

Livonia Community Foundation, Inc.

**Financial Statements
December 31, 2017**

**With Comparative Totals
For the Year Ended December 31, 2016**

Livonia Community Foundation, Inc.
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December 31, 2017

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Independent Auditors' Report

To the Board of Directors
Livonia Community Foundation, Inc.
Livonia, Michigan

We have audited the accompanying financial statements of Livonia Community Foundation, Inc., 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 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 the 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 of 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 auditors' 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 auditors consider 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 Livonia Community Foundation, Inc., as of December 31, 2017, and the changes in its net assets, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Livonia Community Foundation's 2016 financial statements, and our report dated October 6, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Cole, Newton & Duran
Livonia, Michigan
December 13, 2018

Livonia Community Foundation, Inc.
Statements of Financial Position
December 31, 2017
With Comparative Totals for December 31, 2016

ASSETS		
	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 73,844	\$ 58,631
Investments	343,225	217,079
Prepaid expenses	1,805	1,805
Total Current Assets	<u>418,874</u>	<u>277,515</u>
FIXED ASSETS		
Computer equipment	795	795
Less accumulated depreciation	<u>(795)</u>	<u>(795)</u>
Total fixed assets	<u>-</u>	<u>-</u>
OTHER ASSETS		
Long-term investments	<u>979,129</u>	<u>953,899</u>
TOTAL ASSETS	<u><u>\$ 1,398,003</u></u>	<u><u>\$ 1,231,414</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and other accrued expenses	\$ 112	\$ 57
Grants payable	39,600	41,050
Grant reserve	<u>14,792</u>	<u>16,793</u>
Total current liabilities	<u>54,504</u>	<u>57,900</u>
NET ASSETS		
Unrestricted	138,903	130,519
Temporarily restricted	225,467	89,096
Permanently restricted	<u>979,129</u>	<u>953,899</u>
Total net assets	<u>1,343,499</u>	<u>1,173,514</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,398,003</u></u>	<u><u>\$ 1,231,414</u></u>

Livonia Community Foundation, Inc.
Statements of Activities and Changes in Net Assets
December 31, 2017
With Comparative Totals for December 31, 2016

	2017			2016	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	Totals
REVENUE AND SUPPORT					
Support	\$ 17,289	\$ -	\$ 25,230	\$ 42,519	\$ 21,997
Special events, net of direct expenses of \$2,646 (2017) and \$2,088 (2016)	4,094	-	-	4,094	6,087
Investment income	-	178,043	-	178,043	57,254
Total Support and Revenue, before release of temporarily restrictions	21,383	178,043	25,230	224,656	85,338
Assets released from restrictions	41,672	(41,672)	-	-	-
Total Revenue and Support	63,055	136,371	25,230	224,656	85,338
OPERATING EXPENSES					
Program	39,625	-	-	39,625	42,694
Management	10,447	-	-	10,447	11,244
Fundraising	4,599	-	-	4,599	4,390
Total Operating Expenses	54,671	-	-	54,671	58,328
Increase (Decrease) in Net Assets	8,384	136,371	25,230	169,985	27,010
Net Assets at Beginning of Year	130,519	89,096	953,899	1,173,514	1,146,504
Net Assets at End of Year	<u>\$ 138,903</u>	<u>\$ 225,467</u>	<u>\$ 979,129</u>	<u>\$ 1,343,499</u>	<u>\$ 1,173,514</u>

See Notes to the Financial Statements

Livonia Community Foundation, Inc.
Statements of Functional Expenses
December 31, 2017
With Comparative Totals for December 31, 2016

	2017			2016	
	Program	Management	Fundraising	Totals	Totals
Grants	\$ 39,625	\$ -	\$ -	\$ 39,625	\$ 42,342
Dues and conferences	-	189	-	189	573
Postage	-	-	1,147	1,147	1,133
Printing and supplies	-	941	3,452	4,393	3,541
Bank charges	-	333	-	333	462
Audit and tax fees	-	5,600	-	5,600	5,400
Insurance	-	1,020	-	1,020	1,020
Filing fees	-	20	-	20	20
Events expense	-	-	-	-	352
Wages	-	1,625	-	1,625	2,352
Other expense	-	165	-	165	310
Payroll expenses	-	440	-	440	517
Payroll tax expense	-	114	-	114	196
Depreciation	-	-	-	-	110
TOTAL EXPENSES	\$ 39,625	\$ 10,447	\$ 4,599	\$ 54,671	\$ 58,328

See Notes to the Financial Statements

Livonia Community Foundation, Inc.
Statements of Cash Flows
December 31, 2017
With Comparative Totals for December 31, 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 169,985	\$ 27,010
Adjustments to reconcile net assets to net cash from operating activities:		
Depreciation	-	110
(Gains) losses on investments	(108,137)	(15,159)
(Increase) decrease in assets:		
Prepaid expense	-	555
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(3,396)	11,009
	58,452	23,525
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	218,131	194,606
Purchases of investments	(261,370)	(204,943)
	(43,239)	(10,337)
Net Increase (Decrease) in Cash and Cash Equivalents	15,213	13,188
Cash and Cash Equivalents at Beginning of Year	58,631	45,443
Cash and Cash Equivalents at End of Year	\$ 73,844	\$ 58,631
Supplemental disclosure:		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -

Livonia Community Foundation, Inc.
Notes to the Financial Statements
December 31, 2017 and 2016

NOTE 1 – Organization and Nature of Activities

The purpose of the Livonia Community Foundation, Inc. (the Foundation) is to benefit the Livonia, Michigan, community by promoting and developing community resources, properties, and civic treasures. Additionally, the Foundation promotes and supports public interest in the arts and programs for the welfare of the community and its citizens. The Foundation is qualified with the State of Michigan as a certified community foundation. Revenue is derived primarily from contributions and investment income.

NOTE 2 – Summary of Significant Accounting Policies

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of presentation

Financial statement presentation follows requirements of the Not-for-Profit Entities Topic of the FASB Accounting Standards Codification. The Foundation is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted net assets consist of resources that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets consist of resources of which the use by the Foundation is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations. Earnings on the temporarily restricted funds are unrestricted and may be used for general operations of the Foundation, per donor instructions.

Permanently restricted net assets consist of beneficial interest in perpetual trusts and funds created by donors. Earnings on permanently restricted net assets are classified as temporarily restricted until appropriate for expenditure.

Cash and cash equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments, including money market funds, with original maturity dates of three months or less.

Property and equipment

Property and equipment, with an estimated useful life greater than one year, are recorded at cost or, if donated, at the approximate fair value at the date of donation. Property and equipment is depreciated using the straight-line method over the estimated useful life of the asset.

Revenue recognition

Contributions of cash and other assets are measured at fair value and recorded as revenue in the year received from the donor. Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the contribution are both reported as unrestricted revenue. When a donor restriction expires, that is, when the stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are classified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributed services

Individuals volunteer their time and perform a variety of tasks that assist the Foundation, but these services do not meet the criteria for recognition as contributed services, as required by the Not-for-Profit Entities Topic of the FASB Accounting Standards Codification. Accordingly, no amounts have been recognized in the financial statements.

Livonia Community Foundation, Inc.
Notes to the Financial Statements
December 31, 2017 and 2016

NOTE 2 – Summary of Significant Accounting Policies (continued)

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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.

Statement of functional expenses

The costs of providing the program and supporting services have been reported on a functional basis in the statement of functional expenses. Indirect costs have been allocated between the program and supporting services based on estimates. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Tax status

The Foundation is a non-profit organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has classified the Foundation as an organization that is not a private foundation. The Foundation is no longer subject to U.S. Federal tax examinations for years before 2014. Management has evaluated FASB ASC 740, *Income Taxes*, and has concluded it has no uncertain positions.

Events occurring after reporting date

Management has evaluated events and transactions for potential recognition or disclosure through the date of the auditors' report, which is the date the financial statements were available to be issued.

NOTE 3 – Contingencies and Concentration of Credit Risk

The Foundation maintains its cash balances in bank deposit accounts. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 in any one bank. At times during the year, balances on deposit in any one bank may exceed the insured amount. There were no uninsured balances at December 31, 2017 and 2016. The Foundation has not experienced any losses with respect to uninsured cash balances.

The Foundation maintains cash, cash equivalents, mutual funds, and equity securities in brokerage accounts. Certain cash and securities in broker accounts are guaranteed by the Security Investor Protection Corporation up to \$500,000, which includes a \$250,000 limit for cash. The balances in brokerage accounts may exceed insured limits. Uninsured balances in brokerage accounts at December 31, 2017 and 2016, were \$847,466 and \$694,504, respectively. The Foundation has not experienced any losses with respect to uninsured balances.

NOTE 4 – Investments

As of December 31, 2017 and 2016, the Foundation's investments consisted of the following:

	2017		2016	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Equities	\$ 696,192	\$ 813,891	\$ 655,160	\$ 710,199
Fixed income	516,946	508,463	474,314	460,779
	<u>\$ 1,213,138</u>	<u>\$ 1,322,354</u>	<u>\$ 1,129,474</u>	<u>\$ 1,170,978</u>
Short-term investments		\$ 343,225		\$ 217,079
Long-term investments		979,129		953,899
		<u>\$ 1,322,354</u>		<u>\$ 1,170,978</u>

Livonia Community Foundation, Inc.
Notes to the Financial Statements
December 31, 2017 and 2016

NOTE 4 – Investments (continued)

As of December 31, 2017 and 2016, investment income consisted of the following:

	2017	2016
Dividend and interest income	\$ 26,567	\$ 22,944
Capital gain distributions	51,714	19,302
Realized gains (losses)	41,462	7,999
Unrealized gains (losses)	66,675	15,159
Investment fees	(8,375)	(8,150)
	\$ 178,043	\$ 57,254

Investment Risks – Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the values in the near term could materially affect the amounts reported in the accompanying financial statements.

NOTE 5 – Fair Value Measurements

The Foundation's investments are reported at fair value in the accompanying statement of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

Level 1 Fair Value Measurement inputs consist of unadjusted quoted prices in active markets for identical, actual assets and have the highest priority. Management considers cash, cash equivalents, publicly traded equities, U.S. Treasury securities, corporate bonds, and mutual funds to be Level 1 inputs.

Level 2 Fair Value Measurement inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets in active markets. Quoted prices for identical or similar assets or liabilities in markets that are quoted at prices that are not immediately current, or when price quotations vary substantially either over time or among market makers, for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates.

Level 3 Fair Value Measurement inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date.

In instances where inputs used to measure fair value fall into different levels of the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

As of December 31, 2017 and 2016, all investments were classified as Level 1. During the years ended December 31, 2017 and 2016, there were no transfers between levels.

Livonia Community Foundation, Inc.
Notes to the Financial Statements
December 31, 2017 and 2016

NOTE 6 – Administrative Allocation

The tobacco grant agreement allows for two percent of the Health and Education Endowment revenue to be allocated to administrative expenses. In addition, management has allocated two percent of the general endowment fund to administrative expenses, per recommendation of the Michigan Council of Foundations.

NOTE 7 – Comparative Statements

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

NOTE 8 – Endowment Funds

Endowment funds at December 31, 2017 and 2016, consisted of the following:

	<u>2017</u>	<u>2016</u>
Temporarily Restricted		
Health and Education Fund	\$ 39,469	\$ 22,409
General	185,998	66,687
Total temporarily restricted	<u>\$ 225,467</u>	<u>\$ 89,096</u>
Permanently Restricted		
General Fund	\$ 847,162	\$ 821,932
Greenmead Endowment	15,600	15,600
Health and Education Endowment	102,367	102,367
First Step Endowment	7,000	7,000
Livonia Y Kid Camp Endowment	7,000	7,000
Total permanently restricted	<u>\$ 979,129</u>	<u>\$ 953,899</u>

Change in Endowment Net Assets for the year ended December 31, 2017 and 2016, is as follows:

	<u>2017</u>		<u>2016</u>	
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Net Assets at beginning of year	\$ 89,096	\$ 953,899	\$ 76,228	\$ 948,676
Investment income	178,043	-	57,254	-
Contributions and other income	-	25,230	-	21,997
Amounts appropriated for expenditure	(41,672)	-	(44,386)	(16,774)
Net Assets at end of year	<u>\$ 225,467</u>	<u>\$ 979,129</u>	<u>\$ 89,096</u>	<u>\$ 953,899</u>

Livonia Community Foundation, Inc.
Notes to the Financial Statements
December 31, 2017 and 2016

NOTE 8 – Endowment Funds (continued)

During the years ended December 31, 2017 and 2016, net assets were released from temporary restrictions by satisfying the following purpose restrictions:

	2017	2016
Health and Education Fund	\$ 2,047	\$ 2,047
General Fund	39,625	42,339
Total temporarily restricted	\$ 41,672	\$ 44,386

Interpretation of relevant law

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the original gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets at the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and 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 UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Foundation and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Foundation; and
- The investment policies of the Foundation.

Accounting standards require investment earnings on permanently restricted net assets subject to UPMIFA to be classified as temporarily restricted until they are appropriated for expenditure by the Foundation.

Return objectives and risk parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets are those assets of donor-restricted funds that the Foundation must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that maximize the total return on the investments, subject to prudent management and preservation of capital.

Strategies employed for achieving objectives

The Foundation has adopted the following categories in which the Foundation funds may be held, and the cash or dollar range that may be placed in each:

Short-term asset allocation

Twelve to eighteen months of the expected grants and expense allocations to be held in the money market investments. In keeping with the current spending policy, the amounts in these accounts should not exceed 5% of the net assets of the previous end of year net asset balance.

Livonia Community Foundation, Inc.
Notes to the Financial Statements
December 31, 2017 and 2016

NOTE 8 – Endowment Funds (continued)

Long-term asset allocation

The portfolio shall be subject to the allocation restrictions as follows:

Equities: Portfolio allocation with a target of 70%.

Fixed Income: Portfolio allocation with a target of 30%.

Spending policy and how the investment objectives relate to the spending policy

To allow for regular annual grants, and to allow for investment diversification and potential growth of the value of the funds invested, the Foundation may use up to 5% of the total value of the net assets as of December 31 of the previous year to provide for administrative costs and distribute grants. The Foundation is not required to distribute 5% of the fund in years that there are not adequate requests or fund performance and earnings are low or negative. However, the Foundation may distribute up to 5% even in years of low performance. To distribute grant requests or pay expenses greater than 5% of the net asset balance on December 31 of the previous year requires a three-quarters vote of the Board of Directors at a properly called meeting.