

**NORTH CENTRAL MICHIGAN COLLEGE FOUNDATION
FINANCIAL STATEMENTS
June 30, 2016 and 2015**

**NORTH CENTRAL MICHIGAN COLLEGE FOUNDATION
FINANCIAL STATEMENTS
Years Ended June 30, 2016 and 2015**

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October 12, 2016

Independent Auditors' Report

Board of Directors
North Central Michigan College Foundation
Petoskey, Michigan

We have audited the accompanying financial statements of North Central Michigan College Foundation (a nonprofit organization) which comprise the statement of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years 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 these 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.

Auditor's Responsibility

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 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 North Central Michigan College Foundation as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of changes in endowed scholarships payable for the year ended June 30, 2016, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hill, Schroeder & Co.

CERTIFIED PUBLIC ACCOUNTANTS
Petoskey, Michigan

NORTH CENTRAL MICHIGAN COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

<u>Assets</u>	2016	2015
Cash and cash equivalents	\$ 115,483	\$ 418,842
Investments, at fair value (Note 3)	7,029,222	6,860,823
Accounts receivable	3,950	5,400
Pledges receivable	-	700
Total assets	\$ 7,148,655	\$ 7,285,765
<u>Liability and Net Assets</u>		
Liability:		
Endowed scholarships payable (Note 4)	\$ 4,018,274	\$ 3,976,610
Net assets:		
Unrestricted:		
Undesignated	2,706,545	2,812,337
Restricted:		
Temporarily (Note 5)	303,836	396,818
Permanently (Note 6)	120,000	100,000
Total net assets	3,130,381	3,309,155
Total liability and net assets	\$ 7,148,655	\$ 7,285,765

The accompanying notes are an integral
part of the financial statements.

NORTH CENTRAL MICHIGAN COLLEGE FOUNDATION
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2016 and 2015

	2016			2015				
	Unrestricted	Restricted		Total	Unrestricted	Restricted		Total
		Temporarily	Permanently			Temporarily	Permanently	
Support and revenue:								
Contributions	\$ 197,226	\$ 93,541	\$ 20,000	\$ 310,767	\$ 334,575	\$ 99,505	\$ -	\$ 434,080
Special events (Note 9)	12,116	28,930	-	41,046	15,912	31,711	-	47,623
Interest and dividends	76,600	3,101	-	79,701	57,700	9,755	-	67,455
Net gains (losses) on investments	(108,948)	(4,410)	-	(113,358)	(58,407)	(9,874)	-	(68,281)
Net assets released from restrictions	214,144	(214,144)	-	-	146,818	(146,818)	-	-
Total support and revenue	391,138	(92,982)	20,000	318,156	496,598	(15,721)	-	480,877
Expenses:								
Grants	264,158	-	-	264,158	182,345	-	-	182,345
General and administrative	119,611	-	-	119,611	134,757	-	-	134,757
Special events	12,116	-	-	12,116	15,912	-	-	15,912
Fundraising	101,045	-	-	101,045	105,625	-	-	105,625
Total expenses	496,930	-	-	496,930	438,639	-	-	438,639
Increase (decrease) in net assets	(105,792)	(92,982)	20,000	(178,774)	57,959	(15,721)	-	42,238
Net assets at beginning of year	2,812,337	396,818	100,000	3,309,155	2,754,378	412,539	100,000	3,266,917
Net assets at end of year	<u>\$ 2,706,545</u>	<u>\$ 303,836</u>	<u>\$ 120,000</u>	<u>\$ 3,130,381</u>	<u>\$ 2,812,337</u>	<u>\$ 396,818</u>	<u>\$ 100,000</u>	<u>\$ 3,309,155</u>

The accompanying notes are an integral part of the financial statements.

NORTH CENTRAL MICHIGAN COLLEGE FOUNDATION
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Cash received from contributors	\$ 241,178	\$ 384,039
Interest and dividends received	79,701	67,455
Net change in cash held for endowed scholarships	(213,040)	82,291
Cash transferred to College/ endowed scholarships	(101,198)	(126,500)
Cash paid to College for grants and other expenses	(295,730)	(162,192)
Cash paid to other suppliers for grants and other expenses	(7,217)	(19,746)
	<u>(296,306)</u>	<u>225,347</u>
Net cash provided (used) by operating activities		
Cash flows from investing activities:		
Purchase of investment securities	(451,306)	(2,216,072)
Proceeds from redemption of investments	424,253	796,893
	<u>(27,053)</u>	<u>(1,419,179)</u>
Net cash used by investing activities		
Cash flows from financing activities:		
Collection of contributions for Outreach endowment	20,000	-
	<u>20,000</u>	<u>-</u>
Net decrease in cash	(303,359)	(1,193,832)
Cash at beginning of year	418,842	1,612,674
Cash at end of year	<u>\$ 115,483</u>	<u>\$ 418,842</u>
Reconciliation of changes in net assets to net cash provided by operating activities:		
Increase (decrease) in net assets	\$ (178,774)	\$ 42,238
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net unrealized losses (gains) on investments	22,198	52,056
Net realized losses (gains) on investments	91,160	16,225
Decrease in accounts receivable	1,450	350
Decrease in due from College	-	1,028
Decrease in pledges receivable	700	31,759
Decrease in accounts payable	-	(600)
Net change in cash held for endowed scholarships	(213,040)	82,291
Contributions restricted for Outreach endowment	(20,000)	-
	<u>(296,306)</u>	<u>225,347</u>
Net cash provided (used) by operating activities	<u>\$ (296,306)</u>	<u>\$ 225,347</u>

The accompanying notes are an integral part of the financial statements.

NORTH CENTRAL MICHIGAN COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

North Central Michigan College Foundation is a Michigan nonprofit Corporation organized on a nonstock membership basis. North Central Michigan College is the only member of this Corporation. The purpose of the Foundation is to provide support for the objectives and purposes of North Central Michigan College.

Basis of Presentation: The financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets: Net assets required by donor-imposed stipulations to be maintained in perpetuity.

Contributions: Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Collections: The Foundation has not adopted a policy of capitalizing collections. Consequently, contributed collections are not reflected on the financial statements. The Foundation did participate in receipt of donations of several sculptures to the College in the past.

Investments: Investments are composed of mutual funds invested in debt and equity securities, U.S. Treasury Notes and other bonds and notes and are carried at fair value.

Federal Income Taxes: North Central Michigan College Foundation is exempt from federal income taxes under code section 501(c)(3). The organization is not classified as a private foundation. No provision for income taxes has been provided in these financial statements.

Cash Equivalents: For purposes of the statement of cash flows, the Foundation considers all cash, certificates of deposit and money market investments to be cash equivalents. \$104,213 of the \$115,483 cash balance was held in money market mutual funds at June 30, 2016 and \$144,634 of the \$418,842 cash balance was held in money market mutual funds at June 30, 2015.

Interest and Dividends: Interest and dividends are reported net of investment advisor fees of \$21,216 and \$20,730 for the years ended June 30, 2016 and 2015, respectively.

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fair Value of Financial Instruments: Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The Foundation's significant financial instruments are cash, accounts receivable, marketable equity securities, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

Generally, for all securities, loans, hybrid financial instruments, private equity investments, and long-term debt, fair value is determined by reference to quoted market prices and other relevant information generated by market transactions. When the fair value of assets and liabilities cannot be determined in this matter, fair value is estimated using the present value of expected cash flows.

NOTE 2: PRIOR PERIOD ADJUSTMENT

The Statement of Activities for the year ended June 30, 2015 have been restated to recognize contributed personnel services received from the College and other Foundation expenses paid by the College and not reimbursed in the amount of \$122,643. This adjustment does not affect either the beginning or ending net assets. This restatement is required according to recently issued FASB Accounting Standards Update No. 2013-06.

NOTE 3: INVESTMENTS

Investments are stated at fair value based on quoted prices in active markets (all Level 1 measurements), and are summarized as follows as of June 30:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
U.S. Treasury Notes	\$ -	\$ -	\$ -	\$ -
Other bonds and notes	337,007	323,802	338,799	329,142
Marketable debt funds	2,328,521	2,378,902	2,349,241	2,347,509
Marketable equity funds	3,689,108	3,866,473	2,906,042	3,742,790
Commodities fund	47,606	49,406	-	-
Marketable real estate investments	123,381	167,403	129,445	137,152
Marketable alternative strategies	260,283	243,236	308,215	304,230
	<u>\$ 6,785,906</u>	<u>\$ 7,029,222</u>	<u>\$ 6,031,742</u>	<u>\$ 6,860,823</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 4: ENDOWED SCHOLARSHIPS PAYABLE

The Foundation has adopted Statement of Financial Accounting Standard No. 136, Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others. This standard requires that a liability be established to a beneficiary by the Foundation when a donor transfers assets to the Foundation that (a) uses the assets on behalf of or (b) transfers those assets, the return on investment of those assets, or both to a beneficiary named by the donor.

The Endowed Scholarship accounts transferred to the Foundation by the College were for investment purposes. The Foundation is to invest these moneys on behalf of the College and remit the greater of 80% of the current year's investment earnings or 5% of the fiscal years beginning Scholarship accounts balance back to the College on an annual basis. During the years ended June 30, 2016 and 2015, the Foundation remitted 5% of the fiscal year's beginning Scholarship accounts balance.

The overall investment objective of the fund will be to maximize growth while generating sufficient income and maintaining adequate cash reserves to meet stated distribution requirements. Risk of loss will be minimized and controlled by creating a high quality, well diversified portfolio and by utilizing a balanced asset mix allocation. The objective of growth when balanced with income requirements and risk parameters will create a portfolio which will experience moderate volatility.

The financial effects of transactions related to these endowed scholarship funds are recorded as changes in the endowed scholarship payable account and are not included in the statements of activities. The changes in that liability are summarized as follows:

	2016	2015
Additions:		
Contributions	\$ 120,798	\$ 217,340
Investment Income	54,150	62,808
Net unrealized and realized gains (losses)	65,545	46,397
Total additions	240,493	326,545
Deductions:		
Distributions to College	198,829	192,115
Change in balance	41,664	134,430
Balance endowed scholarships payable beginning of year	3,976,610	3,842,180
Balance endowed scholarships payable end of year	\$4,018,274	\$3,976,610

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 5: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of June 30:

	2016	2015
Program activities:		
Scholarships	\$ 123,073	\$ 229,416
Nursing Department	31,694	27,269
Student Emergency Fund	46,472	46,828
Early Childhood Education	30,866	39,809
Miscellaneous	71,731	53,496
Total temporarily restricted net assets	\$ 303,836	\$ 396,818

Net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by donors as follows during the years ended June 30:

	2016	2015
Purpose restriction accomplished:		
Scholarships	\$ 180,042	\$ 138,217
Miscellaneous	34,102	8,601
Total	\$ 214,144	\$ 146,818

NOTE 6: PERMANENTLY RESTRICTED NET ASSETS

A contribution of \$100,000 was received from the Jack Harris Trust during the fiscal year ended June 30, 2014. The contribution was to establish an endowment fund for the perpetual care of the Jack Harris Gardens. During the fiscal year ended June 30, 2016, contributions in the amount of \$20,000 were received to establish the Postle Community Outreach Fund. The earnings from these endowment funds are restricted for outreach programs.

NOTE 7: DONATED SERVICES

The Foundation receives a significant amount of donated services from unpaid volunteers who assist in fund-raising and special projects. No amounts have been recognized in the statement of activities because the criteria for recognition under SFAS No. 116 have not been satisfied.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 8: RELATED PARTY ACTIVITY

The Foundation paid the College during the years ended June 30:

	2016	2015
Purpose:		
Personnel services	\$ 125,491	\$ 108,929
Transferred to endowed scholarships	101,198	126,500
Other grants, etc.	170,239	53,263
Total	\$ 396,928	\$ 288,692

The College also provided the following services without reimbursement as in-kind contributions to the Foundation. These amounts have been reflected in both the Foundations expenses and unrestricted contribution revenue.

	2016	2015
Purpose:		
Personnel services	\$ 51,323	\$ 80,672
Other including accounting, rent printing, postage, etc.	39,812	41,971
	\$ 91,135	\$ 122,643

NOTE 9: SPECIAL EVENTS

Special events revenue and expense consisted of the following for the years ended June 30:

	2016			2015		
	Cookout	Scramble for Scholarships	Total	Cookout	Scramble for Scholarships	Total
Revenue	\$ 17,874	\$ 23,172	\$ 41,046	\$ 19,048	\$ 28,575	\$ 47,623
Expense	5,537	6,579	12,116	6,970	8,942	15,912
Net	\$ 12,337	\$ 16,593	\$ 28,930	\$ 12,078	\$ 19,633	\$ 31,711

The net revenue from the cookout and golf scramble is restricted for scholarships.

NOTE 10: EVALUATION OF SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through October 12, 2016 which the financial statements were available to be issued.

OTHER SUPPLEMENTAL INFORMATION

NORTH CENTRAL MICHIGAN COLLEGE FOUNDATION
SCHEDULE OF CHANGES IN ENDOWED SCHOLARSHIPS PAYABLE
Year Ended June 30, 2016

Fund name:	Balance July 1, 2015	Additional Contributions	Interest and Dividend Income	Net Gains (Losses) on Investments	Allocation to College	Balance June 30, 2016
Annual Cookout	\$ 163,263	\$ 13,000	\$ 2,277	\$ 2,756	(8,163)	\$ 173,133
Annual Golf Outing	298,412	20,000	4,137	5,007	(14,921)	312,635
Arnott, Edward Memorial/ Petoskey Lions Club/ PHS Latin Club	12,702	-	170	206	(635)	12,443
Behling, Meriam "Mims"	12,058	-	162	196	(603)	11,813
Billiau, Bertha Piehl/ Bi-Centennial, 1976/ Justin & Aaron Gillies	13,051	-	175	212	(653)	12,785
Blanz	109,969	-	1,475	1,785	(5,498)	107,731
Bodzick, Barbara J. Nursing/ William Connaughton	9,560	-	128	155	(478)	9,365
Burns Clinic - Dean C. Burns	20,144	-	270	327	(1,007)	19,734
Burns Clinic Medical Center, P.C., Retired Physician	22,469	-	301	365	(1,123)	22,012
Burns Foundation Nursing	13,428	-	180	218	(671)	13,155
Martha Curtis Memorial	1,197,892	-	16,068	19,449	(59,895)	1,173,514
Curtis, Richard	453,141	-	6,078	7,357	(22,657)	443,919
Dawson, Aron Memorial	31,254	150	420	509	(1,563)	30,770
Dilworth, James L. Memorial/ NCMC Engineering Technology	12,766	-	171	207	(638)	12,506
Festerling, K C./ NCMC Trustees Memorial	12,641	-	170	205	(632)	12,384
Hammontree, Deborah L. Memorial/ NCMC Naples /Charlene Bellmer Hartsough Memoria	9,712	-	130	158	(486)	9,514
Harris, Jack & Dorothy Memorial	350,628	500	4,706	5,697	(17,531)	344,000
George and Betty Hartman	10,415	500	143	173	(521)	10,710
Herlocher, Dr. M. Louise	11,823	200	160	194	(591)	11,786
Hodulik Scholarship	25,771	2,150	360	436	(1,289)	27,428
Dr. James S. Keith, Jr., M.D. Nursing Scholarship Fund	27,926	2,500	391	474	(1,396)	29,895
Kiwanis Club of Petoskey	9,919	-	133	161	(496)	9,717
Alford LaCount Memorial Scholarship	244,419	-	3,279	3,968	(12,221)	239,445
Lampert, Bertha Memorial	13,852	-	186	225	(693)	13,570
Lites, Mary & George Memorial	41,279	-	554	670	(2,064)	40,439
McCune, Charles Allan Memorial	34,915	-	468	567	(1,746)	34,204
McEnroe, John E/ John E. McEnroe Nursing	16,243	500	221	268	(812)	16,420
Moll-Boyne Scholarship	14,604	-	196	237	(730)	14,307
NCMC Memorial/ Dorothy Sergent Memorial	15,788	-	212	256	(789)	15,467
Newmann Scholarship	163,202	10,000	2,256	2,731	(8,160)	170,029
Northern Michigan Medical Society	8,124	-	109	132	(406)	7,959
Nursing Alumni	16,759	-	225	272	(838)	16,418
Offield Family Foundation	178,687	-	2,397	2,901	(8,934)	175,051
Petoskey News Review-Kirk Schaller-Jim Doherty	24,798	-	333	403	(1,240)	24,294
Pyjar, Lewis "Louie"	26,925	-	361	437	(1,346)	26,377
Schweigert, Thomas F. Memorial	10,146	-	136	165	(507)	9,940
Shankland, A. D. Memorial	2,895	-	39	47	(145)	2,836
Sharkey, Vivian & Reginald Memorial	28,549	-	383	464	(1,427)	27,969
Spitler, H. Carl Memorial	33,451	2,000	462	559	(1,673)	34,799
Thompson, Merle & Blanche Memorial	31,284	-	420	508	(1,564)	30,648
Dorothea and Robert Vatanina Memorial Scholarship	19,503	-	262	317	(975)	19,107
Walstrom-Bolline, Roma F.	95,407	-	1,280	1,549	(4,770)	93,466
Winnell Memorial Scholarship	11,657	-	156	189	(583)	11,419
Verhelle Memorial	12,672	707	175	211	(634)	13,131
Hanna Memorial	70,967	19,694	1,084	1,312	(3,548)	89,509
Linda Beier Nursing	31,540	1,050	430	521	(1,577)	31,964
Jack Waldvogel Memorial	-	14,817	99	120	-	15,036
Gordon Fearon Memorial	-	13,030	87	106	-	13,223
Marcia and Richard Ames	-	20,000	135	163	-	20,298
	<u>\$ 3,976,610</u>	<u>\$ 120,798</u>	<u>\$ 54,150</u>	<u>\$ 65,545</u>	<u>\$ (198,829)</u>	<u>\$ 4,018,274</u>