

**Marquette Community Foundation
Audited Financial Statements
December 31, 2008 and 2007**

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Independent Auditor's Report

Board of Trustees
Marquette Community Foundation
Marquette, MI 49855

We have audited the accompanying statements of financial position of the Marquette Community Foundation (a non-profit organization) as of December 31, 2008 and 2007, and the related statements of activities, statement of functional expenses, and cash flows for the years 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 audits 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 audits provide 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 Marquette Community Foundation as of December 31, 2008 and 2007, and the changes in its net assets, statement of functional expenses, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

May 31, 2009

MARQUETTE COMMUNITY FOUNDATION
Statement of Financial Position
December 31, 2008 and 2007

		December 31	
		2008	2007
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		\$ 255,666	\$ 267,697
Investment securities		6,698,039	9,299,049
Cash surrender value of life insurance		226,936	242,365
Pledges receivable- current portion		13,130	17,980
	TOTAL CURRENT ASSETS	7,193,771	9,827,091
NON-CURRENT ASSETS:			
PLEDGES RECEIVABLE, less current portion		2,900	5,500
Furniture and equipment		-	3,903
	TOTAL CURRENT ASSETS	2,900	9,403
	TOTAL ASSETS	\$ 7,196,671	\$ 9,836,494
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable		\$ 1,859	\$ 843
Grants payable		1,500	-
	TOTAL CURRENT LIABILITIES	3,359	843
NET ASSETS:			
Unrestricted		5,517,451	7,470,493
Temporarily restricted net assets		1,675,861	2,365,158
	TOTAL NET ASSETS	7,193,312	9,835,651
	TOTAL LIABILITIES AND NET ASSETS	\$ 7,196,671	\$ 9,836,494

The accompanying notes to financial statements are an integral part of this statement.

MARQUETTE COMMUNITY FOUNDATION
Statement of Cash Flows
For the years ended December 31, 2008 and 2007

	December 31	
	2008	2007
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES:		
Change in net assets	\$ (2,642,339)	\$ 901,042
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in contributions receivable	7,450	12,130
(Increase) decrease in cash surrender value of life insurance	15,429	(37,371)
Investment return (gain) loss	2,998,949	(350,693)
Increase (decrease) in accounts payable	1,016	114
Increase (decrease) in grants payable	1,500	(3,041)
NET CASH PROVIDED BY OPERATING ACTIVITIES	382,005	522,181
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of furniture and equipment	-	(3,903)
Net book value of assets disposals	3,903	-
Proceeds from sale of investments	1,884,104	9,138,462
Purchase of investments	(2,282,043)	(9,765,343)
NET CASH USED BY INVESTING ACTIVITIES	(394,036)	(630,784)
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (12,031)	 (108,603)
Cash and cash equivalents at beginning of year	267,697	376,300
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 255,666	\$ 267,697
NON CASH ACTIVITIES- Donation of marketable securities	\$ 13,083	\$ 39,294

The accompanying notes to financial statements are an integral part of this statement.

MARQUETTE COMMUNITY FOUNDATION
Statement of Functional Expenses
For the years ended December 31, 2008 and 2007

	2008			2007			
	Program	Administrative	Fundraising	Program	Administrative	Fundraising	Total
Grants voted	\$ 286,789	\$ -	\$ -	\$ 216,490	\$ -	\$ -	\$ 216,490
Salaries	33,623	15,579	17,374	29,202	12,457	20,665	62,324
FICA- Employer	2,516	1,134	1,282	2,221	945	1,560	4,726
Unemployment Insurance	2,584	1,166	1,318	-	-	-	-
Employee Health Benefits	1,865	841	951	2,859	1,216	2,007	6,082
Accounting services	-	5,331	-	-	4,722	-	4,722
Legal services	-	919	-	-	75	-	75
Office supplies	-	3,087	-	-	4,041	-	4,041
Telephone	-	2,213	-	-	2,248	-	2,248
Postage and shipping	-	2,643	-	-	2,306	-	2,306
Occupancy	-	6,500	-	-	6,300	-	6,300
Equipment rental and maintenance	-	1,115	-	-	776	-	776
Annual report	-	-	-	-	-	1,500	1,500
Donor newsletter	-	-	2,689	-	-	50	50
Appeals and brochures	-	-	-	-	-	-	-
Travel	-	5,540	-	-	4,375	-	4,375
Meetings and special events	-	2,537	-	-	4,647	-	4,647
Capital outlay	-	4,257	-	-	-	-	-
Dues, fees, and registration	-	6,309	-	-	6,018	-	6,018
Training and classes	-	280	-	-	270	-	270
Insurance	18,000	2,197	-	-	2,250	-	36,250
Investment custodial fees	34,198	-	-	34,000	-	-	26,590
Consulting services	-	1,500	-	26,590	-	-	-
Utilities	-	3	-	-	90	-	90
Miscellaneous expense	-	-	-	-	-	456	456
TOTAL EXPENSES	\$ 379,575	\$ 63,151	\$ 23,614	\$ 311,362	\$ 52,736	\$ 26,238	\$ 390,336

The accompanying notes to financial statements are an integral part of this statement.

MARQUETTE COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES:

The Marquette Community Foundation (Foundation) is a non-profit organization, which seeks to provide a means by which individuals can join together to create an endowment. Through sound management the Foundation will provide sufficient income to support charitable activities within the Marquette area. The Foundation seeks to enhance the quality of life in the greater Marquette area by improving the educational, cultural, recreational, environmental and social welfare resources of the area and developing youth for community leadership.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements for Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report 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.

Substantially all of the Foundation's net assets and related changes in net assets were classified as unrestricted. The various fund agreements of the Foundation include a variance provision and powers of modification, giving the Board of Trustees the power to modify donor-imposed restrictions and conditions on the distribution of funds if, in its sole judgment and discretion, such restrictions or conditions become, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. These provisions make the contributions unrestricted in nature.

Basis of Accounting

The accompanying financial statements have been prepared generally on the accrual basis of accounting. The financial statements are prepared in accordance with the specialized requirements of SFAS No. 116, *Accounting for Contributions Received and Contributions Made*; SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*; and SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, The Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Donated Assets

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

NOTE B – INCOME TAXES:

The Foundation is exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code. It has been classified as an organization other than a private foundation under Section 509 (a) (2).

NOTE C – INVESTMENTS:

The cost market value and unrealized appreciation (depreciation) of investment securities as of December 31, 2008 and 2007 are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
December 31, 2008			
Cash and cash equivalents	\$ 80,758	\$ 80,758	\$ -
Preferred stock	225,000	225,000	-
Mutual funds	3,815,020	2,971,519	(843,501)
Other assets	5,619,627	3,420,762	(2,198,865)
Total Investments	<u>\$ 9,740,405</u>	<u>\$ 6,698,039</u>	<u>\$ (3,042,366)</u>
December 31, 2007			
Cash and cash equivalents	\$55,863	\$55,863	\$ -
Preferred stock	225,000	225,000	-
Mutual funds	3,744,104	3,799,252	55,148
Other assets	5,372,600	5,218,934	(153,666)
Total Investments	<u>\$ 9,397,567</u>	<u>\$ 9,299,049</u>	<u>\$ 98,518</u>

The schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31, 2008 and 2007:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
December 31, 2008			
Income on investments:			
Dividends and interest	\$ 295,421	\$ 88,254	\$ 383,675
Investment Return			
Realized gain (loss) on investments	1	-	1
Unrealized gain (loss) on investments	(2,301,323)	(697,627)	(2,998,950)
Total Investment Return	<u>\$ (2,301,322)</u>	<u>\$ (697,627)</u>	<u>\$ (2,998,949)</u>
December 31, 2007			
Income on investments:			
Dividends and interest	\$ 259,826	\$ 77,899	\$ 337,725
Investment Return			
Realized gain (loss) on investments	\$ 1,815,492	\$ 108,803	\$1,924,295
Unrealized gain (loss) on investments	(1,560,392)	(13,210)	(1,573,602)
Total Investment Return	<u>\$ 255,100</u>	<u>\$ 95,593</u>	<u>\$ 350,693</u>

NOTE D – PLEDGES RECEIVABLE:

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. No provision has been made for uncollectible unconditional promises receivable because in management's judgment, all material amounts will be collected. Unconditional promises to give consist of unrestricted promises due in:

NOTE D – PLEDGES RECEIVABLE (Continued):

2009	\$13,130
2010	2,600
2011-2013	300
	<u>\$ 16,030</u>

NOTE E – CASH SURRENDER VALUE LIFE INSURANCE:

The Foundation is the beneficiary for a number of life insurance policies that have been donated to them. The total cash surrender value as of December 31, 2008 is \$226,936 and is recorded as an asset.

One of these policies was donated during 1998 to establish a scholarship fund and has a face value of \$1,000,000. When the premium payments plus the investment value in the contract cause the cash value of the policy to exceed \$1,050,000, the Foundation may consider the Fund mature and initiate the distribution of scholarships. Otherwise, the fund will be considered matured within twenty months of the donor's death.

NOTE F – RESTRICTED NET ASSETS:

Temporarily restricted net assets as of December 31, 2008 and 2007 consist of the following:

	<u>2008</u>	<u>2007</u>
Purpose Restrictions:		
Team Up	\$ -	\$ 7,547
Livable Community Partners for Marquette	638	
Huron Mountain Club	26,767	
Excellence in Education – Impact Services	-	796
Time Restriction – Excellence in Education Endowment	1,648,456	2,356,815
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 1,675,861</u>	<u>\$ 2,365,158</u>

NOTE G – LEASE:

The Foundation was committed under certain operating leases for office space during the year. The current office lease calls for payments of \$500 on a month-to-month basis plus additional miscellaneous items. Total lease rentals amounted to \$6,500 in 2008 and \$6,000 in 2007.

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 the program and supporting services benefited.

NOTE I – DONATED EQUIPMENT AND SERVICES:

A number of unpaid volunteers have made significant contributions of their time to develop the Foundation's programs. The value of this contributed time is not reflected in these statements, since it is not susceptible to objective measurement of valuation. Also, such services would not have been procured if not provided by donation.

Various donors have donated a significant amount of office furniture and equipment to the Foundation. The values of these donations have not been reflected in these statements, since they

are not susceptible to objective measure of valuation as of the date of donation.

NOTE J – CONCENTRATION OF RISK:

At year end, the carrying amount of cash was \$255,666 and the bank balance was \$265,194. Of the bank balance, \$265,194 was fully covered by the Federal Deposit Insurance Company (FDIC). The remaining bank balance of \$0 was uninsured.