported in the financial statements.

Financial Statement Presentation

Under SFAS No. 117, the Foundation reports information regarding its financial position and activities according to three classes of net assets - unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Contributions

In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Equipment

Donations of equipment are recorded as support at their estimated fair value. It is the organization's policy to capitalize all equipment purchased or donated with a fair market value of \$500 or more. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Without donor stipulations regarding how long those donated assets must be maintained, the Foundation does not imply a time restriction and reports the gifts as unrestricted support when the assets are placed in service. Equipment is depreciated using straight-line and accelerated methods over estimated useful lives. Purchased equipment is stated at cost.

Investment Securities

The Foundation has adopted SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. All of the Foundation's investments had readily available fair market values which are determined by a bank trust department at April 30, 2008.

Income Tax Status

The Foundation is a not-for-profit organization other than a private foundation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision has been made for income taxes.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B - UNRESTRICTED NET ASSETS

Unrestricted net assets has been reduced at April 30, 2008 by the decrease in fair market value of the investments in several funds below their permanently restricted bases. The aggregate amount of this depreciation at April 30, 2008 is \$6,292.

NOTE C - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of accumulated earnings on the permanently endowed funds that are restricted until awarded as grants or scholarships. These grants and scholarships are awarded by the Foundation under the terms of the fund agreements. These assets will be reclassified as unrestricted net assets in the period they are awarded per SFAS No. 116.

NOTE D - PERMANENTLY RESTRICTED NET ASSETS

Over 78% of the Foundation's net assets are permanently restricted at April 30, 2008. Permanently restricted net assets consist of investments in perpetuity, the income from which is expendable to support programs as stipulated by a given fund's agreement. The Foundation managed 77 scholarship, grant and administrative agreements during the current fiscal year.

NOTE E - COMMITMENTS

The Foundation has awarded a number of scholarships that are renewable for four years, if the recipient has maintained certain academic standards. The liability for payment of these scholarships has not been included in the financial statements due to the uncertainties of maintaining these standards. The potential scholarship commitments in future years are as follows:

Due in 2009	\$	113,680
Due in 2010 through 2012		<u>149,200</u>
Total commitments at April 30, 2008	\$	<u>262,880</u>

NOTE F - INVESTMENT SECURITIES

The majority of the Foundation's investments are managed by a bank trust department. Two donors have stipulated that their gifts be managed by an investment company. These funds, though managed by this company, are held by the bank's trust department. Money market, fixed income and equity investments are not federally insured. All investments are stated at fair value, and consist of the following which is provided by the trust department:

	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>	<u>Fair Value</u>
Money market funds	\$ 227,477	\$ -	\$ 227,477
Fixed income	1,830,971	(4,407)	1,826,564
Equities	3,363,357	309,269	3,672,626
Certificates of deposit	<u>169,799</u>	<u>-</u>	<u>169,799</u>
Totals	<u>\$ 5,591,604</u>	<u>\$ 304,862</u>	<u>\$ 5,896,466</u>

NOTE G - LEASE

The Foundation leases office space under a one-year operating lease. The total rental expense for 2008 was \$3,060.

NOTE H - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between program services, fundraising and administrative.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE I - FUNDRAISING

Included in direct fundraising expenses are \$796 of prizes donated to the Foundation for a silent auction by various local businesses and individuals.

NOTE J - DONATED SERVICES/RELATED PARTY TRANSACTIONS

Donated payroll services of \$1,821 and donations totaling approximately \$126,477 were made to the Foundation by board and committee members. Certain funds are invested with a trust department where one of the trust officers also serves as a member of the Foundation's finance committee.

NOTE K - CHARITABLE REMAINDER TRUST

The Foundation has been named as the remainder beneficiary of a charitable remainder trust. The amount of this donation is not determinable at this time and is not included in revenues or assets of the Foundation. In accordance with the Financial Accounting Standards Board, this amount will not be recognized as revenue or assets until it becomes irrevocable upon the death of the donors, when its value becomes fixed and determinable.

NOTE L - SUBSEQUENT EVENT

As of November 30, 2008, the market value of the Foundation's investments has decreased by approximately 30% due to an economic downturn. The Foundation plans to re-evaluate funds available for 2009 scholarships based on December 31, 2008 fund values.