

**THE COMMUNITY FOUNDATION
OF ST. CLAIR COUNTY AND
SUPPORTING ORGANIZATION**

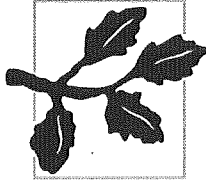
**CONSOLIDATED FINANCIAL STATEMENTS
with Supplementary Information**

**FOR THE YEAR ENDED
DECEMBER 31, 2009**

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY
AND SUPPORTING ORGANIZATION**

**TABLE OF CONTENTS
DECEMBER 31, 2009**

	<u>Page Number</u>
INTRODUCTORY SECTION	
Letter to the Volunteer, Donors and Partners	I-1
FINANCIAL SECTION	
Independent Auditor's Report	1
Basic Financial Statements	
Consolidated Statement of Financial Position	2
Consolidated Statement of Activities	3
Consolidated Statement of Functional Expenses	4
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7
Supplementary Financial Information	
Consolidating Statement of Financial Position	20
Consolidating Statement of Activities	21
Summary Schedule of Net Assets/Agency Endowments by Fund	23



community foundation
of St. Clair County

June 2010

To our Trustees, Volunteers, Donors and Partners:

We are pleased to present these financial statements for the year-ended December 31, 2009. Last year saw great improvements in our financial health from the global troubles of 2008. However, our communities and the State of Michigan remains hard hit by the struggling economy. These struggles place more demand for community-wide, proactive leadership, collaborations and leveraging of assets, all of which the Community Foundation has demonstrated success with.

The Community Foundation strives to take a big picture view of our region's challenges and opportunities, and brings together the donors and doers from our communities to get things done. We were proud to have been one of the first community foundations in Michigan to host a "Match Day" last June for the benefit of organizations providing basic needs and human services.

By offering a one-day match of 50% on gifts ranging from \$20 to \$1,000, we were able to generate over \$122,000 (including our match) that we distributed to well-deserving local organizations at our 2009 Annual Dinner.

On a consolidated basis, the Community Foundation received contributions aggregating approximately \$941,000 in 2009 from more than 843 donors along with a number of new endowment funds.

Since a community foundation's charitable grant-making is limited to a spending policy based upon the growth and earnings from its endowed funds, our grant-making ability is impacted by the economy and the market performance. Through a comprehensive investment policy which results in a diversified investment portfolio, the portfolio has historically done fairly well, yet by design, will not capture all of the market highs but conversely will also not experience all of the market lows. This prudent long-term total return approach and active oversight by a hired investment advisor and an experienced Finance and Investment Committee should truly demonstrate that the Foundation takes seriously its fiduciary responsibility of ensuring the perpetuity of our endowed funds. In 2009, the Foundation's portfolio returned 22.57% and generated investment income and gains of \$4.5 million, which was a solid year of performance yet wasn't enough to recover all of the losses of 2008.

Over the last several months of 2009 we began the process of assessing community needs and re-evaluating our strategic priorities. After the input of more than 400 local residents, donors and friends, our board affirmed the continued focus on the following strategic priorities:

- **Education**
- **Community and Economic Development**
- **Arts and Culture**
- **Basic Needs and Human Services**

The Community Foundation awarded new grants of \$883,086 in 2009, excluding \$81,940 labeled as pass-through distributions from our Match Day program, and including another \$42,233 for our Back to School backpack giveaways. The amount reported as grants in the financial statements is this total, net of grant refunds and cancellations, the largest of which was a \$250,000 grant awarded in 2007 and rescinded in 2009. On a consolidated basis, an additional \$508,502 was allocated in 2009 to Foundation programs and initiatives which include those described in subsequent paragraphs below. Through the 15 years ended December 31, 2009, the Foundation has distributed \$13 million in grants to non-profit organizations throughout St. Clair County.

The Foundation views accountability and credibility as vital factors to its current and future success. Our audited financial statements and IRS Form 990 are available on our website or upon request. We continue to strive for excellence and maintain transparency in all of our activities. The Foundation takes pride that in these achievements:

- We have received an unqualified audit opinion annually since its inception in 1944;
- We were among the first 150 community foundations to receive national certification for compliance with the new National Standards from the Council on Foundations in Washington D.C. in 2005 and have begun the process of recertification for October of 2010;
- We have maintained our annual certification with the State of Michigan for the special community foundation tax credit since the credit's inception.

With regard to the following audited financial statements, Foundation management continues to acknowledge and stand behind their responsibility for the financial statements, sound accounting policies, system of internal controls, and for the prevention and detection of fraud. Throughout the independent audit, management has made available all financial records, minutes, fund agreements, policies and procedures, and other documentation, and has provided the required, signed management representations regarding our operations and financial records.

The Community Foundation of St. Clair County coupled with The Community Renaissance Fund, its Type I supporting organization, is a large and complex non-profit corporation, and our operations reflect the proactive strategies of our Board and our commitment to tackle large scale community issues in the pursuit of improving the people and place of St. Clair County.

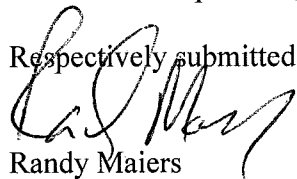
Through the leadership of its eight full or part-time staff members, a very knowledgeable Board of Trustees, and a volunteer workforce of well over 100 people, the Foundation's impact goes well beyond just grant making. Through supporting organizations and collaborative projects and programs with multiple other partners, the Foundation is able to:

- Own the county's only long-term home for homeless teenagers which we rent to another nonprofit for \$1 per year.
- Provide management and accounting support for Studio 1219, the area's largest public art gallery and center, which was developed by our Community Renaissance Fund, the Port Huron Downtown Development Authority and The James C. Acheson Foundation.
- Operate the Acheson Community Resource Center which provides meeting space and workshops for local nonprofits, groups and organizations and also houses the Volunteer Action Center which connects willing volunteers with non-profits in need of assistance.
- Organize the free distribution of more than 3,000 backpacks filled with school supplies for low income children in four communities each August.

- Established and continue to facilitate a county-wide, broadly represented education taskforce with the primary goal of keeping our students on a path towards some type of post-secondary education.
- Fund a pilot College Access Office located in one of our Port Huron High Schools, which helps students understand their higher education options and guides them through the application and funding processes, which will be expanded to other high schools in the coming months.
- Lead the facilitation efforts toward a regional vision plan for our waterfront downtowns.
- Assist downtowns with their economic development efforts through a Small Business Concierge, funded in partnership with the County of St. Clair, and providing small business incentives and a revolving loan fund.
- Partner with the various municipalities and organizations to explore and develop ways to promote the area and spur economic and community development.

Since 1944 the Community Foundation of St. Clair County has been the leading voice for philanthropy in St. Clair County. With the continued support, trust and involvement of our donors, volunteers and partners, we will continue to improve the quality of life for all of our residents.

Respectively submitted,



Randy Maiers
President & CEO



Karen A. Lee
Director of Finance

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Community Foundation of St. Clair County
Port Huron, Michigan

We have audited the accompanying consolidated statements of financial position of The Community Foundation of St. Clair County (a not-for-profit organization) and its supporting organization, Community Renaissance Fund, as of December 31, 2009, and the related Statements of Activities, Functional Expenses and Cash Flows for the year then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summary of comparative information has been derived from the Organization's 2008 financial statements and, in our report dated June 17, 2009 we expressed an unqualified opinion on those financial statements.

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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Community Foundation of St. Clair County as of December 31, 2009, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The introductory section and the supplementary information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements, and accordingly, we express no opinion.

Certified Public Accountants

June 18, 2010

BASIC FINANCIAL STATEMENTS

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY
AND SUPPORTING ORGANIZATION**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008**

ASSETS

	2009	2008
Current Assets:		
Cash and cash equivalents	\$ 946,814	\$ 961,811
Receivables -		
Pledges	277,001	126,469
Interest and other	911	10,380
Notes	16,341	2,952
Total Current Assets	1,241,067	1,101,612
Non-Current Asset:		
Pledges (net of discount \$4,765 and \$21,069 respectively)	27,485	122,205
Notes receivable	156,654	116,354
Total Non-Current Assets	184,139	238,559
Land, Building and Equipment:		
Property and equipment (net of accumulated depreciation of \$274,858 and \$218,523, respectively)	446,408	507,242
Other Assets:		
Cash surrender value of contributed life insurance	143,481	137,911
Investments - endowments	26,229,145	22,338,949
Investments - charitable gift annuity	154,588	149,843
Home held for resale	-	75,000
Total Other Assets	26,527,214	22,701,703
Total Assets	\$ 28,398,828	\$ 24,549,116

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 22,047	\$ 33,617
Grants payable	79,617	519,864
Accrued expenses	31,986	39,299
Deferred revenue	83,370	1,375
Funds held as agency endowments	983,020	798,698
Charitable gift annuity payable	103,028	122,337
Total Current Liabilities	1,303,068	1,515,190
Noncurrent Liabilities:		
Note payable	68,585	68,585
Deferred compensation contract	26,933	24,270
Total Noncurrent Liabilities	95,518	92,855
Total Liabilities	1,398,586	1,608,045
Net Assets:		
Temporarily restricted	20,862,704	288,555
Unrestricted	6,137,538	22,652,516
Total Net Assets	27,000,242	22,941,071
Total Liabilities and Net Assets	\$ 28,398,828	\$ 24,549,116

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

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY
AND SUPPORTING ORGANIZATION**

**CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2008**

	Unrestricted	Temporarily Restricted	Total	
			2009	2008
Revenue, gains and other support:				
Public Support -				
Contributions	\$ 529,967	\$ 411,020	\$ 940,987	\$ 1,281,601
Revenue and Gains -				
Investment income (loss) net of expense	911,727	3,610,618	4,522,345	(7,646,454)
Increase in cash surrender value of				
life insurance	-	5,570	5,570	2,797
Administrative fee income	9,336	-	9,336	11,032
Other	16,650	400	17,050	4,125
	937,713	3,616,588	4,554,301	(7,628,500)
Net Assets Released from Restrictions:				
Expenses appropriated by the Board	876,816	(876,816)	-	-
Expiration of restrictions	1,345	(1,345)	-	-
	878,161	(878,161)	-	-
Total Public Support, Revenues, and Gains	2,345,841	3,149,447	5,495,288	(6,346,899)
Expenses:				
Program expenses:				
Youth Advisory Council	480	-	480	8,169
Grants	390,904	-	390,904	1,167,353
Back to School Initiatives	42,233	-	42,233	40,282
Access to Recreation	19,691	-	19,691	26,767
Loss on Home Held for Redevelopment	-	-	-	49,100
Downtown Programs & Promotions	15,819	-	15,819	36,285
Evaluation & Development of Downtown Initiatives	52,987	-	52,987	54,487
Property Redevelopment	-	-	-	58,160
Other Program Expenses	419,525	-	419,525	411,387
Management and general:				
Loss on Home Held for Resale	-	-	-	62,414
Other Management and General	363,563	-	363,563	339,026
Fundraising expenses	130,915	-	130,915	138,945
Total Expenses	1,436,117	-	1,436,117	2,392,375
Change in Net Assets	909,724	3,149,447	4,059,171	(8,739,274)
Net Assets at beginning of year	22,652,516	288,555	22,941,071	31,680,345
Prior period adjustment	(17,424,702)	17,424,702	-	-
Net Assets at beginning of year, restated	5,227,814	17,713,257	22,941,071	31,680,345
Net Assets at end of year	\$ 6,137,538	\$20,862,704	\$ 27,000,242	\$ 22,941,071

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

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY
AND SUPPORTING ORGANIZATION**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2008**

	Program Services			Supporting Services	
	Community Foundation	Community Renaissance	Total	Management and General	Fundraising
Salaries	\$ 136,739	\$ 100,521	\$ 237,260	\$ 185,822	\$ 82,239
Employee Benefits/Payroll Taxes	28,465	24,974	53,439	70,391	20,579
Professional Services	1,003	975	1,978	21,155	-
Legal Services	-	-	-	14,584	-
Occupancy	5,290	27,767	33,057	18,140	4,954
Utilities	1,076	2,134	3,210	2,221	763
Equipment Rental and Maintenance	2,020	791	2,811	2,824	1,207
Telephone	1,006	610	1,616	1,497	616
Postage	1,167	40	1,207	1,458	668
Community Relations (net)	15,737	4,428	20,165	-	-
Donor Cultivation	820	-	820	-	-
Fundraising	-	-	-	-	7,120
Foundation Committee	2,192	-	2,192	-	-
Dues, Memberships, and Subscriptions	2,252	134	2,386	2,837	1,293
Insurance	2,160	2,475	4,635	3,702	1,404
Office Supplies	1,002	562	1,564	1,472	610
Stationary/Printing	2,223	215	2,438	2,834	1,282
Computer Maintenance	2,506	1,116	3,622	3,561	1,507
Conferences and Travel	1,499	801	2,300	1,850	855
Other	9,500	475	9,975	9,120	-
Depreciation	6,767	28,083	34,850	20,095	5,818
	<u>223,424</u>	<u>196,101</u>	<u>419,525</u>	<u>363,563</u>	<u>130,915</u>
Youth Advisory Council	480	-	480	-	-
Grants Voted from Income	390,904	-	390,904	-	-
Back to School Initiatives	42,233	-	42,233	-	-
Access to Recreation Program	19,691	-	19,691	-	-
Loss on Home Held for Redevelopment	-	-	-	-	-
Downtown Programs & Promotions	-	15,819	15,819	-	-
Evaluation & Development of Downtown Initiatives	-	52,987	52,987	-	-
Program Redevelopment	-	-	-	-	-
Loss on Home Held for Resale	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	<u><u>\$ 676,732</u></u>	<u><u>\$ 264,907</u></u>	<u><u>\$ 941,639</u></u>	<u><u>\$ 363,563</u></u>	<u><u>\$ 130,915</u></u>

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

Total

2009	2008
\$ 505,321	\$ 499,453
144,409	137,597
23,133	33,363
14,584	22,166
56,151	39,514
6,194	6,968
6,842	7,780
3,729	3,727
3,333	4,256
20,165	16,973
820	3,653
7,120	14,772
2,192	1,116
6,516	9,462
9,741	7,649
3,646	4,813
6,554	6,199
8,690	8,480
5,005	8,711
19,095	12,246
60,763	40,460
914,003	889,358
480	8,169
390,904	1,167,353
42,233	40,282
19,691	26,767
-	49,100
15,819	36,285
52,987	54,487
-	58,160
-	62,414
<u>\$ 1,436,117</u>	<u>\$ 2,392,375</u>

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY
AND SUPPORTING ORGANIZATION**

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009 AND 2008**

	2009	2008
Cash Flows from Operating Activities:		
Change in net assets	\$ 4,059,171	\$(8,739,274)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	60,763	40,460
Increase in cash surrender value of contributed life insurance	(5,570)	(2,797)
Non-cash contributions	(20,182)	(49,532)
Unrealized (gain) loss on investments securities	(3,878,778)	8,170,373
Increase / decrease in operating assets and liabilities -		
Contributions receivable	(55,812)	5,658
Note receivables	(53,689)	53,352
Other receivables	9,469	(9,280)
Accounts payable	(11,570)	13,646
Accrued expenses	(7,313)	15,565
Accrued employee benefits	2,663	(644)
Deferred revenues	81,995	(98,625)
Grants payable	(440,247)	19,469
Funds held as agency endowments	184,322	(226,372)
Charitable gift annuity payable	(19,309)	(18,554)
Assets held for investments	-	119,000
Home held for resale	75,000	(75,000)
Net Cash Used by Operating activities	(19,087)	(782,555)
Cash Flows from Investing Activities:		
Proceeds from sale of investments	3,636,274	202,394
Purchase of investments	(3,632,255)	(280,723)
Purchase of/loss on disposal of office furniture, equipment and leasehold improvements	71	(174,500)
Net Cash Provided (Used) by Investing Activities	4,090	(252,829)
Net decrease in cash and cash equivalents	(14,997)	(1,035,384)
Cash and cash equivalents at beginning of year	961,811	1,997,195
Cash and cash equivalents at end of year	\$ 946,814	\$ 961,811
Non-Cash Operating Activities:		
Amortized discount on contributions receivable	\$ 4,765	\$ 21,069

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

**COMMUNITY FOUNDATION OF ST. CLAIR COUNTY
AND SUPPORTING ORGANIZATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES:

DESCRIPTION OF ORGANIZATION:

The Community Foundation of St. Clair County (known as the Port Huron District Foundation prior to November 1985) was established on November 8, 1944 to receive and accept moneys and other properties to be administered exclusively for charitable purposes, primarily in and for the benefit of the communities of St. Clair County.

The Community Renaissance Fund was organized in 2004 as a 501(c)(3) to serve as a supporting organization of The Community Foundation of St. Clair County. The Board of Directors of the Community Renaissance Fund is determined by the Board of Directors of the Community Foundation. Since The Community Foundation of St. Clair County has a controlling interest, generally accepted accounting standards require that it be consolidated with The Community Foundation of St. Clair County. The consolidated financial statements report all activities of The Community Foundation of St. Clair County and the Community Renaissance Fund where any inter-company transactions are eliminated.

SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of The Community Foundation of St. Clair County (the Foundation) conform to accounting principles generally accepted in the United States of America as applicable to nonprofit organizations. The following is a summary of the more significant accounting policies:

BASIS OF ACCOUNTING/PRESENTATION - The consolidated financial statements include the accounts of The Community Foundation of St. Clair County and the Community Renaissance Fund, which are reported on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Inter-organizational transactions have been eliminated in the consolidated statements. The statements are presented in accordance with the accounting principles outlined in the American Institute of Certified Public Accountants Audit and Accounting Guide for Not-for-Profit Organizations and the Financial Accounting Standards Board in its Accounting Standards Codification Statement 958. In accordance with ASC 958, contributions received are reported as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. In addition, the Foundation is required to report a Statement of Cash Flows.

The bylaws of the Foundation include a variance provision that allows the Board of Trustees of the Foundation to vary the use of substantially all contributions. The Board of Trustees strives to honor a donor's charitable intent, unless in their sole judgment that intent becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community, or area served by the Foundation. Since the Board of Trustees must exercise the variance power, there contributions have been shown as temporarily restricted until such action is taken.

CASH AND CASH EQUIVALENTS - The Foundation considers all highly liquid investments with a maturity of three months or less from the date of purchase to be cash equivalents.

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY
AND SUPPORTING ORGANIZATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

INVESTMENTS - The Foundation reports its investments in accordance with generally accepted accounting principles for not-for-profit organizations, which establish accounting standards for investments in certain equity securities and for all debt securities. The guidance prescribes that covered investments be reported in the statement of financial position at fair value with any realized or unrealized gains or losses reported in the Statement of Activities. Donated investments are recorded at the "fair" value on the date received and thereafter carried in accordance with the above provisions.

Investment income is recognized as revenue in the period it is earned and gains and losses are recognized as changes in net assets in the accounting period in which they occur.

PLEDGES RECEIVABLE - Unconditional promises to give are recognized as contributions in the period the promise is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional contributions receivable that are expected to be collected within one year are recorded at the net realizable value. Unconditional contributions receivable that are expected to be collected in future years are recorded at the present value of the expected future cash flows using management's best estimate of key assumptions including collectability, payment period and a discount rate commensurate with current market and other risks involved.

NOTES RECEIVABLE - Notes receivable are stated at the amount management expects to collect from outstanding balances. All notes are recorded net of any forgivable portion and long-term notes with no interest are recorded at the estimated present value.

GRANTS - Grants are recorded as expenses when they are approved by the Board of Directors for payment.

PROPERTY AND EQUIPMENT - Office furniture, equipment, and leasehold improvements are recorded at cost. Major additions are charged to the property accounts while maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed currently. When property is retired or disposed of, the recorded value is removed from the accounts. Gains or losses from disposals are included in earnings. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

The estimated useful lives of the assets are as follows:

Building and improvements	40 years
Leasehold improvements	7-15 years
Furniture and equipment	2-15 years

INCOME TAXES - The Foundation is a not-for-profit organization classified by the Internal Revenue Service as tax-exempt under Section 501(c)(3) and as a nonprivate foundation under Section 509(a)(1) of the Internal Revenue Code of 1986. The Community Renaissance Fund is also classified by the Internal Revenue Service as tax-exempt under Section 501(c)(3) and a Type 1 supporting organization under Section 509(a)(3). Accordingly, no provision for income taxes is required.

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY
AND SUPPORTING ORGANIZATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

INVESTMENT POOLS AND ALLOCATION OF INVESTMENT INCOME - The funds are combined into one or more investment pools with various fund managers, whereby each participating fund shares a percentage interest of the total investments. Realized and unrealized gains and losses, interest and dividend income from securities in the investment pool, bank interest, and investment management and custodial fees are allocated monthly to the individual funds based on the relationship of the investment of each fund to the total investment of all funds in the pools.

ESTIMATES - In preparing the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

COMPARATIVE DATA - The financial statements include certain prior-year summarized comparative information in total but not by net asset class or by the functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2008 from which the summarized information was derived.

FAIR VALUE MEASUREMENTS - ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. The Organization accounts for certain financial assets and liabilities at fair value.

SUBSEQUENT EVENTS - In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 18, 2010, the date the financial statements were available to be issued.

NOTE 2 - CASH AND INVESTMENTS:

CONCENTRATION OF CREDIT RISK -

Cash and cash equivalents of \$946,814 at December 31, 2009 are made up of demand deposit accounts, money market funds held at various banks and investment fund managers, and \$100 petty cash funds. The balances reflected in the accounts (without recognition of checks written but not yet cleared or of deposits in transit) at December 31, 2009 totaled \$929,332 of which \$812,545 was insured by depository insurance and \$116,787 was uninsured and uncollateralized.

The Foundation believes that due to the dollar amounts of cash deposits and the limits of depository insurance, it is impractical to insure all bank deposits. As a result the Foundation evaluates each financial institution and assesses the level of risk. The Foundation uses only those financial institutions with an acceptable estimated risk level as depositories.

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY
AND SUPPORTING ORGANIZATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 2 - CASH AND INVESTMENTS - (cont'd):

INVESTMENTS -

At December 31, investments of the Foundation consist of the following:

	<u>2009</u>	<u>2008</u>
Real Estate Fund	\$ 943,274	\$ 1,362,152
Common Commingled Trust Fund - Rothschild small-cap trust	3,290,893	1,546,054
Exchange Traded & Mutual Funds	20,023,545	17,665,744
U.S. Debt Securities - mortgage-backed securities	1,309	1,509
Corporate debt securities	13	29
Alternative investments (Hedge Fund of Funds)	<u>2,124,699</u>	<u>1,913,304</u>
Total	<u>\$ 26,383,733</u>	<u>\$ 22,488,792</u>

The Foundation had the following return on investment for the year ended December 31:

	<u>2009</u>	<u>2008</u>
Interest and Dividends	\$ 641,324	\$ 867,756
Gain on Sale of Investments	201,016	(281,854)
Unrealized Gain on Investments	3,738,529	(8,170,373)
Investment Management Fees	(58,524)	(61,983)
Total	<u>\$ 4,522,345</u>	<u>\$ (7,646,454)</u>

NOTE 3 - PROPERTY AND EQUIPMENT:

The following is a summary of the changes in Property and Equipment for the year ended December 31, 2009:

	Balance January 1, <u>2009</u>	Additions	Disposals	Balance December 31, <u>2009</u>
Buildings and improvements	\$ 170,210	\$ -	\$ -	\$ 170,210
Leasehold improvements	387,307	-	-	387,307
Equipment	<u>168,248</u>	-	<u>4,499</u>	<u>163,749</u>
	725,765	-	4,499	721,266
Less - accumulated depreciation	(218,523)	(60,763)	(4,428)	(274,858)
	<u>\$ 507,242</u>	<u>\$ (60,763)</u>	<u>\$ 71</u>	<u>\$ 446,408</u>

NOTE 4 - PLEDGES RECEIVABLE:

The Foundation pledges receivable at December 31, 2009 totaled \$309,251 with \$277,001 due in less than one (1) year with the remainder due within five (5) years. There was an amount of \$4,765, which was considered the discounted value (5%) of contributions receivable in excess of one year at December 31, 2009.

The Foundation uses the allowance method to determine uncollectible contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. There was no allowance for uncollectible contributions receivable at December 31, 2009.

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY
AND SUPPORTING ORGANIZATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 5 - NOTES RECEIVABLE:

James C. Acheson 85 Trust - This asset and liability relate to a property acquired by the Community Action Agency of St. Clair County, funded by the Community Renaissance Fund through a gift from the James C. Acheson 85 Trust. As stipulated in the supporting letters of agreement, when the current renters no longer reside in the property, such property will be sold. At that time, the greater of the sales proceeds or the original loan amount of \$68,585 shall be repaid to the Community Renaissance Fund, who in turn agrees to repay the James C. Acheson 85 Trust this amount, less the cost of any major repairs that were needed during the rental period. The balance at December 31, 2009 including the current portion of \$0 is: \$ 68,585

Land Contract - On October 23, 2008 the Community Renaissance Fund entered into a land contract for the sale of 1521 Seventh Street, Port Huron, Michigan for \$69,900 with \$30,000 paid at the time of the agreement and \$39,900 paid in monthly installments of \$309 including interest of 7%, with the entire balance to be paid by October 2011. The balance at December 31, 2009 including the current portion of \$1,242 is: 39,116

Small Business Loans - In June 2008 the Community Renaissance Fund provided a small business loan in the amount of \$20,000 to be repaid in monthly installments of \$167 per month over ten years, at which point the remaining balance is due. As an entrepreneurial incentive for this initial loan, the agreement outlines that at the end of two years, provided the borrower has timely made all prior payments, the principal balance shall be reduced by twenty percent (20%). Similarly for each year thereafter, the principal balance shall be reduced by ten percent (10%) if the borrower has timely made all required payments. The note has been recorded net of the forgivable portion. The balance at December 31, 2009 including the current portion of \$1,800 is: 9,002

In March 2009, the Community Renaissance Fund provided a small business loan in the amount of \$5,000 to be repaid beginning May 1, 2009 in monthly installments of \$215 over two years, at which point the remaining balance is due. The balance at December 31, 2009, including the current portion of \$2,500 is: 3,959

In July 2009, the Community Renaissance Fund provided a small business loan in the amount of \$25,000 to be repaid in yearly installments of \$5,246 over the next five years, with the entire amount due no later than January 1, 2014. The balance at December 31, 2009, including the current portion of \$4,840 is: 25,000

In December 2009, the Community Renaissance Fund provided a small business loan in the amount of \$10,000 to be repaid in monthly installments of \$222 over the next four years beginning February 1, 2010. The balance at December 31, 2009, including the current portion of \$2,292 is: 10,000

In May 2009 the Community Renaissance Fund provided a small business loan in the amount of \$20,000 to be repaid in monthly installments of \$360 over the next five years. The balance at December 31, 2009, including the current portion of \$3,667 is: 17,333

\$ 172,995

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY
AND SUPPORTING ORGANIZATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 5 - NOTES RECEIVABLE - (cont'd):

Home Improvement Loans - During the years 2004 through 2006, home improvement loans in amounts up to \$30,000 were offered to renters, landlords and potential buyers of homes in a ten block residential area who were willing to convert a home from renter-occupied to owner-occupied. The Port Huron geographic area involved, the eligibility criteria and loan terms were established in conjunction with applicable funding sources, and new loans were not offered after 2006. The loans were interest-free, and one-half was repayable upon the sale of the home.

The Foundation is listed on the promissory note and as a mortgagor on the mortgage. However, because of the trend of foreclosure and declining economy, and the fact that the Foundation is the second mortgagor these loans have not been recorded as a receivable for financial statement purposes. Any subsequent payments will be recorded as revenue in the year they are received.

NOTE 6 - GRANTS PAYABLE:

At December 31, 2009, the Foundation grants payable was \$79,617, of which \$75,867 is payable in less than one year.

The difference between the carrying amount and the fair value of grants payable is not considered material to the accompanying financial statement. Accordingly, grants payable have not been discounted.

NOTE 7 - LIFE INSURANCE CONTRACTS:

The Foundation is the owner and beneficiary of five separate life insurance policies with an aggregate face value of \$539,137. The annual premiums are paid with contributions received from the individuals insured by the policies or by the policies' equity. The cash surrender value of these policies has been recorded as revenue and an asset when donated. Annual increases or decreases in the cash surrender value of the policies are recorded as revenue (or reduction of revenue) in the year incurred.

NOTE 8 - DEFERRED COMPENSATION:

Effective January 1, 2005, the Foundation's Board approved the creation of a 403(b) Retirement Savings Plan, for the purpose of providing employees the opportunity to accumulate a source of retirement income in addition to Social Security and personal savings. All Foundation employees may make voluntary, tax-deferred contributions to the Plan, up to IRS limits, through salary reduction agreements. The Plan also provides for discretionary non-elective employer contributions (presently at 3%) for all employees who work 1,000 hours annually and have one year of service, with 100% immediate vesting. Fidelity Investments is the service provider of this Plan and contributions made under this Plan are electronically transferred on the same day as payroll.

Additionally, effective October 1, 2004, the Foundation has a Deferred Compensation Benefit Agreement with its CEO/President. This agreement outlines a prorated, annual deferred compensation amount and a rolling 5-year vesting period as calculated from the effective date of the agreement. As of December 31, 2009, the CEO/President has "unvested" deferred compensation rights of \$26,933.

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY
AND SUPPORTING ORGANIZATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 9 - ADMINISTRATIVE FEES:

The Foundation assesses a monthly management fee on the individual funds maintained, which supports Foundation operations. Administrative fees, as outlined in the current fee schedule, vary based upon the fund type and per annum, range from 1% to 2% of the market value of the fund's investments.

Total administrative fees assessed for the year ended December 31, 2009 were \$298,296, which represents revenue to the Foundation's Operating Fund and expense to the individual endowment funds. Due to the inter-fund nature of these transactions, consolidated financial statements only report the portion of administrative fee revenue associated with funds held as agency endowments, as further explained in Note 15.

NOTE 10 - LEASE COMMITMENT:

The Foundation has entered into a lease agreement for their office facilities, expiring May 31, 2015. Three five-year renewal options are available to the Foundation, which, if exercised, would extend the lease through May 31, 2030. The annual lease expense is \$12,000. The lease provides that the Foundation shall pay its own insurance and utilities and also provides that the rent will increase every five years based upon increases in the Consumer Price Index.

The Foundation has entered into a lease agreement for additional space adjacent to their office facilities, which expired on April 30, 2007. A five-year renewal option was exercised which extended the lease through April 30, 2012. The lease includes the ability to sub-let the premises. The monthly lease payment of \$1,416 is being paid through an offsetting contribution from the James C. Acheson Foundation. The lease provides that the Foundation shall pay its own insurance and utilities and also provides that the rent will increase every five years based upon increases in the Consumer Price Index.

The future minimum annual rental commitments under the lease agreement in effect at December 31, 2009, and for each year ending December 31, and thereafter; exclusive of property taxes, insurance and utilities and without regard to any future adjustment resulting from changes in the Consumer Price Index are summarized below:

2010		\$ 12,000
2011		12,000
2012		12,000
2013		12,000
2014		12,000
2015		<u>5,000</u>
Total		<u>\$ 65,000</u>

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY
AND SUPPORTING ORGANIZATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 11 - CHARITABLE GIFT ANNUITY:

On December 18, 2002, donors transferred assets having a fair value of \$302,930 to The Community Foundation of St. Clair County whereby the Foundation agreed to pay annual distributions of \$23,931 in quarterly installments of \$5,983 beginning March 31, 2003 to the donors for the remainder of their lives.

The fair value of the transferred assets as of December 31, 2009, was \$154,588 and the present value of the estimated future payments was \$103,028 at December 31, 2009, calculated using a discount rate of 4% and applicable mortality tables. The difference between the assets and estimated future payments of \$51,560 represents the net assets.

NOTE 12 - FAIR VALUE MEASUREMENTS:

In accordance with ASC 820, the Community Foundation uses fair value measurements to record adjustments to certain assets. The ASC 820 defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." The Codification also sets out a fair value hierarchy ranking the levels of the inputs used as assumptions in the valuation techniques used to value an asset or liability. The fair value hierarchy gives the highest priority to quoted prices in an active market for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of hierarchy are described as follows:

Level 1 - inputs are quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date. An active market is a market in which transactions of the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - inputs are from other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include quoted market prices of similar assets or liabilities in active markets, quoted market prices for identical or similar assets or liabilities in markets that are not active, and pricing models developed principally from inputs from or corroborated by observable market data by correlation or other means.

Level 3 - inputs are unobservable and allowed in situations where there is little, if any, market activity for the asset or liability at the measurement date. These inputs reflect the reporting entity's own assumptions about assumptions that would be used by market participants.

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY
AND SUPPORTING ORGANIZATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 12 - FAIR VALUE MEASUREMENTS - (cont'd):

The following table presents the Community Foundation's fair value hierarchy for the assets and liabilities measured at fair value as of December 31, 2009:

Assets and Liabilities Measured at Fair Value on a Recurring Basis:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets				
Investments -				
Real Estate Fund	\$ 943,274	\$ -	\$ -	\$ 943,274
Common Commingled Trust Fund- Rothschild small-cap trust	3,290,893	-	3,290,893	-
Exchange Traded & Mutual Funds	20,023,545	20,023,545	-	-
U.S. Debt Securities - mortgage backed securities	1,309	-	-	1,309
Corporate Debt Securities	13	-	-	13
Alternative Investments (Hedge Fund of Funds)	2,124,699	-	-	2,124,699
Variable Life Insurance Policy	143,481	-	-	143,481
Pledges Receivable	304,486	-	-	304,486
Total Assets	<u>\$26,831,700</u>	<u>\$20,023,545</u>	<u>\$ 3,290,893</u>	<u>\$ 3,517,262</u>
Liabilities				
Charitable Gift Annuity Payable	\$ 103,028	\$ 103,028	\$ -	\$ -
Funds held as Agency Endowments	983,020(1)	-	-	-
	<u>\$ 1,086,048</u>	<u>\$ 103,028</u>	<u>\$ -</u>	<u>\$ -</u>

(1) The fair value of these liabilities is based on the composite of the investment noted above.

Level 1 classifications consist of mutual funds with observable market prices.

Level 2 classifications consist of commingled funds where detailed holdings were available and the funds fair value could be determined based on market prices.

Level 3 classifications consist of the following:

Real Estate Funds - are based on investment administrators annual independent appraisals, or quarterly internal valuations by the fund managers, combined with valuations of income streams using the income approach, the current cost of replacing real estate using the cost approach and utilizing recent sales of comparable real estate in the market using the sales approach.

Mortgage Backed Securities and Comparable Debt Securities - are based on other market data for the same or comparable instrument or transactions.

Alternative Investments (hedge fund of funds) - are based on information provided by the administrators of each underlying fund.

Life Insurance Policies - are based on the cash surrender value at the date as valued for the insurance company.

Pledges Receivable - are based upon the present value of the expected future cash flow using management's best estimate of key assumptions including collectability, payment period, and a discount rate commensurate with the current market and other risks involved.

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY
AND SUPPORTING ORGANIZATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 12 - FAIR VALUE MEASUREMENTS - (cont'd):

The following table presents a reconciliation of the beginning and ending balance of level 3 investment activity that is measured at fair value using unobservable inputs:

	<u>Investments</u>	Life Insurance <u>Policies</u>	Pledges <u>Receivables</u>	<u>Total</u>
Beginning balance	\$ 3,276,994	\$ 137,911	\$ 248,674	\$ 3,663,579
Net new pledge	-	-	169,310	169,310
Realized/unrealized gain/(loss) included in changes in net assets	(258,351)	5,570	-	(252,781)
Net purchases	50,652	-	-	50,652
Collected	-	-	(129,802)	(129,802)
Discount recovery	-	-	16,304	16,304
Ending balance	<u>\$ 3,069,295</u>	<u>\$ 143,481</u>	<u>\$ 304,486</u>	<u>\$ 3,517,262</u>

The realized and unrealized gain on investments listed above are included in the investment income, net of expenses on the statement of activities.

The realized gain on life insurance policies, discount recovery and new pledges is included in contributions on the statement of activities.

NOTE 13 - DONOR AND BOARD DESIGNATED ENDOWMENTS:

Net Asset Classifications

In August 2008, The Financial Accounting Standards Board issued Staff Position No. FAS 117-1 (ASC 958), Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds. ASC 958 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The ASC 958 also improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of Michigan adopted UPMIFA effective September 10, 2009. The Foundation has determined that the majority of its net assets meet the definition of endowment funds under UPMIFA.

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY
AND SUPPORTING ORGANIZATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 13 - DONOR AND BOARD DESIGNATED ENDOWMENTS - (cont'd):

The Foundation is governed subject to Governing Documents and most contributions are received subject to the terms of these Governing Documents. Under the terms of these Governing Documents, the Board of Trustees is given Variance Power, which is the ability to distribute so much of the corpus of any gift, bequest or fund as the Board, in its sole discretion, shall determine. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purposes of the donor-restricted endowment fund in conjunction with the Foundation's non-profit status;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. The Foundation's other available resources;
7. The Foundation's investment policies.

Most contributions and related fund agreements are subject to the terms of the Foundation's Governing Documents and specifically include language addressing the Community Foundation's Variance Power. As a result of this ability to distribute corpus, all contributions subject to the Governing Documents and subject to UPMIFA are classified as temporarily restricted until appropriated, at which time the appropriation is reclassified to unrestricted net assets. Contributions that are not subject to the variance power would be recorded as permanently restricted, temporarily restricted or unrestricted, depending upon the specific terms of the agreement. Generally, for those contributions and funds that are not subject to UPMIFA, net assets are classified as unrestricted.

During the year-ended December 31, 2009, the Foundation has reviewed all endowment funds and transferred to temporarily net assets those that are subject to UPMIFA that were previously classified as unrestricted. Temporarily restricted net assets also consist of irrevocable charitable gift annuities, cash surrender values under several life insurance policies, and contribution receivables.

	<u>Board Designated</u>	<u>Donor Restricted</u>
Balance at January 1, 2009	\$ 6,886	\$ 17,713,257
Contributions	27,267	411,020
Net Appreciation	733,684	2,989,672
Investment Income	152,450	620,946
Other Income	-	5,970
Released From Restrictions	1,345	(1,345)
Expenses Appropriated by the Board	(104,731)	(876,816)
Balance at December 31, 2009	<u>\$ 5,036,901</u>	<u>\$ 20,862,704</u>

Endowment Investment and Spending Policies

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 endowments while seeking to maintain "real" growth of assets, net of inflation, spending and fees. The Fund's investment objective is to earn a "real" rate of return which exceeds the rate of inflation by at least 4% per year over rolling five-year periods. The rate of inflation is defined as the annual rate of change in the Consumer Price Index.

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY
AND SUPPORTING ORGANIZATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 13 - DONOR AND BOARD DESIGNATED ENDOWMENTS - (cont'd):

The Foundation's objective is based on the expected returns under a strategic asset allocation policy outlining its diversification of asset classes. This asset allocation policy should result in normal fluctuation in the actual return, year-to-year, yet the expected level of volatility (or return fluctuation) is appropriate given the Fund's current and expected tolerance for short-term return fluctuations. Through appropriate diversification of assets, investment return volatility is reduced.

The Foundation's spending policy works together with the investment policy to provide a suitable level of funding to meet the donor and community charitable needs, while preserving the real value of endowment assets. The Foundation's spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds, for both grant-making and administration, as deemed prudent by the Board after careful review and consideration of each Fund's health in terms of its corpus and the investment factors previously denoted. For each calendar year, the current spending policy is to generally distribute an amount equal to 5% of a rolling 16 quarter as determined as of September 30th of the previous year. The spending policy sets forth that a fund must be in existence for at least 12 months and have reached a \$25,000 fund minimum before spending is allowed unless otherwise supplemented by the donor. The policy further outlines spending criteria that is intended to balance the community's charitable needs, preserve funds in perpetuity, yet prevent excessive accumulation of market growth as follows:

- Suspend spending where appropriate or at least limit spending to ordinary net income when continued market downturns have begun to infringe upon a fund's long-term health; and
- Establish a spending minimum of 3% and maximum 4% of total assets on funds that well maintained their purchasing power over time.

NOTE 14 - RELATED ORGANIZATION:

P.H. Arts Incubator, Inc. -

The P.H. Arts Incubator, Inc. was organized in 2004 as a 501(c)(3) for the purpose of performing the functions of, or carrying out the charitable or other exempt purposes of (a) The Community Renaissance Fund and/or the City of Port Huron Downtown Development Authority. The six member Board of Directors are appointed, three each, by the Community Renaissance Fund and the Port Huron Downtown Development Authority. Since The Community Foundation of St. Clair County does not have control of the entity, its activities have not been included with the Foundation's financial statements. The Foundation provided direct support of \$22,500 and indirect administrative and program support of approximately \$15,000.

The P.H. Arts Incubator, Inc. is located at 1219 Military Street, in a building referred to as 'Studio 1219'. This building was deeded to the P.H. Arts Incubator, Inc. through a joint purchase by the Community Renaissance Fund (through a grant from the Community Foundation of St. Clair County), and the City of Port Huron's Downtown Development Authority, at a cost of \$87,500. The James C. Acheson Foundation funded substantial renovations to the Studio 1219 building and as a result, has a purchase option in the amount of \$175,000, should the P.H. Arts Incubator, Inc. plan to sell the building. At that time, the Community Renaissance Fund would be reimbursed its initial cost (as would the City of Port Huron), and the Community Renaissance Fund would in turn, return its \$87,500 to the Community Foundation of St. Clair County.

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY
AND SUPPORTING ORGANIZATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 15 - FUNDS HELD AS AGENCY ENDOWMENTS:

At December 31, 2009, the Foundation was the owner of 14 Agency Endowment Funds with a combined value of \$983,020. These funds are reported in accordance with Statement of Financial Accounting Standards Accounting Standards Codification Statement 605, "Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions For Others." These funds include donations from an agency for a Fund that benefits the same agency, or a hybrid of both donations from the agency and from unrelated third parties. Although all donations received are legally owned by the Community Foundation and remain its assets, the portion of the Fund that comes from the beneficiary agency is considered a reciprocal transfer and as such, The Community Foundation is required to report an offsetting liability. This liability must be equal to the donations from the agency plus the proportionate share of the Fund's realized and unrealized market gains and losses, investment income, fees and grant awards. Despite the offsetting liability, the Foundation generally considers these ASC 605 Funds to be permanently endowed and expects them to grow over time.

The following table summarizes activity in such funds during the year then ended:

Agency Endowment Fund Balances at January 1, 2009	\$ 798,698
Agency gifts	47,865
Interest and dividends	24,000
Realized gains on investments	7,912
Unrealized gains on investments	140,250
Grants	(23,969)
Administrative fees	(9,336)
Investment management fees	(2,400)
Agency Endowment Fund Balances at December 31, 2009	<u>\$ 983,020</u>

NOTE 16 - PRIOR PERIOD ADJUSTMENT:

The State of Michigan passed the Uniform Prudent Management of Institutional Funds Act (UPMIFA) during 2009. Because of this new law interpretation of donor-restricted endowment funds, net assets of \$17,424,702 that were previously classified as unrestricted net assets were reclassified to temporarily restricted net assets as of December 31, 2009.

SUPPLEMENTARY FINANCIAL INFORMATION

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY
AND SUPPORTING ORGANIZATION**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2009**

ASSETS	<u>Community Foundation</u>	<u>Community Renaissance</u>	<u>Consolidated Adjustments</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 875,161	\$ 71,653	\$ -	\$ 946,814
Investments	26,383,733	-	-	26,383,733
Pledge receivable (net of pledge discount \$4,765)	304,486	-	-	304,486
Note receivable	-	172,995	-	172,995
Interest and other receivables	462	1,513	(1,064)	911
Property and equipment (net of accumulated depreciation of \$179,426 and \$95,432)	120,642	325,766	-	446,408
Cash surrender value of contributed life insurance	143,481	-	-	143,481
Total Assets	<u>\$ 27,827,965</u>	<u>\$ 571,927</u>	<u>\$(1,064)</u>	<u>\$ 28,398,828</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable	\$ 18,993	\$ 4,118	\$(1,064)	\$ 22,047
Accrued expenses	25,301	6,685	-	31,986
Deferred compensation contract	26,933	-	-	26,933
Grants payable	76,117	3,500	-	79,617
Note payable	-	68,585	-	68,585
Deferred revenue	83,370	-	-	83,370
Funds held as agency endowments	983,020	-	-	983,020
Charitable gift annuity payable	103,028	-	-	103,028
Total Liabilities	<u>1,316,762</u>	<u>82,888</u>	<u>(1,064)</u>	<u>1,398,586</u>
Net Assets:				
Temporarily restricted	20,862,704	-	-	20,862,704
Unrestricted	5,648,499	489,039	-	6,137,538
Total Net Assets	<u>26,511,203</u>	<u>489,039</u>	<u>-</u>	<u>27,000,242</u>
Total Liabilities and Net Assets	<u>\$ 27,827,965</u>	<u>\$ 571,927</u>	<u>\$(1,064)</u>	<u>\$ 28,398,828</u>

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY
AND SUPPORTING ORGANIZATION**

**CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Community Foundation</u>	<u>Community Renaissance</u>	<u>Consolidated Adjustments</u>	<u>Total</u>
Revenue, gains and other support:				
Public Support -				
Contributions	\$ 742,327	\$ 365,837	\$(167,177)	\$ 940,987
Revenue and Gains -				
Investment income net of expense	4,518,322	4,023	-	4,522,345
Increase in cash surrender value of life insurance	5,570	-	-	5,570
Administrative fee income	9,336	-	-	9,336
Other	400	16,650	-	17,050
	<u>4,533,628</u>	<u>20,673</u>	<u>-</u>	<u>4,554,301</u>
Total Public Support, Revenues, and Gains	<u>5,275,955</u>	<u>386,510</u>	<u>(167,177)</u>	<u>5,495,288</u>
Expenses:				
Program expenses:				
Youth Advisory Council	480	-	-	480
Grants	557,182	-	(166,278)	390,904
Back to School Initiative	42,233	-	-	42,233
Access to Recreation	19,691	-	-	19,691
Downtown Programs & Promotions	-	15,819	-	15,819
Evaluation & Development of Downtown Initiatives	-	52,987	-	52,987
Other Program Expenses	223,424	197,000	(899)	419,525
Management and general:				
Other Management and General	279,111	84,452	-	363,563
Fundraising expenses	117,672	13,243	-	130,915
Total Expenses	<u>1,239,793</u>	<u>363,501</u>	<u>(167,177)</u>	<u>1,436,117</u>
Change in Net Assets	4,036,162	23,009	-	4,059,171
Net Assets at beginning of year	<u>22,475,041</u>	<u>466,030</u>	<u>-</u>	<u>22,941,071</u>
Net Assets at end of year	<u>\$ 26,511,203</u>	<u>\$ 489,039</u>	<u>\$ -</u>	<u>\$ 27,000,242</u>

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY
AND SUPPORTING ORGANIZATION**

**SUMMARY SCHEDULE OF NET ASSETS/AGENCY ENDOWMENTS BY FUND
DECEMBER 31, 2009**

	Net Assets				Agency Endowment
	Unrestricted		Temporarily Restricted		
	Undesignated	Board	Donor		
		Designated	Restricted	Total	
General Charitable Funds:					
Operating Fund	\$ 385,478	\$ -	\$ 95,631	\$ 481,109	\$ -
Community Investment Fund	-	1,757,525	-	1,757,525	-
Acheson Community Foundaton Fund					
Administrative Endowment Fund	-	428,777	700	429,477	-
James C. Acheson Administrative Expense Fund	-	-	2,337,613	2,337,613	-
James C. Acheson Fund	-	-	1,169,574	1,169,574	-
Emerson G. and Lucilda A. Brown Fund	-	-	133,946	133,946	-
College Access Office	8,512	-	-	8,512	-
Earl H. Donaldson Endowment Fund	-	26,925	-	26,925	-
Donald W. and Alice I. Giese Endowment Fund	-	-	93,716	93,716	-
Margaret C. Lutz Endowment	-	126,716	-	126,716	-
John Shier Fund	-	-	24,989	24,989	-
Burman J. Misenaar Endowment Fund	-	-	70,854	70,854	-
Florence C. Stephen Fund	-	120,480	-	120,480	-
Virginia E. Farmer Endowment Fund	-	-	55,343	55,343	-
Francis P. Willson Fund	-	929,166	-	929,166	-
Wirtz/Ogden Fund	-	-	120,908	120,908	-
John and Rose Marie Wismer Fund	-	-	715,992	715,992	-
Russell A. "Tim" Sheldon Endowment	-	-	28,542	28,542	-
Scholarship Funds:					
Alice W. Moore Memorial Scholarship Fund	-	-	106,582	106,582	-
Howard A. Acheson Memorial Fund	-	-	861,951	861,951	-
Father Bartone Fund	-	-	636,965	636,965	-
Joseph Caimi Scholarship Fund	-	-	31,282	31,282	-
Jack S. Campbell Memorial Fund	-	-	97,471	97,471	-
Frank V. and Bula Carney Memorial Scholarship Fund	-	-	25,338	25,338	-
Darin Conrad Memorial Scholarship Fund	-	-	46,782	46,782	-
Fuller Hansen Educational Trust Fund	-	-	669,566	669,566	-
Catherine Gellien Scholarship Fund	-	-	25,136	25,136	-
Blue Water Shipmasters' Fund	-	-	26,762	26,762	-
Charles Myron Gossman Scholarship Fund	-	-	37,797	37,797	-
Pauline Groff Music Scholarship Endowment Fund	-	-	20,563	20,563	-
Christian B. and Agnes A. Haas Scholarship Fund	-	-	85,403	85,403	-
James T. Kreger Memorial Scholarship Fund	-	-	23,269	23,269	-
Alexander and Celestine Lamere Fund	-	-	26,495	26,495	-
Little Brothers Little Sisters of St. Clair County Scholarship Endowment Fund	-	-	109,690	109,690	-
Port Huron Museum Scholarship Endowment	-	-	23,370	23,370	-

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY
AND SUPPORTING ORGANIZATION**

**SUMMARY SCHEDULE OF NET ASSETS/AGENCY ENDOWMENTS BY FUND
DECEMBER 31, 2009**

	Net Assets				Agency Endowment
	Unrestricted		Temporarily Restricted		
	Board		Donor		
	Undesignated	Designated	Designated	Total	
Scholarship Funds (cont'd):					
St. Clair Music Study Club Endowment Fund	\$ -	\$ -	\$ 49,987	\$ 49,987	\$ 23,076
Marine City Scholarship Foundation Endowment Fund	-	-	9,460	9,460	98,777
Memphis High School Alumni Association Fund	-	-	22,091	22,091	-
River District Hospital Auxiliary McFern-Smeltzer Scholarship Endowment Fund	-	-	75,091	75,091	-
Lillian M. Perry Scholarship Fund	-	42,895	-	42,895	-
Barbara Ann Kessler-Saph Scholarship Memorial Fund	-	-	41,731	41,731	-
Cyril Smith Memorial Scholarship fund	-	14,727	-	14,727	-
Trumble Memorial Scholarship Fund	-	-	23,986	23,986	-
Charles G. and Berneice M. Uligian Fund	-	-	135,300	135,300	-
James Wilhelm Memorial Scholarship Fund	-	180,766	-	180,766	-
Bert D. and Rose E. Wright Memorial Scholarship Fund	-	-	91,503	91,503	-
John F. & Rose Marie Wismer Community Foundation Scholarship Fund	-	720,416	-	720,416	-
Robert and Marilyn Kovach Scholarship Fund	-	-	9,283	9,283	-
Donor Designated Funds:					
Walter K. Brooks Memorial Fund	-	-	1,483,211	1,483,211	-
Marcia M. Haynes Endowment Fund	-	-	5,862	5,862	-
Back to School Events Fund	86,868	-	-	86,868	-
Helen David Fund for the Council on Aging	-	-	203,572	203,572	-
Helen David Fund for the People's Clinic	-	-	205,140	205,140	-
Marian Pollock Moore Fund	-	-	100,773	100,773	-
Tunnel Fund	-	5,576	-	5,576	-
Youth Home Fund	10,931	-	-	10,931	-
St. Clair County Chapter - American Red Cross	-	-	23,583	23,583	-
St. Clair Rotary Centennial Park Fund	-	-	34,047	34,047	-
Mary B. Andreae Fund	-	-	24,609	24,609	-
Donor Advised Funds:					
Bob Abdo Memorial Fund	-	-	37,396	37,396	-
James C. Acheson Fund II	-	-	1,947,413	1,947,413	-
Algonac Lions Club Fund	-	-	375,786	375,786	-
St. Clair Foundation Fund	32,501	-	-	32,501	-
H. & H. Whiting Foundation Fund	48,688	-	-	48,688	-
Norman and Isabel Cosgrove Memorial Fund	-	-	23,879	23,879	-
The DeWald/Beckett Charitable Fund	-	-	327,828	327,828	-
The DeWald/Cook Charitable Fund	-	-	172,970	172,970	-

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY
AND SUPPORTING ORGANIZATION**

**SUMMARY SCHEDULE OF NET ASSETS/AGENCY ENDOWMENTS BY FUND
DECEMBER 31, 2009**

	Net Assets					Agency Endowment
	Unrestricted		Temporarily Restricted		Total	
	Undesignated	Board	Donor			
		Designated	Designated	Designated		
Donor Advised Funds (cont'd):						
Lisa Harris Pink Ribbon of Hope Memorial Fund	\$ 23,521	\$ -	\$ -	\$ -	\$ 23,521	\$ -
Janet E. & Lee C. Hanson Endowment Fund	-	-	87,819	-	87,819	-
Joelle Marie Hajjar Fund	7,645	-	-	-	7,645	-
John W. & M. Louise Shier Family Fund	-	97,208	-	-	97,208	-
Wyatt Walker Friendship Fund	-	-	50,835	-	50,835	-
James L. Little Fund	-	-	22,434	-	22,434	-
Neister Family Fund	-	-	8,064	-	8,064	-
Organization Designated Funds:						
Algonac-Clay Township Historical Society Fund	-	-	5,902	-	5,902	6,926
Algonac Community Schools Education Enrichment Fund	-	-	50,740	-	50,740	114,545
Blue Water Council Boy Scout Endowment Fund	-	-	4,588	-	4,588	58,318
Blue Water Developmental Housing, Inc. Fund	-	-	-	-	-	23,922
Blue Water Hospice and Visiting Nurse Associator Council on Aging Fund	-	-	1,219	-	1,219	28,613
John R. Dolan Fund	-	585,724	-	-	585,724	-
Quota International Helen David Fund	-	-	-	-	-	22,362
United Way of St. Clair County Fund	-	-	616	-	616	22,603
Supporters of East China School District Fund	-	-	108,147	-	108,147	21,655
St. Clair County Library Fund (incl. the Lawrence E. Owens Endowment)	-	-	88,136	-	88,136	-
Marine City Historic District Restoration Fund	-	-	1,230	-	1,230	36,239
Girl Scouts - Michigan Waterways Council Fund	-	-	14,129	-	14,129	3,639
McMorran Place Fund	-	-	175	-	175	298,506
Peoples' Clinic for Better Health Fund	-	-	6,857	-	6,857	12,971
Port Huron Hospital Foundation Endowment Fund	-	-	2,006	-	2,006	11,372
Safe Horizons Fund	-	-	122,249	-	122,249	48,885
Sanborn Gratiot Memorial Home Endowment Fund	-	-	87	-	87	25,946
St. John River District Hospital Fund	-	-	3,118	-	3,118	13,841
Friends of St. Mary's School (St. Clair) Fund	-	-	47,122	-	47,122	-
Thomas & Frances Treleaven Fund	-	-	525,602	-	525,602	-
Field of Interest Funds:						
Algonac-Clay Community Fund	-	-	117,300	-	117,300	-
C & M Anderson Foundation Endowment Fund	-	-	1,521,015	-	1,521,015	-
Frank V. Carney & Bula A. Carney Memorial Fund	-	-	459,472	-	459,472	-
Citizens for St. Clair Fund	-	-	351,903	-	351,903	-
Rev. Rene L. Desmarais Fund	-	-	65,406	-	65,406	-
City of Port Huron Fund	-	-	3,442	-	3,442	110,824

**THE COMMUNITY FOUNDATION OF ST. CLAIR COUNTY
AND SUPPORTING ORGANIZATION**

**SUMMARY SCHEDULE OF NET ASSETS/AGENCY ENDOWMENTS BY FUND
DECEMBER 31, 2009**

	Net Assets				Agency Endowment
	Unrestricted		Temporarily Restricted		
	Undesignated	Board	Donor		
		Designated	Designated		
			Total		
Field of Interest Funds (cont'd):					
Harry F. Lewis Fund	\$ -	\$ -	\$ 128,287	\$ 128,287	\$ -
Robert H. and Paula M. Cleland Community	-	-	34,114	34,114	-
Cottrellville Community Fund	-	-	7,769	7,769	-
Women's Initiative Fund	-	-	530,064	530,064	-
Emergency Fund	724	-	-	724	-
Studio 1219 Breast Cancer Fund	5,822	-	-	5,822	-
Women's Giving Circles Fund	908	-	-	908	-
Mickey & Agnes Knowlton Fund	-	-	29,637	29,637	-
Claude and Alexa Lawrence Fund	-	-	113,158	113,158	-
Maritime Fund	-	-	10,366	10,366	-
Marwood Manor Endowment Fund	-	-	215,453	215,453	-
Charles F. Moore Memorial Fund	-	-	113,044	113,044	-
Ernest T. & Barbara A. Oskin Fund	-	-	997,726	997,726	-
Access to Recreation Fund	-	-	214,228	214,228	-
F. William & Patricia Schwarz Fund	-	-	119,535	119,535	-
Thomas K. Smith Fund	-	-	117,789	117,789	-
Youth Advisory Council Fund	-	-	1,190,036	1,190,036	-
Healthy Youth, Healthy Seniors Fund	-	-	126,772	126,772	-
Alexa Lawrence Fund for Education	-	-	62,857	62,857	-
Charitable Gift Annuity Fund:					
Raymond & Catherine Gellien Fund	-	-	51,561	51,561	-
Community Renaissance Fund	489,039	-	-	489,039	-
Total	\$ 1,100,637	\$ 5,036,901	\$ 20,862,704	\$ 27,000,242	\$ 983,020

AUDIT COMMUNICATION LETTER

June 18, 2010

To the Board of Directors
The Community Foundation
of St. Clair County
Port Huron, Michigan

We have audited the financial statements of The Community Foundation of St. Clair County for the year ended December 31, 2009 and have issued our report thereon dated June 18, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to both the planned scope and timing of our audit. We have communicated such information during a meeting with the Audit Committee on November 4, 2009. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by The Community Foundation of St. Clair County are described in Note 1 to the financial statements. As described in Note 13 to the financial statements, the State of Michigan adopted the Uniform Prudent Management of Institutional Funds Act. The Foundation has determined that the majority of the net assets meet the definition of endowment funds under UPMIFA. As a result a number of the endowment funds have been reclassified from unrestricted to temporarily restricted net assets. We noted no transactions entered into by The Community Foundation of St. Clair County during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of depreciation. Depreciation is based on historical data and estimated useful lives.

We evaluated the key factors and assumptions used to develop the estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure in Note 2 of the financial statements indicating The Community Foundation of St. Clair County holds \$929,332 of total deposits of which \$812,545 is insured with the remaining \$116,787 uninsured/uncollateralized, is particularly sensitive to the financial statement users given the risk of a bank failure the Foundation's deposits may not be returned.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Recorded and Unrecorded Adjustments

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes an uncorrected misstatement of the financial statements. Management has determined that their efforts are immaterial, both individually and in the aggregate, to the financial statement taken as a whole. In addition, none of the adjustments detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 18, 2010.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of The Community Foundation of St. Clair County and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to be of service to the Board of Directors of The Community Foundation of St. Clair County.

Sincerely,

Certified Public Accountants

SUMMARY OF UNADJUSTED AUDIT DIFFERENCES

Client Name: Community Foundation

Financial Statement Date: 31-Dec-09

Description of Misstatement	W/P Ref	Known (K) or Likely (L)	Financial Statements Effect Amount of Over (Under) Statement of				
			Assets	Liabilities	Fund Equity	Revenues Expenditures	
2009 Contributions for 2010 were deferred	FF-1	Known (K)		83,370	(83,370)	(83,370)	-
			-	-	-	-	-
			-	-	-	-	-
			-	-	-	-	-
			-	-	-	-	-
			-	-	-	-	-
			-	-	-	-	-
			-	-	-	-	-
			-	-	-	-	-
Total Current Year Unadjusted Amount			-	83,370	(83,370)	(83,370)	-
Unadjusted Amount From Prior Year						-	-
Total Unadjusted Amount			-	83,370	(83,370)	(83,370)	-

We believe the unrecorded possible adjustments listed above are immaterial to the financial statements, both individually and in the aggregate.

Executive Director