

Financial Statements

DICKINSON AREA COMMUNITY FOUNDATION

December 31, 2010

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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 December 31, 2010 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization'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 December 31, 2010, 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

October 5, 2011

DICKINSON AREA COMMUNITY FOUNDATION

STATEMENT OF FINANCIAL POSITION December 31, 2010

Assets			
Cash		\$	65,439
Prepaid fundraiser			500
Interest receivable			107
Investments			5,686,038
Office equipment	11,062		
Less accumulated depreciation	<u>8,288</u>		<u>2,774</u>
	Total assets	\$	<u>5,754,858</u>
 Liabilities and Net Assets			
Liabilities			
Accrued payroll and payroll taxes		\$	1,522
Funds designated for other nonprofit organizations			<u>37,317</u>
	Total liabilities		38,839
 Net assets			
Unrestricted (Note B)		(95,205)
Temporarily restricted (Note C)			865,381
Permanently restricted (Note D)			<u>4,945,843</u>
	Total net assets		<u>5,716,019</u>
	Total liabilities and net assets	\$	<u>5,754,858</u>

See notes to financial statements.

DICKINSON AREA COMMUNITY FOUNDATION

STATEMENT OF ACTIVITIES Year ended December 31, 2010

	<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	\$ 1	\$ 146,767	\$ -	\$ 146,768
Net unrealized and realized gain on long-term investments	303,269	161,838	-	465,107
Contributions	2,100	17,630	134,393	154,123
Fundraising (net of direct expenses of \$3,704)	(250)	4,815	-	4,565
Donated services (Note J)	1,936	-	-	1,936
Grants	8,725	7,726	-	16,451
Miscellaneous	7,200	-	-	7,200
Net assets released from restrictions due to satisfaction of program restrictions	109,476	(109,476)	-	-
Total revenues, gains and other support	432,457	229,300	134,393	796,150
Expenses				
Program services	187,770	-	-	187,770
Fundraising	6,053	-	-	6,053
Administrative	68,555	-	-	68,555
Total expenses	262,378	-	-	262,378
Change in net assets	170,079	229,300	134,393	533,772
Net assets - Beginning of year	(265,284)	636,521	4,846,998	5,218,235
Funds transferred out	-	(440)	(35,548)	(35,988)
Net assets - End of year	<u>\$(95,205)</u>	<u>\$ 865,381</u>	<u>\$ 4,945,843</u>	<u>\$ 5,716,019</u>

See notes to financial statements.

DICKINSON AREA COMMUNITY FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2010

	Program Services	Support Services		Total
		Fundraising	Administrative	
Salaries	\$ 31,009	\$ 2,215	\$ 42,673	\$ 75,897
Payroll taxes	3,682	263	1,315	5,260
Grants	13,009	-	-	13,009
Scholarships	95,400	-	-	95,400
Management fees	29,388	-	-	29,388
Accounting and legal	-	-	9,278	9,278
Rent	2,478	177	885	3,540
Office supplies and expense	7,714	2,004	3,214	12,932
Telephone	774	55	277	1,106
Advertising	-	1,255	-	1,255
Bank charges	-	-	240	240
Dues and subscriptions	-	-	2,168	2,168
Travel and meetings	-	-	5,614	5,614
YAC programs	3,142	-	28	3,170
Licenses and permits	-	-	300	300
Loss on disposal of equipment	-	-	275	275
Contracted services	-	-	673	673
Depreciation	-	-	1,086	1,086
Insurance	1,174	84	419	1,677
Miscellaneous	-	-	110	110
Total expenses	\$ 187,770	\$ 6,053	\$ 68,555	\$ 262,378

See notes to financial statements.

DICKINSON AREA COMMUNITY FOUNDATION

STATEMENT OF CASH FLOWS Year ended December 31, 2010

Cash flows from operating activities	
Change in net assets	\$ 533,772
Adjustments to reconcile change in net assets to net cash (used in) operating activities	
Depreciation	1,086
Loss on disposal of equipment	275
Contribution of investment securities	(59,505)
Increase in prepaids	(250)
Decrease in interest receivable	4
Increase in accrued liabilities	36,220
Net unrealized and realized gain on long-term investments	(465,107)
Contributions to endowed funds	(74,888)
Net cash (used in) operating activities	(28,393)
Cash flows from investing activities	
Purchases of investment securities	(2,640,338)
Proceeds from sale of investments	2,613,058
Purchase of equipment	(2,659)
Net cash (used in) investing activities	(29,939)
Cash flows from financing activities	
Contributions to endowed funds	74,888
Net cash provided by financing activities	74,888
Net increase in cash	16,556
Cash - Beginning of year	48,883
Cash - End of year	\$ 65,439

Supplemental data	
Noncash investing and financing activities - donated investment securities to endowed funds	\$ 59,505

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 year 2010.

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

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

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 Foundation'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 for 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

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 as further described in Note F. Unrealized gains and losses are included in the change in net assets. All of the Foundation's investments had readily available fair market values at December 31, 2010, which were determined by a bank trust department.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The Organization's Forms 990, Return of Organization Exempt from Tax, are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

NOTE B - UNRESTRICTED NET ASSETS

Unrestricted net assets has been reduced at December 31, 2010 by the decrease in fair market value of the investments in the endowed funds that were below their permanently restricted basis. The aggregate amount of this depreciation at December 31, 2010 is \$86,348.

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.

NOTE D - PERMANENTLY RESTRICTED NET ASSETS

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 92 scholarship, grant and administrative agreements during 2010.

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 2011	\$	42,600
Due in 2012 through 2014		<u>30,190</u>
Total commitments at December 31, 2010	\$	<u>72,790</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. Money market, fixed income and equity investments are not federally insured. Investments consist of the following which are provided by the trust department and investment company:

	<u>Cost</u>	<u>Unrealized Gain</u>	<u>Fair Value</u>
Money market funds	\$ 419,148	\$ -	\$ 419,148
Fixed income	1,674,948	27,363	1,702,311
Equities	2,845,079	676,465	3,521,544
Certificates of deposit	<u>43,035</u>	<u>-</u>	<u>43,035</u>
Totals	<u>\$ 4,982,210</u>	<u>\$ 703,828</u>	<u>\$ 5,686,038</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - INVESTMENT SECURITIES (CONTINUED)

Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of significant other observable inputs (including quoted prices for similar assets in active markets), and Level 3 inputs consist of significant unobservable inputs and have the lowest priority.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Level 1 Fair Value Measurements - These assets include mutual funds for which a quoted market price is available in an active market.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of December 31, 2010:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fixed income mutual funds	\$ 1,702,311	\$ 1,702,311	\$ -	\$ -
Equity mutual funds	3,521,544	3,521,544	-	-
Totals	\$ 5,223,855	\$ 5,223,855	\$ -	\$ -

NOTE G - ENDOWMENT FUNDS

The Foundation's endowed funds are governed by gift instruments and specific agreements with the Foundation.

The State of Michigan has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective September 10, 2009. The Foundation's board of directors has interpreted Michigan's enacted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of the donor imposed provisions, permanently restricted net assets represent the fair value of the original gifts as of the gift date and the original value of subsequent gifts to the donor-restricted endowment funds. The remaining portion of the donor-restricted endowment funds that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed in UPMIFA.

The Foundation has adopted investment and spending policies for endowed assets that attempt to develop an asset base in which the total investment return is sufficient to support the basic operations of the Foundation.

The investment policy emphasizes growth over the long term with a balanced approach targeting allocations of 60% equity and 40% fixed income. The policy establishes eligible investments with no more than 10% of the invested funds allowed to be in securities which do not pay interest or dividends. All assets are required to have readily ascertainable market values and shall be readily marketable.

The spending policy calculates the amount available for spending using 4% of the 16 quarter rolling average as long as the distribution does not invade principal, unless specified in the underlying document. Scholarship, agency and field of interest grant allocations for the upcoming year are reviewed in the first quarter each year using September 30th fund balances.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - ENDOWMENT FUNDS (CONTINUED)

The composition of endowed net assets and the changes in endowed net assets for the year are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowed net assets, January 1, 2010	\$ (265,626)	\$ 589,161	\$ 4,846,998	\$ 5,170,533
Investment income	-	146,767	-	146,767
Net realized and unrealized gain	170,421	294,686	-	465,107
Contributions	-	-	133,993	133,993
Investment and administrative fees and expenses	-	(157,678)	-	(157,678)
Grants and scholarships	-	(72,684)	-	(72,684)
Endowed net assets, December 31, 2010	\$ (95,205)	\$ 800,252	\$ 4,980,991	\$ 5,686,038

All endowed funds are donor restricted endowment funds.

NOTE H - LEASE

The Foundation leases office space under a one-year operating lease. The total rental expense for the year ending December 31, 2010 was \$3,540.

NOTE I - 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.

NOTE J - DONATED SERVICES/RELATED PARTY TRANSACTIONS

Donated payroll services of \$1,936 and donations totaling approximately \$9,300 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 EVENTS

Management has evaluated events and transactions for potential recognition or recognition or disclosure through the date of the accompanying independent auditors' report, which is the date the financial statements were available to be issued.