

**NORTH CENTRAL MICHIGAN COLLEGE FOUNDATION
FINANCIAL STATEMENTS
June 30, 2017 and 2016**

**NORTH CENTRAL MICHIGAN COLLEGE FOUNDATION
FINANCIAL STATEMENTS
Years Ended June 30, 2017 and 2016**

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September 14, 2017

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, 2017 and 2016, 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, 2017 and 2016, 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, 2017, 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, 2017 and 2016

Assets

	2017	2016
Cash and cash equivalents	\$ 357,174	\$ 115,483
Investments, at fair value (Note 2)	7,636,292	7,029,222
Accounts receivable	1,850	3,950
Due from College	8,851	-
Bequest receivable (Note 3)	279,714	-
Pledges receivable (Note 4)	230,430	-
	\$ 8,514,311	\$ 7,148,655

Liability and Net Assets

Liabilities:		
Accounts payable	\$ 390	\$ -
Endowed scholarships payable (Note 5)	4,294,150	4,018,274
	4,294,540	4,018,274
Net assets:		
Unrestricted:		
Undesignated	2,945,287	2,706,545
Restricted:		
Temporarily (Note 6)	1,144,484	303,836
Permanently (Note 7)	130,000	120,000
	4,219,771	3,130,381
Total net assets	4,219,771	3,130,381
Total liability and net assets	\$ 8,514,311	\$ 7,148,655

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, 2017 and 2016

	2017			2016				
	Unrestricted	Restricted		Total	Unrestricted	Restricted		Total
		Temporarily	Permanently			Temporarily	Permanently	
Support and revenue:								
Contributions	\$ 154,445	\$ 949,933	\$ 10,000	\$ 1,114,378	\$ 197,226	\$ 93,541	\$ 20,000	\$ 310,767
Special events (Note 10)	16,977	27,486	-	44,463	12,116	28,930	-	41,046
Interest and dividends	85,742	3,470	-	89,212	76,600	3,101	-	79,701
Net gains (losses) on investments	246,995	9,985	-	256,980	(108,948)	(4,410)	-	(113,358)
Net assets released from restrictions	150,226	(150,226)	-	-	214,144	(214,144)	-	-
Total support and revenue	654,385	840,648	10,000	1,505,033	391,138	(92,982)	20,000	318,156
Expenses:								
Grants	194,434	-	-	194,434	264,158	-	-	264,158
General and administrative	108,551	-	-	108,551	119,611	-	-	119,611
Special events	16,977	-	-	16,977	12,116	-	-	12,116
Fundraising	95,681	-	-	95,681	101,045	-	-	101,045
Total expenses	415,643	-	-	415,643	496,930	-	-	496,930
Increase (decrease) in net assets	238,742	840,648	10,000	1,089,390	(105,792)	(92,982)	20,000	(178,774)
Net assets at beginning of year	2,706,545	303,836	120,000	3,130,381	2,812,337	396,818	100,000	3,309,155
Net assets at end of year	\$ 2,945,287	\$ 1,144,484	\$ 130,000	\$ 4,219,771	\$ 2,706,545	\$ 303,836	\$ 120,000	\$ 3,130,381

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, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Cash received from contributors	\$ 556,907	\$ 241,178
Interest and dividends received	89,212	79,701
Net change in cash held for endowed scholarships	131,173	(213,040)
Cash transferred to College/ endowed scholarships	(38,635)	(101,198)
Cash paid to College for grants and other expenses	(282,347)	(295,730)
Cash paid to other suppliers for grants and other expenses	(19,232)	(7,217)
Net cash provided (used) by operating activities	437,078	(296,306)
Cash flows from investing activities:		
Purchase of investment securities	(3,377,859)	(451,306)
Proceeds from redemption of investments	3,172,472	424,253
Net cash used by investing activities	(205,387)	(27,053)
Cash flows from financing activities:		
Collection of contributions for Outreach endowment	10,000	20,000
Net decrease in cash	241,691	(303,359)
Cash at beginning of year	115,483	418,842
Cash at end of year	\$ 357,174	\$ 115,483
Reconciliation of changes in net assets to net cash provided by operating activities:		
Increase (decrease) in net assets	\$ 1,089,390	\$ (178,774)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net unrealized losses (gains) on investments	14,028	22,198
Net realized losses (gains) on investments	(271,008)	91,160
Decrease in accounts receivable	2,100	1,450
Decrease (increase) in due from College	(8,851)	-
Decrease (increase) in bequest receivable	(279,714)	-
Decrease (increase) in pledges receivable	(230,430)	700
Increase (decrease) in accounts payable	390	-
Net change in cash held for endowed scholarships	131,173	(213,040)
Contributions restricted for Outreach endowment	(10,000)	(20,000)
Net cash provided (used) by operating activities	\$ 437,078	\$ (296,306)

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

NORTH CENTRAL MICHIGAN COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

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. \$226,065 of the \$357,174 cash balance was held in money market mutual funds at June 30, 2017 and \$104,213 of the \$115,483 cash balance was held in money market mutual funds at June 30, 2016.

Interest and Dividends: Interest and dividends are reported net of investment advisor fees of \$21,676 and \$21,216 for the years ended June 30, 2017 and 2016, 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 manner, fair value is estimated using the present value of expected cash flows.

NOTE 2: 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:

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
U.S. Treasury Notes	\$ -	\$ -	\$ -	\$ -
Other bonds and notes	261,931	241,638	337,007	323,802
Marketable debt funds	2,308,186	2,337,116	2,328,521	2,378,902
Marketable equity funds	3,611,712	4,028,060	3,689,108	3,866,473
Commodities fund	184,572	190,162	47,606	49,406
Marketable real estate investments	222,897	221,593	123,381	167,403
Marketable alternative strategies	618,800	617,723	260,283	243,236
	<u>\$ 7,208,098</u>	<u>\$ 7,636,292</u>	<u>\$ 6,785,906</u>	<u>\$ 7,029,222</u>

NOTE 3: BEQUEST RECEIVABLE

The bequest receivable is expected to be collected currently, within one year. The amount of \$279,714 has been estimated based on correspondence from the estate's attorney. The bequest is restricted to provide nursing scholarships.

NOTE 4: PLEDGES RECEIVABLE

The pledges receivable consist of an unconditional promise to give \$250,000 over a 5-year period, for the restricted purpose of providing nursing scholarships. It is expected that annual payments of \$50,000 will be received beginning with the fiscal year ending June 30, 2018. The receivable for amounts expected after June 30, 2018 are discounted at 4.25%. The unamortized discount on this promise to give is \$19,570 at June 30, 2017.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 5: 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, 2017 and 2016, 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:

	2017	2016
Additions:		
Contributions	\$ 122,662	\$ 120,798
Investment Income	85,383	54,150
Net unrealized and realized gains (losses)	268,746	65,545
Total additions	476,791	240,493
Deductions:		
Distributions to College	200,915	198,829
Change in balance	275,876	41,664
Balance endowed scholarships payable beginning of year	4,018,274	3,976,610
Balance endowed scholarships payable end of year	\$4,294,150	\$4,018,274

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 6: TEMPORARILY RESTRICTED NET ASSETS

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

	2017	2016
Program activities:		
Scholarships	\$ 680,074	\$ 123,073
Allied Health	280,020	10,020
Nursing Department	32,694	31,694
Student Emergency Fund	49,740	46,472
Early Childhood Education	26,798	30,866
Miscellaneous	75,158	61,711
Total temporarily restricted net assets	\$ 1,144,484	\$ 303,836

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

	2017	2016
Purpose restriction accomplished:		
Scholarships	\$ 111,737	\$ 180,042
Early Childhood Education	4,319	9,393
Miscellaneous	34,170	24,709
Total	\$ 150,226	\$ 214,144

NOTE 7: 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 years ended June 30, 2016 and 2017, contributions in the amount of \$20,000 and \$10,000, respectively were received to establish the Postle Community Outreach Fund. The earnings from these endowment funds are restricted for outreach programs.

NOTE 8: 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 9: RELATED PARTY ACTIVITY

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

	<u>2017</u>	<u>2016</u>
Purpose:		
Personnel services	\$ 116,471	\$ 125,491
Transferred to endowed scholarships	38,635	101,198
Other grants, etc.	<u>165,876</u>	<u>170,239</u>
Total	<u>\$ 320,982</u>	<u>\$ 396,928</u>

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.

	<u>2017</u>	<u>2016</u>
Purpose:		
Personnel services	\$ 41,361	\$ 51,323
Other including accounting, rent printing, postage, etc.	<u>42,529</u>	<u>39,812</u>
	<u>\$ 83,890</u>	<u>\$ 91,135</u>

NOTE 10: SPECIAL EVENTS

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

	<u>2017</u>			<u>2016</u>		
	<u>Cookout</u>	<u>Scramble for Scholarships</u>	<u>Total</u>	<u>Cookout</u>	<u>Scramble for Scholarships</u>	<u>Total</u>
Revenue	\$ 14,671	\$ 29,792	\$ 44,463	\$ 17,874	\$ 23,172	\$ 41,046
Expense	<u>5,624</u>	<u>11,353</u>	<u>16,977</u>	<u>5,537</u>	<u>6,579</u>	<u>12,116</u>
Net	<u>\$ 9,047</u>	<u>\$ 18,439</u>	<u>\$ 27,486</u>	<u>\$ 12,337</u>	<u>\$ 16,593</u>	<u>\$ 28,930</u>

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

NOTE 11: EVALUATION OF SUBSEQUENT EVENTS

The State of Michigan has authorized planning for a proposed classroom renovation and expanded learning space at the College. The total cost is currently estimated a \$6.8 million. The state share would be \$3.4 million. The College share of \$3.4 million would be supported by a capital campaign by the Foundation.

The Foundation has evaluated subsequent events through September 14, 2017 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, 2017

Fund name:	Balance July 1, 2016	Additional Contributions	Interest and Dividend Income	Net Gains (Losses) on Investments	Allocation to College	Balance June 30, 2017
Annual Cookout	\$ 173,133		\$ 3,624	\$ 11,405	\$ (8,657)	\$ 179,505
Annual Golf Outing	312,635		6,543	20,595	(15,632)	324,141
Arnott, Edward Memorial/ Petoskey Lions Club/ PHS Latin Club	12,443		260	820	(622)	12,901
Behling, Meriam "Mims"	11,813		247	778	(591)	12,247
Billiau, Bertha Piehl/ Bi-Centennial, 1976/ Justin & Aaron Gillies	12,785		268	842	(639)	13,256
Blanz	107,731		2,255	7,097	(5,387)	111,696
Bodzick, Barbara J. Nursing/ William Connaughton	9,365		196	617	(468)	9,710
Burns Clinic - Dean C. Burns	19,734		413	1,300	(987)	20,460
Burns Clinic Medical Center, P.C., Retiree Phy	22,012		461	1,450	(1,101)	22,822
Burns Foundation Nursing	13,155		275	867	(658)	13,639
Martha Curtis Memorial	1,173,514		24,561	77,306	(58,676)	1,216,705
Curtis, Richard	443,919		9,291	29,243	(22,196)	460,257
Dawson, Aron Memorial	30,770	350	648	2,039	(1,539)	32,268
Dilworth, James L. Memorial/ NCMC Engineering Tech.	12,506		262	824	(625)	12,967
Festerling, K C./ NCMC Trustees Memorial	12,384		259	816	(619)	12,840
Hammontree, Deborah L. Memorial/ NCMC Naples /Charlene Bellmer Hartsough Memorial	9,514		199	627	(476)	9,864
Harris, Jack & Dorothy Memorial	344,000		7,200	22,661	(17,200)	356,661
George and Betty Hartman	10,710		224	706	(536)	11,104
Herlocher, Dr. M. Louise	11,786		247	776	(589)	12,220
Hodulik Scholarship	27,428	1,587	591	1,859	(1,371)	30,094
Dr. James S. Keith, Jr., M.D. Nursing Scholarship Fund	29,895		626	1,969	(1,495)	30,995
Kiwanis Club of Petoskey	9,717		203	640	(486)	10,074
Alford LaCount Memorial Scholarship	239,445		5,011	15,774	(11,972)	248,258
Lampert, Bertha Memorial	13,570		284	894	(679)	14,069
Lites, Mary & George Memorial	40,439		846	2,664	(2,022)	41,927
McCune, Charles Allan Memorial	34,204		716	2,253	(1,710)	35,463
McEnroe, John E/ John E McEnroe Nursing	16,420	200	346	1,088	(821)	17,233
Moll-Boyne Scholarship	14,307		299	942	(715)	14,833
NCMC Memorial/ Dorothy Sergent Memorial	15,467		324	1,019	(773)	16,037
Newmann Scholarship	170,029	31,000	3,883	12,222	(8,501)	208,633
Northern Michigan Medical Society	7,959		167	524	(398)	8,252
Nursing Alumni	16,418		344	1,082	(821)	17,023
Offield Family Foundation	175,051		3,664	11,532	(8,753)	181,494
Petoskey News Review-Kirk Schaller-Jim Doherty	24,294		508	1,600	(1,215)	25,187
Pyjar, Lewis "Louie"	26,377		552	1,738	(1,319)	27,348
Schweigert, Thomas F Memorial	9,940		208	655	(497)	10,306
Shankland, A D Memorial	2,836		59	187	(142)	2,940
Sharkey, Vivian & Reginald Memorial	27,969		585	1,842	(1,398)	28,998
Spitler, H Carl Memorial	34,799		728	2,292	(1,740)	36,079
Thompson, Merle & Blanche Memorial	30,648		641	2,019	(1,532)	31,776
Dorothea and Robert Vatanina Memorial Scholarship	19,107		400	1,259	(955)	19,811
Walstrom-Bolline, Roma F.	93,466		1,956	6,157	(4,673)	96,906
Winnell Memorial Scholarship	11,419	840	248	780	(571)	12,716
Verhelle Memorial	13,131		275	865	(657)	13,614
Hanna Memorial	89,509		1,873	5,896	(4,475)	92,803
Linda Beier Nursing	31,964		669	2,106	(1,598)	33,141
Jack Waldvogel Memorial	15,036	1,050	326	1,025	(752)	16,685
Gordon Fearon Memorial	13,223	2,000	298	937	(661)	15,797
Marcia and Richard Ames Memorial	20,298	10,000	529	1,667	(1,015)	31,479
Susan J. Van Gee and Michael G. Schirk Nursing Scholarship	-	50,000	523	1,647	-	52,170
Marjorie Brunet Memorial	-	25,635	268	844	-	26,747
	<u>\$ 4,018,273</u>	<u>\$ 122,662</u>	<u>\$ 85,383</u>	<u>\$ 268,747</u>	<u>\$ (200,915)</u>	<u>\$ 4,294,150</u>