

**Marquette Community Foundation  
Audited Financial Statements  
December 31, 2006 and 2005**

## Table of Contents

|  |    |
|--|----|
| Independent Auditor's Report .....     | 3  |
| Statement of Financial Position .....  | 4  |
| Statement of Activities.....           | 5  |
| Statement of Cash Flows .....          | 6  |
| Statement of Functional Expenses ..... | 7  |
| Notes to Financial Statements .....    | 8  |
| Report to Management Letter .....      | 12 |



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, 2006 and 2005 and the related statements of activities, 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 audits.

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, 2006 and 2005 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

June 8, 2007

**MARQUETTE COMMUNITY FOUNDATION**  
**Statement of Financial Position**  
**December 31, 2006 and 2005**

|  | <b>December 31</b> |              |
|--|--------------------|--------------|
|  | <b>2006</b>        | <b>2005</b>  |
| <b>ASSETS</b>                            |                    |              |
| <b>CURRENT ASSETS:</b>                   |                    |              |
| Cash and cash equivalents                | \$ 376,300         | \$ 321,682   |
| Investment securities                    | 8,321,475          | 7,134,580    |
| Cash surrender value of life insurance   | 204,994            | 173,834      |
| Pledges receivable- current portion      | 12,360             | 21,272       |
| Prepaid Expense                          | -                  | -            |
| <b>TOTAL CURRENT ASSETS</b>              | 8,915,129          | 7,651,368    |
| PLEDGES RECEIVABLE, less current portion | 23,250             | 45,325       |
| <b>TOTAL ASSETS</b>                      | \$ 8,938,379       | \$ 7,696,693 |
| <b>LIABILITIES AND NET ASSETS</b>        |                    |              |
| <b>CURRENT LIABILITIES:</b>              |                    |              |
| Accounts payable                         | \$ 729             | \$ 2,792     |
| Grants payable                           | 3,041              | 9,083        |
| <b>TOTAL CURRENT LIABILITIES</b>         | 3,770              | 11,875       |
| <b>NET ASSETS:</b>                       |                    |              |
| Unrestricted                             | 6,716,291          | 5,697,975    |
| Temporarily restricted net assets        | 2,218,318          | 1,986,843    |
| <b>TOTAL NET ASSETS</b>                  | 8,934,609          | 7,684,818    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>  | \$ 8,938,379       | \$ 7,696,693 |

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

**MARQUETTE COMMUNITY FOUNDATION**  
**Statement of Activities**  
For the years ended December 31, 2006 and 2005

|                                       | December 31         |                        |                     |
|---------------------------------------|---------------------|------------------------|---------------------|
|                                       | 2006                |                        | 2005                |
|                                       | Unrestricted        | Temporarily Restricted | Total               |
| <b>CHANGES IN NET ASSETS:</b>         |                     |                        |                     |
| Revenues and support:                 |                     |                        |                     |
| Contributions                         | \$ 503,255          | \$ 42,358              | \$ 545,613          |
| Grants                                | -                   | -                      | -                   |
| Income on investments                 | 299,133             | 100,243                | 399,376             |
| Realized gain (loss) on investments   | (82)                | (10)                   | (92)                |
| Unrealized gain on investments        | 434,404             | 158,367                | 592,771             |
| Other revenue                         | 31,159              | -                      | 31,159              |
| Net assets released from restrictions | 69,483              | (69,483)               | -                   |
|                                       | <u>1,337,352</u>    | <u>231,475</u>         | <u>1,568,827</u>    |
| TOTAL REVENUES AND SUPPORT            |                     | 184,867                | 944,742             |
| <b>EXPENSES:</b>                      |                     |                        |                     |
| Program services                      | 219,600             | -                      | 219,600             |
| Administration                        | 84,702              | -                      | 84,702              |
| Fundraising                           | 14,734              | -                      | 14,734              |
|                                       | <u>319,036</u>      | <u>-</u>               | <u>319,036</u>      |
| <b>TOTAL EXPENSES</b>                 |                     | 303,127                | 303,127             |
| INCREASE (DECREASE) IN NET ASSETS     | 1,018,316           | 231,475                | 1,249,791           |
| Net assets beginning of year          | <u>5,697,975</u>    | <u>1,986,843</u>       | <u>7,684,818</u>    |
| <b>NET ASSETS END OF YEAR</b>         | <u>\$ 6,716,291</u> | <u>\$ 2,218,318</u>    | <u>\$ 8,934,609</u> |
|                                       | 5,697,975           | 1,801,976              | 7,043,203           |
|                                       | 456,748             | 184,867                | 641,615             |
|                                       | 334,243             | 61,643                 | 395,886             |
|                                       | 237,829             | 78,614                 | 316,443             |
|                                       | 63,032              | 22,785                 | 85,817              |
|                                       | 79,613              | 28,778                 | 108,391             |
|                                       | 38,205              | -                      | 38,205              |
|                                       | 6,953               | (6,953)                | -                   |
|                                       | <u>759,875</u>      | <u>184,867</u>         | <u>944,742</u>      |
|                                       | 217,619             | -                      | 217,619             |
|                                       | 61,337              | -                      | 61,337              |
|                                       | 24,171              | -                      | 24,171              |
|                                       | <u>303,127</u>      | <u>-</u>               | <u>303,127</u>      |
|                                       | 5,697,975           | 1,801,976              | 7,043,203           |
|                                       | 456,748             | 184,867                | 641,615             |
|                                       | 334,243             | 61,643                 | 395,886             |
|                                       | 237,829             | 78,614                 | 316,443             |
|                                       | 63,032              | 22,785                 | 85,817              |
|                                       | 79,613              | 28,778                 | 108,391             |
|                                       | 38,205              | -                      | 38,205              |
|                                       | 6,953               | (6,953)                | -                   |
|                                       | <u>759,875</u>      | <u>184,867</u>         | <u>944,742</u>      |
|                                       | 219,600             | -                      | 219,600             |
|                                       | 84,702              | -                      | 84,702              |
|                                       | 14,734              | -                      | 14,734              |
|                                       | <u>319,036</u>      | <u>-</u>               | <u>319,036</u>      |
| <b>TOTAL EXPENSES</b>                 |                     | 303,127                | 303,127             |
| INCREASE (DECREASE) IN NET ASSETS     | 1,018,316           | 231,475                | 1,249,791           |
| Net assets beginning of year          | <u>5,697,975</u>    | <u>1,986,843</u>       | <u>7,684,818</u>    |
| <b>NET ASSETS END OF YEAR</b>         | <u>\$ 6,716,291</u> | <u>\$ 2,218,318</u>    | <u>\$ 8,934,609</u> |
|                                       | 5,697,975           | 1,801,976              | 7,043,203           |
|                                       | 456,748             | 184,867                | 641,615             |
|                                       | 334,243             | 61,643                 | 395,886             |
|                                       | 237,829             | 78,614                 | 316,443             |
|                                       | 63,032              | 22,785                 | 85,817              |
|                                       | 79,613              | 28,778                 | 108,391             |
|                                       | 38,205              | -                      | 38,205              |
|                                       | 6,953               | (6,953)                | -                   |
|                                       | <u>759,875</u>      | <u>184,867</u>         | <u>944,742</u>      |
|                                       | 219,600             | -                      | 219,600             |
|                                       | 84,702              | -                      | 84,702              |
|                                       | 14,734              | -                      | 14,734              |
|                                       | <u>319,036</u>      | <u>-</u>               | <u>319,036</u>      |
| <b>TOTAL EXPENSES</b>                 |                     | 303,127                | 303,127             |
| INCREASE (DECREASE) IN NET ASSETS     | 1,018,316           | 231,475                | 1,249,791           |
| Net assets beginning of year          | <u>5,697,975</u>    | <u>1,986,843</u>       | <u>7,684,818</u>    |
| <b>NET ASSETS END OF YEAR</b>         | <u>\$ 6,716,291</u> | <u>\$ 2,218,318</u>    | <u>\$ 8,934,609</u> |

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, 2006 and 2005**

|   | <b>December 31</b> |                   |
|---|--------------------|-------------------|
|   | <b>2006</b>        | <b>2005</b>       |
| <b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES:</b>                                  |                    |                   |
| Change in net assets  | \$ 1,249,791       | \$ 641,615        |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                    |                   |
| (Increase) decrease in contributions receivable   | 30,987             | 24,817            |
| (Increase) decrease in cash surrender value of life insurance                               | (31,160)           | (34,705)          |
| Unrealized (gain) losses on investments   | (592,771)          | (108,391)         |
| Realized (gain) losses on investments   | 92                 | (85,817)          |
| Increase (decrease) in accounts payable   | (2,062)            | 1,858             |
| Increase (decrease) in grants payable   | (6,042)            | (2,017)           |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>  | <b>648,835</b>     | <b>437,360</b>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                    |                   |
| Proceeds from sale of investments   | 41,620             | 804,664           |
| Purchase of investments   | (635,837)          | (1,249,140)       |
| <b>NET CASH USED BY INVESTING ACTIVITIES</b>  | <b>(594,217)</b>   | <b>(444,476)</b>  |
| <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                     | 54,618             | (7,116)           |
| Cash and cash equivalents at beginning of year  | 321,682            | 328,798           |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>   | <b>\$ 376,300</b>  | <b>\$ 321,682</b> |
| <b>NON CASH ACTIVITIES- Donation of marketable securities</b>                               | <b>\$ 35,417</b>   | <b>\$ 21,800</b>  |

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, 2006 and 2005**

|                                  | 2006              |                  |                  | 2005              |                  |                  |                   |
|----------------------------------|-------------------|------------------|------------------|-------------------|------------------|------------------|-------------------|
|                                  | Program           | Administrative   | Fundraising      | Program           | Administrative   | Fundraising      | Total             |
| Grants voted                     | \$ 155,831        | \$ -             | \$ -             | \$ 132,408        | \$ -             | \$ -             | \$ 132,408        |
| Salaries                         | 7,087             | 41,280           | 11,616           | 20,372            | 20,373           | 20,373           | 61,118            |
| FICA- Employer                   | 557               | 3,200            | 881              | 1,537             | 1,538            | 1,538            | 4,613             |
| Employee Health Benefits         | 719               | 4,137            | 1,139            | 612               | 613              | 613              | 1,838             |
| Accounting services              | -                 | 4,885            | -                | -                 | 4,825            | -                | 4,825             |
| Legal services                   | -                 | -                | -                | -                 | 75               | -                | 75                |
| Office supplies                  | -                 | 3,310            | -                | -                 | 4,804            | -                | 4,804             |
| Telephone                        | -                 | 2,099            | -                | -                 | 3,195            | -                | 3,195             |
| Postage and shipping             | -                 | 1,589            | -                | -                 | 1,850            | -                | 1,850             |
| Occupancy                        | -                 | 6,121            | -                | -                 | 6,947            | -                | 6,947             |
| Equipment rental and maintenance | -                 | 578              | -                | -                 | 225              | -                | 225               |
| Annual report                    | -                 | -                | 1,000            | -                 | -                | 1,647            | 1,647             |
| Donor newsletter                 | -                 | -                | 98               | -                 | -                | -                | -                 |
| Appeals and brochures            | -                 | 402              | -                | -                 | 576              | -                | 576               |
| Travel                           | -                 | 3,025            | -                | -                 | 1,374            | -                | 1,374             |
| Meetings and special events      | -                 | 1,985            | -                | -                 | 1,296            | -                | 1,296             |
| Capital outlay                   | -                 | 1,272            | -                | -                 | 1,765            | -                | 1,765             |
| Dues, fees, and registration     | -                 | 6,249            | -                | -                 | 4,974            | -                | 4,974             |
| Training and classes             | -                 | 1,625            | -                | -                 | -                | -                | -                 |
| Insurance                        | 34,800            | 2,412            | -                | 20,000            | 2,638            | -                | 22,638            |
| Investment custodial fees        | 20,606            | -                | -                | 25,761            | 1,230            | -                | 26,991            |
| Consulting services              | -                 | -                | -                | -                 | 1,978            | -                | 1,978             |
| Utilities                        | -                 | 216              | -                | -                 | 1,061            | -                | 1,061             |
| Miscellaneous expense            | -                 | 317              | -                | 16,929            | -                | -                | 16,929            |
| <b>TOTAL EXPENSES</b>            | <b>\$ 219,600</b> | <b>\$ 84,702</b> | <b>\$ 14,734</b> | <b>\$ 217,619</b> | <b>\$ 61,337</b> | <b>\$ 24,171</b> | <b>\$ 303,127</b> |

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

MARQUETTE COMMUNITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2006

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.

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES  
(Continued):

**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, 2006 and 2005 are as follows:

|                           | Cost               | Fair Value         | Unrealized<br>Appreciation<br>(Depreciation) |
|---------------------------|--------------------|--------------------|--|
| <b>December 31, 2006</b>  |                    |                    |  |
| Cash and cash equivalents | \$ -               | \$ -               | \$ -   |
| Preferred stock           | 225,000            | 225,000            | -  |
| Mutual Funds              | 6,617,700          | 8,096,475          | 1,478,775                                    |
| TOTAL INVESTMENTS         | <u>\$6,842,700</u> | <u>\$8,321,475</u> | <u>\$1,478,775</u>                           |
| <b>December 31, 2005:</b> |                    |                    |  |
| Cash and cash equivalents | \$ -               | \$ -               | \$ -   |
| Preferred stock           | 225,000            | 225,000            | -  |
| Mutual Funds              | 6,025,226          | 6,909,580          | 884,354                                      |
| TOTAL INVESTMENTS         | <u>\$6,250,226</u> | <u>\$7,134,580</u> | <u>\$884,354</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:

|      |                 |
|------|-----------------|
| 2007 | \$12,360        |
| 2008 | 11,630          |
| 2009 | 3,000           |
| 2010 | 8,620           |
|      | <u>\$35,610</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, 2006 is \$204,994 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, 2006 and 2005 consist of the following:

|  | <u>2006</u>        | <u>2005</u>        |
|--|--------------------|--------------------|
| Purpose Restrictions:                                |                    |                    |
| Team Up  | \$9,547            | \$11,547           |
| Excellence in Education – Impact Services            | 992                | 1,395              |
| Time Restriction – Excellence in Education Endowment | <u>2,207,779</u>   | <u>1,973,901</u>   |
| TOTAL TEMPORARILY RESTRICTED NET ASSETS              | <u>\$2,218,318</u> | <u>\$1,986,843</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. Total lease rentals amounted to \$6,121 in 2006 and \$6,947 in 2005.

#### 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.

NOTE I – DONATED EQUIPMENT AND SERVICES (Continued):

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 \$376,300 and the bank balance was \$303,686. Of the bank balance, \$132,365 was fully covered by the Federal Deposit Insurance Company (FDIC). The remaining bank balance of \$171,321 was uninsured.



Board of Trustees  
P.O. Box 37  
Marquette, MI 49855

In planning and performing our audit of the financial statements of Marquette Community Foundation as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered Marquette Community Foundation's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal controls.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

### Organization Size and Segregation of Duties

The size of the Organization's accounting and administrative staff precludes certain internal design controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. Smaller companies, due to limited resources, are generally more sensitive to the cost of implementing these design controls and often have compensating controls to partially mitigate this deficiency. These controls can take on the form of reviewing major account reconciliations, involvement in certain cycles of operation, and financial oversight of the Organization's financial affairs.

Board of Trustees  
Marquette Community Foundation  
Marquette, MI 49855

### **Board Approval Function**

Due to the size of the Organization, Board involvement is essential to preventing and detecting fraud and errors in the financial statements as well as keeping the Board informed as to what has occurred throughout the course of the year. During the year the Board approves cumulative gifts of \$5,000 or greater; however, inconsistency in performing this task was found during the course of the audit. Reports of individuals and/or organizations that have cumulatively contributed gifts of \$5,000 or greater during the calendar year should be presented for Board approval.

Board minutes for the September 21, 2006 Board meeting lacked documentation of the approval by the Board to lower the administrative fee to 1.250% for fund assets up to \$499,999, 1.125% for fund assets from \$500,000 to \$999,999 and 1.000% for fund assets over \$1 million. Exceptions to the application of administrative fees to the individual funds, including fees manually calculated and no administrative fees, should also be reviewed and approved by the Board.

Pledges by individuals and organizations that are deemed uncollectible are written off during the year without prior approval by the Board. The Board should review and approve any pledges that are deemed uncollectible before the process of writing them off has occurred.

This communication is intended solely for the information and use of management, the Board of Trustees, others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson Tackman & Company, PLLC*  
Certified Public Accountants

June 8, 2007