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# **ANCHOR BAY COMMUNITY FOUNDATION**

**(A MICHIGAN NON-PROFIT CORPORATION)**

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**Financial Report  
For The Year Ended  
December 31, 2017**



certified public accountants

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**ANCHOR BAY COMMUNITY FOUNDATION**  
**Rochester, Michigan**

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors  
Anchor Bay Community Foundation  
New Baltimore, MI

We have audited the accompanying financial statements of Anchor Bay Community Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017 and the related statements of activities and changes in net assets, 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 the 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.

### **Auditors' 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.

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 Anchor Bay Community Foundation as of December 31, 2017, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Unrestricted Revenues, Expense, and Changes in Net Assets – Budget and Actual, Temporarily Restricted Net Assets, and Permanently Restricted Net Assets on Pages 10–12 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of basic financial statements, and accordingly, we do not express an opinion or provide assurance on it.

*Gordon Advisors, P.C.*

August 3, 2018

**ANCHOR BAY COMMUNITY FOUNDATION**  
**Statement of Financial Position**  
**December 31, 2017**

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**ASSETS**

Cash and cash equivalents	\$ 74,744
Fixed Assets:	
Office furniture, fixtures and equipment	1,810
Less: accumulated depreciation	1,237
Total Fixed Assets	573
Long-term investments	766,841
	\$ 842,158

**LIABILITIES AND NET ASSETS**

<b>Net Assets</b>	
Unrestricted net assets	149,595
Temporarily restricted net assets	36,206
Permanently restricted net assets	656,357
<b>Total Net Assets</b>	842,158
	\$ 842,158

**ANCHOR BAY COMMUNITY FOUNDATION**  
**Statement of Activities and Changes in Net Assets**  
**For The Year Ended December 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenue, Gains and Other Support</b>				
Contributions and grants	\$ 10,151	\$ 9,450	\$ 16,759	\$ 36,360
Special events	1,576	0	0	1,576
Income on long-term investments	0	4,617	14,132	18,749
Net unrealized gain on long-term investments	86,853	13,470	0	100,323
<b>Total Revenues</b>	<u>98,580</u>	<u>27,537</u>	<u>30,891</u>	<u>157,008</u>
Net assets released from restrictions:				
Satisfaction of restrictions	<u>27,776</u>	<u>(27,776)</u>	<u>0</u>	<u>0</u>
<b>Total Revenue, Gains and Other Support</b>	<u>126,356</u>	<u>(239)</u>	<u>30,891</u>	<u>157,008</u>
<b>Expenses</b>				
Program services	40,491	0	0	40,491
Management and general	5,137	0	0	5,137
Fundraising	1,396	0	0	1,396
<b>Total Expenses</b>	<u>47,024</u>	<u>0</u>	<u>0</u>	<u>47,024</u>
<b>Other Expenses (Income)</b>				
Loss on disposal of fixed asset	<u>97</u>	<u>0</u>	<u>0</u>	<u>97</u>
<b>Change In Net Assets</b>	79,235	(239)	30,891	109,887
<b>Net Assets - Beginning of Year</b>	<u>70,360</u>	<u>36,445</u>	<u>625,466</u>	<u>732,271</u>
<b>Net Assets - End of Year</b>	<u>\$ 149,595</u>	<u>\$ 36,206</u>	<u>\$ 656,357</u>	<u>\$ 842,158</u>

**ANCHOR BAY COMMUNITY FOUNDATION**  
**Statement of Functional Expenses**  
**For The Year Ended December 31, 2017**

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	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Scholarships	\$ 24,300	\$ 0	\$ 0	\$ 24,300
Community programs and grants	12,627	0	0	12,627
Office supplies	0	1,488	0	1,488
Postage	119	59	964	1,142
Professional fees	2,400	1,353	0	3,753
Advertising	0	1,199	0	1,199
Insurance	0	558	0	558
Technology	0	94	0	94
Printing	0	75	370	445
Depreciation	1,045	137	62	1,244
Miscellaneous	0	174	0	174
<b>Total Functional Expenses</b>	<u>\$ 40,491</u>	<u>\$ 5,137</u>	<u>\$ 1,396</u>	<u>\$ 47,024</u>

**ANCHOR BAY COMMUNITY FOUNDATION**  
**Statement of Cash Flows**  
**For The Year Ended December 31, 2017**

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**Operating Activities**

Change in net assets	\$ 109,887
Add items not requiring cash -	
Depreciation	1,244
Loss on disposal of fixed assets	97
Unrealized gain on investments	(100,323)
Contributions restricted for long-term investment	(16,856)
Decrease in operating liabilities -	
Scholarships payable	<u>(1,000)</u>

**Net Cash Used In Operating Activities**(6,951)**Investing Activities**

Purchases of investments	<u>(18,586)</u>
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**Financing Activities**

Proceeds from contributions restricted for investment in endowment	<u>30,835</u>
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**Net Increase In Cash and Cash Equivalents**

5,298

**Cash and Cash Equivalents - Beginning of Year**69,446**Cash and Cash Equivalents - End of Year**\$ 74,744

**ANCHOR BAY COMMUNITY FOUNDATION**  
**Notes to the Financial Statements**  
**December 31, 2017**

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**NOTE:**

**1. Summary of Significant Accounting Policies**

The following are accounting principles and policies followed by the Foundation:

Nature of Operations – Anchor Bay Community Foundation is a not-for-profit organization which supports a broad range of charitable activities in southeastern Michigan.

Basis of Accounting – The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Classes of Net Assets – Net assets of the Foundation are classified as permanently restricted, temporarily restricted or unrestricted depending on the presence and characteristics of donor-imposed restrictions which limit the Foundation's ability to use or dispose of contributed assets or the economic benefits embodied in these assets. Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

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

Fixed Assets – The Foundation capitalized all expenditures for property and equipment in excess of \$500. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation on property and equipment is provided on a straight-line basis for office equipment and furniture and fixtures.

Contributions – Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received and measured at fair value. Contributions with donor-imposed time or purpose restrictions are reported as temporarily restricted support. All other contributions are reported as unrestricted support.

Donated Services – A substantial number of volunteers have donated significant amounts of their time to the Foundation and its programs; however, these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

Revenue Recognition – Contributions and grants are recorded when pledged, received, or awarded.

Functional Expenses – The costs of providing programs have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Advertising – Advertising costs are charged to operations when incurred.

Income Tax Uncertainties – Management evaluates, at least annually, whether any tax positions reported on tax returns are more likely than not to be sustained if challenged. Management believes no such positions exist that would have significant impact on the Organization's financial position and results of operations. As of December 31, 2017, no liability for unrecognized tax benefits was recorded.



**ANCHOR BAY COMMUNITY FOUNDATION**  
**Notes to the Financial Statements (Continued)**  
**December 31, 2017**

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**NOTE:****1. Summary of Significant Accounting Policies (Continued)**

Subsequent Events – The Foundation has evaluated events and transactions that occurred through August 3, 2018, which is the date the financial statements were available for issue.

**2. Federal Income Taxes**

Anchor Bay Community Foundation has applied to the Internal Revenue Service and has received a favorable determination letter for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. Therefore, a provision for federal income taxes is not required. In addition, the Foundation has been determined not to be a private foundation within the meaning of Section 509(A) of the code.

**3. Temporary and Permanently Restricted Net Assets**

Temporarily and permanently restricted net assets represent funds restricted as to use specifically for the following:

	Temporarily Restricted	Permanently Restricted
Scholarships	\$ 15,999	\$ 447,655
General Endowment	0	159,568
Senior Citizens	12,672	0
Wellness	5,947	27,678
Chesterfield Library	1,588	21,456
	<u>\$ 36,206</u>	<u>\$ 656,357</u>

**4. Investments**

Investments are composed of debt and equity mutual funds with readily determinable fair values and are carried at fair value based on quoted prices in active markets (all Level 1 measurements). Investments at the end of the period had a total cost of \$499,327, and unrealized gains of \$267,514, for a total carrying value of \$766,841. Investment income is composed of the following:

Interest and dividend income	\$ 18,749
Realized gains (losses)	0
Unrealized gains (losses)	100,323
Expenses	0
	<u>\$ 119,072</u>

**5. Endowment Funds**

The Foundation's endowment consists of approximately 20 individual funds established for a variety of purposes. Its endowment includes only donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**ANCHOR BAY COMMUNITY FOUNDATION**  
**Notes to the Financial Statements (Continued)**  
**December 31, 2017**

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**NOTE:**

**5. Endowment Funds (Continued)**

The Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund 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 by SPMIFA. In accordance with SPMIFA, 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 various funds, (2) the purposes of the donor-restricted endowment funds, (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) other resources of the Foundation, and (7) the Foundation's investment policies.

Investment Return Objectives, Risk Parameters and Strategies: The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4%, while growing the funds if possible. Therefore, the Foundation expects its endowment assets, over time, to produce an average rate of return of approximately 7% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy: The Foundation has a policy of appropriating for distribution each year 4% of its endowment fund's ending calendar year fair value preceding the year in which the distribution is planned. In establishing this policy, the Foundation considering the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Foundation expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 2% annually, which is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as provide additional real growth through investment return.

**6. Concentration of Credit Risk**

The Foundation is generally restricted to operation within the approximate boundaries of the Anchor Bay School District. The Foundation's investments are made up primarily of mutual funds, approximately 88% of which are invested in equity security type mutual funds. The balance is invested in debt security type mutual funds.

**ANCHOR BAY COMMUNITY  
FOUNDATION**

**Supplementary Information  
For The Year Ended  
December 31, 2017**

**ANCHOR BAY COMMUNITY FOUNDATION**  
**Schedule of Unrestricted Revenues, Expenses, and Changes in Net Assets -**  
**Budget and Actual**  
**For The Year Ended December 31, 2017**

	<u>Budget</u> <u>Unrestricted</u>	<u>Actual</u> <u>Unrestricted</u>	<u>Variance</u>
<b>Revenue and Support</b>			
Contributions and grants	\$ 13,020	\$ 10,151	\$ (2,869)
Special events	0	1,576	1,576
Loss on disposal of fixed asset	0	(97)	(97)
Net unrealized gain on long-term investments	17,600	86,853	69,253
<b>Total Revenue</b>	<u>30,620</u>	<u>98,483</u>	<u>67,863</u>
Net assets released from restrictions:			
Satisfaction of restrictions	25,300	27,776	2,476
<b>Total Revenue, Gains and Other Support</b>	<u>55,920</u>	<u>126,259</u>	<u>70,339</u>
<b>Expenses</b>			
Program services	35,740	40,491	(4,751)
Management and general	9,768	5,137	4,631
Fundraising	0	1,396	(1,396)
<b>Total Expenses</b>	<u>45,508</u>	<u>47,024</u>	<u>(1,516)</u>
<b>Change In Net Assets</b>	10,412	79,235	68,823
<b>Net Assets - Beginning of Year</b>	<u>70,360</u>	<u>70,360</u>	<u>0</u>
<b>Net Assets - End of Year</b>	<u>\$ 80,772</u>	<u>\$ 149,595</u>	<u>\$ 68,823</u>

**ANCHOR BAY COMMUNITY FOUNDATION**  
**Schedule of Temporarily Restricted Net Assets**  
**December 31, 2017**

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**Temporarily Restricted Net Assets**

**Wellness**

Tobacco Settlement	\$	3,904
Justin Mello KidPrint		<u>2,043</u>

**Total Wellness** \$ 5,947

**Seniors**

Grace Program 12,672

**Library**

Chesterfield Township Library Endowment 1,588

**Scholarships**

Michael Osadchuk College/Technical School		3,349
Independent Insurance Agents of Macomb County		1,500
Greg & Mary Ann Bayer Family		3,950
Selective Industrues, Inc. Anchor Bay Alumni		3,500
Bette Dunlap Carrothers Music		1,000
Ann M. Ruzzin Fine Arts		700
Joseph P. Abell Performing Arts		500
Patti Borke Memorial		<u>1,500</u>

**Total Scholarships** 15,999

**Total Temporarily Restricted net Assets** \$ 36,206

**ANCHOR BAY COMMUNITY FOUNDATION**  
**Schedule of Permanently Restricted Net Assets**  
**December 31, 2017**

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**Permanently Restricted Net Assets**

<b>General Endowment</b>	\$	159,568
<b>Wellness</b>		
Tobacco Settlement		27,678
<b>Library</b>		
Chesterfield Township Library Endowment		21,456
<b>Scholarships</b>		
Joseph P. Abell Performing Arts	\$	15,074
Ann M. Ruzzin Fine Arts		18,485
Frank C. Ruzzin Science/Engineering		18,485
Stuart MacDonald Business/Technology		33,026
Velma MacDonald Continuing Education		26,728
Justin Mello Law Enforcement/Criminal Justice Memorial		59,983
Keith W. Marcola Medical		34,143
Bette Dunlap Carrothers Music		31,134
Wayne & Joan Webber Engineering/Medical		26,625
Steve & Gloria Whittlesey General Business		29,870
Lois & Dick Pierson Building Trades and STEM		30,599
New Baltimore Lions Club General Suites		26,232
New Baltimore Lions Club Greg Bayer General Studies Memorial		8,414
Edward Accivatti Culinary Arts		35,244
The Pierson Family Young Men's Education		27,383
Jimmie & Joyce Foehr Struggles to Strength Women's		<u>26,230</u>
<b>Total Scholarships</b>		<u>447,655</u>
<b>Total Permanently Restricted net Assets</b>	<b>\$</b>	<b><u><u>656,357</u></u></b>