

**AUDITED FINANCIAL STATEMENTS
SUPPLEMENTARY FINANCIAL INFORMATION
AND SUPPLEMENTAL REPORT**

**MACKINAC ISLAND COMMUNITY FOUNDATION
MACKINAC ISLAND, MICHIGAN**

December 31, 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mackinac Island Community Foundation
Mackinac Island, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Mackinac Island Community Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mackinac Island Community Foundation as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Mackinac Island Community Foundation's December 31, 2014 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated March 25, 2015. In our opinion, the summarized comparative information presented on the statements of activities and changes in net assets for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary financial information on pages 17 through 19 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Makela, Pollock & Ahonen, PLLC

Certified Public Accountants

Ironwood, Michigan
April 6, 2016

AUDITED
FINANCIAL
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STATEMENTS OF FINANCIAL POSITION
MACKINAC ISLAND COMMUNITY FOUNDATION

	December 31,	
	2015	2014
ASSETS		
CURRENT ASSETS		
Cash	\$ 77,555	\$ 108,616
Investments	9,375,776	9,328,936
Promises to give	400	20,400
TOTAL CURRENT ASSETS	\$ 9,453,731	\$ 9,457,952
NONCURRENT ASSETS -		
Investment - Corporate bonds	53,720	108,891
OTHER ASSET		
Conservation Easement	377,778	377,778
	\$ 9,885,229	\$ 9,944,621
NET ASSETS		
NET ASSETS		
Unrestricted:		
Designated endowment	\$ 9,482,873	\$ 9,498,370
Designated expendable	400,046	423,941
	\$ 9,882,919	\$ 9,922,311
Temporarily restricted:		
Designated endowment	\$ 400	\$ 20,400
Grants	1,910	1,910
	\$ 2,310	\$ 22,310
	\$ 9,885,229	\$ 9,944,621

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

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

MACKINAC ISLAND COMMUNITY FOUNDATION

	Year ended December 31, 2015			Year ended December 31, 2014
	Unrestricted	Temporarily Restricted	Total	(Summarized)
SUPPORT AND REVENUE				
Donations	\$ 212,772		\$ 212,772	\$ 1,321,285
Grants received	20,930		20,930	1,250
Grant funds returned	1,180		1,180	10,000
Investment income	67,907		67,907	715,866
Donated services	18,240		18,240	15,750
Administrative fee income	77,045		77,045	71,654
Other	103		103	
Net assets released from restrictions - expiration of time restrictions	<u>20,000</u>	<u>\$ (20,000)</u>		
TOTAL SUPPORT AND REVENUE	\$ 418,177	\$ (20,000)	\$ 398,177	\$ 2,135,805
EXPENSES				
Program expenses:				
Grants to other organizations	\$ 272,089		\$ 272,089	\$ 228,518
Advertising	5,958		5,958	6,302
Conference fees	830		830	695
Contracted services				4,140
Direct expenses	1,751		1,751	7,589
Dues and subscriptions	2,620		2,620	2,020
Miscellaneous	263		263	407
Supplies and postage	4,752		4,752	7,646
Telephone	2,302		2,302	2,098
Travel	953		953	1,017
Write-off of uncollectible promises to give				<u>141,121</u>
	<u>\$ 291,518</u>		<u>\$ 291,518</u>	<u>\$ 401,553</u>
Management and general:				
Administrative fee expense	\$ 77,045		\$ 77,045	\$ 71,654
Payroll expenses	62,359		62,359	47,345
Donated services	18,240		18,240	15,750
Insurance	1,216		1,216	1,151
Professional fees	<u>7,191</u>		<u>7,191</u>	<u>7,271</u>
	<u>\$ 166,051</u>		<u>\$ 166,051</u>	<u>\$ 143,171</u>
TOTAL EXPENSES	\$ 457,569		\$ 457,569	\$ 544,724
CHANGE IN NET ASSETS	\$ (39,392)	\$ (20,000)	\$ (59,392)	\$ 1,591,081
NET ASSETS AT BEGINNING OF YEAR	<u>9,922,311</u>	<u>22,310</u>	<u>9,944,621</u>	<u>8,353,540</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 9,882,919</u></u>	<u><u>\$ 2,310</u></u>	<u><u>\$ 9,885,229</u></u>	<u><u>\$ 9,944,621</u></u>

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

STATEMENTS OF CASH FLOWS

MACKINAC ISLAND COMMUNITY FOUNDATION

	<u>Year ended December 31,</u>	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (59,392)	\$ 1,591,081
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized gain on investments	\$ (197,042)	\$ (618,616)
Unrealized (gain) loss on investments	234,324	(35,943)
Decrease in promises to give	20,000	57,862
Write off of uncollectible promises to give	<u> </u>	<u>141,121</u>
Total adjustments	<u>\$ 57,282</u>	<u>\$ (455,576)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (2,110)	\$ 1,135,505
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	\$ (1,477,548)	\$ (3,524,834)
Proceeds from sales of investments	<u>1,448,597</u>	<u>2,433,605</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>\$ (28,951)</u>	<u>\$ (1,091,229)</u>
NET INCREASE (DECREASE) IN CASH	\$ (31,061)	\$ 44,276
Cash at beginning of year	<u>108,616</u>	<u>64,340</u>
CASH AT END OF YEAR	<u>\$ 77,555</u>	<u>\$ 108,616</u>

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

NOTES
TO
FINANCIAL
STATEMENTS

NOTES TO FINANCIAL STATEMENTS

MACKINAC ISLAND COMMUNITY FOUNDATION

December 31, 2015

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Mackinac Island Community Foundation (the Foundation) is a not-for-profit organization that operates under a governing Board of Directors. The accounting policies conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations and have been consistently applied in the preparation of the financial statements.

NATURE OF ACTIVITIES – The Foundation was organized in 1994, as a not-for-profit community foundation for the purpose of meeting the charitable, scientific, literary, and educational needs of Mackinac Island, Michigan. In fulfilling this mission, the Foundation receives and administers donations and bequests, which are used to meet various needs on Mackinac Island. The Foundation receives most of its contributions from individuals and businesses located on Mackinac Island and from other foundations in Michigan.

INCOME TAXES – The Foundation is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (the “Code”). The Foundation has been classified as a publicly supported charitable organization under section 509(a)(1) of the Code and contributions to it are tax deductible by donors within the limitations prescribed by the Code. The Foundation is a Michigan Certified Community Foundation.

Management has completed its evaluation of the impact of uncertain tax positions and the Organization is unaware of any tax positions that would require disclosure.

ACCOUNTING BASIS – The accompanying financial statements are prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recorded when incurred.

CASH AND CASH EQUIVALENTS – The Foundation considers all short-term investments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2015 and 2014.

PROMISES TO GIVE – Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

INVESTMENTS – In accordance with generally accepted accounting principles, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the financial statements. The unrealized gain or loss on investments is reflected in the Statement of Activities. Investments are made in accordance with an investment policy approved by the Board of Directors.

In accordance with provisions of the investment policy, the Foundation may invest 40% to 80% of its total assets in common stock and 20% to 60% in fixed income investments such as bank certificates of deposit, commercial paper, guaranteed investment contracts, preferred stocks and other long-term debt securities.

DONATED ASSETS – Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

CONSERVATION EASEMENT – In December 2001, the Foundation was granted a conservation easement to property on Mackinac Island. The easement is valued at fair market value at the date acquired. The Board of Trustees has determined the current value of the conservation easement to be equal to or more than its originally recorded value.

LONG-LIVED ASSETS – Long-lived assets held and used by the Foundation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the cost of any long-lived asset may be impaired, an evaluation of recoverability would be performed.

CLASSIFICATION OF NET ASSETS – The bylaws of the Foundation include a Variance Provision and Powers of Modification, giving the Board of Trustees the power to modify donor imposed restrictions and conditions on the distribution of funds if, in its sole judgment and discretion, such restrictions or conditions become, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. Based on the variance power provisions, most contributions received by the Foundation are reported as unrestricted support. The Foundation further classifies its unrestricted net assets as follows:

Designated Endowment – The designated endowment net assets includes contributions received that the donor has designated as a permanent endowment, from which the Foundation's Board permits only distributions (grants) of earnings, which may include appreciation as well as income.

Designated Expendable – The designated expendable net assets includes donor-designated funds, Board designated funds and earnings on endowments that are available for future grant making.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

CLASSIFICATION OF NET ASSETS (CONTINUED) – The Foundation reports donations and other assets as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets and the donations are specifically excluded from the variance power provisions referred to above. When a donor's temporary restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net position is reclassified to unrestricted net position and reported in the statement of activities as net position released from restrictions.

INVESTMENT AND SPENDING POLICIES – The Foundation has adopted investment and spending policies for assets to obtain a competitive rate of return on the assets commensurate with the prudent man rule, the Board's risk taking ability and its responsibility to manage assets for the sole interest and benefit of the Foundation's donors. Within this framework, the current investment goal is to provide at least a 5% real rate of return over the long-term. Diversification between the asset mix of equities, cash equivalents and longer-term fixed income securities in order to increase investment returns and/or reduce risks is employed in the policy. The spending policy states income available for spending is determined by a total return system. The amount to be spent is determined January 1 of each preceding year and is reviewed and approved by the Finance Committee annually. In accordance with the spending policy, 4% of income earned on investments will be assessed for grants and 1.25% will be kept for administrative fees. Any income above 5.25% will be rolled back into the respective funds.

USE OF ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ALLOWANCE FOR DOUBTFUL ACCOUNTS – No allowance for doubtful accounts has been provided, as management of the Foundation believes that all promises to give and accounts receivable will be collected. Uncollectible accounts are written-off in the year management determines the promises to give will not be collected.

DONATED SERVICES – The Foundation recognizes the contributions of services, if the contributed services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation. Contributed services that do not meet this criterion are not recognized.

SUBSEQUENT EVENTS – Subsequent events have been evaluated through the date of the auditor's report, the date the financial statements were available to be issued.

NOTE B – CASH

All deposits were made in a bank account authorized by members of the governing Board and were in accounts insured by the Federal Deposit Insurance Corporation.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE C – PROMISES TO GIVE

Unconditional promises to give consist of the following:

	<u>2015</u>	<u>2014</u>
Gross unconditional promises to give	\$ 400	\$ 20,400
Less unamortized discount	<u>0</u>	<u>0</u>
Net unconditional promises to give	<u>\$ 400</u>	<u>\$ 20,400</u>
Amounts due in:		
Less than one year	\$ 400	\$ 20,400
One to five years	<u>0</u>	<u>0</u>
Net unconditional promises to give	<u>\$ 400</u>	<u>\$ 20,400</u>

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of four percent. One donor and two donors accounted for 100 percent of outstanding promises to give at December 31, 2015 and 2014, respectively.

During the year ended December 31, 2014, the Foundation wrote off outstanding promises to give of \$141,121 as uncollectible.

NOTE D – INVESTMENTS

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the Foundation's investing activities are managed under the custody of the Board of Directors. Board policies authorize investments in direct obligations of the United States or an agency of the United States; banks which are members of the Federal Deposit Insurance Corporation; commercial paper rated at the time of purchase within the three highest classifications established by no fewer than two standard rating services; United States government or agency obligation repurchase agreements; bankers' acceptances of United States banks; certain mutual funds and certain common stocks. All investments were made in accordance with Board policies and under authorization of the Board. Investments are stated at fair market value.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D – INVESTMENTS (CONTINUED)

For investments, custodial risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities in the possession of an outside party. All of the Foundation’s investments are insured or registered or for which the securities are held by the Foundation or its agent in the Foundation’s name.

Investment costs and related market value consist of the following:

	<u>December 31, 2015</u>				
	<u>Cost</u>	<u>Market Value/ Carrying Value</u>	<u>Average Credit Quality Rating (1)</u>	<u>Effective Duration (2)</u>	<u>Weighted Average Years to Maturity (3)</u>
Mutual funds	\$ 2,664,639	\$ 2,655,103	N/A	N/A	N/A
Equity securities	4,475,703	6,262,861	N/A	N/A	N/A
Money market	407,493	407,493	N/A	N/A	N/A
Corporate bonds	<u>102,966</u>	<u>104,039</u>	FA/MS/AO	1-2 years	1 years
TOTAL	<u>\$ 7,650,801</u>	<u>\$ 9,429,496</u>			

	<u>December 31, 2014</u>				
	<u>Cost</u>	<u>Market Value/ Carrying Value</u>	<u>Average Credit Quality Rating (1)</u>	<u>Effective Duration (2)</u>	<u>Weighted Average Years to Maturity (3)</u>
Mutual funds	\$ 1,360,860	\$ 1,503,069	N/A	N/A	N/A
Equity securities	4,136,099	6,026,600	N/A	N/A	N/A
Money market	1,646,802	1,646,802	N/A	N/A	N/A
Corporate bonds	<u>248,788</u>	<u>261,356</u>	FA/MS/AO	1-3 years	2 years
TOTAL	<u>\$ 7,392,549</u>	<u>\$ 9,437,827</u>			

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D – INVESTMENTS (CONTINUED)

- (1) Ratings are provided, where applicable, to indicate associated credit risk. N/A indicates not applicable.
- (2) Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.
- (3) Interest rate risk is estimated using either duration or weighted average years to maturity depending on the respective policy. Amounts are shown in years.

Components of investment income (loss) consist of the following:

	<u>2015</u>	<u>2014</u>
Investment earnings	\$ 146,262	\$ 100,852
Realized gain on investments	197,042	618,616
Unrealized gain (loss) on investments	(234,324)	35,943
Investment fees	<u>(41,073)</u>	<u>(39,545)</u>
TOTAL	<u>\$ 67,907</u>	<u>\$ 715,866</u>

As of December 31, 2014, the Foundation held foreign corporate bonds with a market value of \$51,843, foreign equities with a market value of \$633,041, and an international mutual growth fund with a market value of \$797,984.

As of December 31, 2015, the Foundation held foreign equities with a market value of \$568,789 and an international mutual growth fund with a market value of \$1,298,177.

In accordance with generally accepted accounting principles, the Foundation has classified all of its investments in the fair value measurement hierarchy as Level 1, highest priority, classification except an investment in a local financial institution with a market value of \$123,251. The fair value input for this investment is based on recent activity in stock transactions of the institution. Level 1 inputs are quoted market prices in active markets for identical assets that are accessible at the measurement date.

NOTE E – DONATIONS

During the year ended December 31, 2014, approximately 84% of the donations received were from one individual.

NOTE F – RECLASSIFICATIONS

Expenses reported on the Statements of Activities and Changes in Net Assets for the year ended December 31, 2014 have been reclassified from program expenses to management and general expenses.

SUPPLEMENTARY
FINANCIAL
INFORMATION

SCHEDULE OF NET ASSETS

MACKINAC ISLAND COMMUNITY FOUNDATION

Year ended December 31, 2015

	Net Assets at January 1, 2015	Change in Net Assets	Net Assets at December 31, 2015
UNRESTRICTED - DESIGNATED ENDOWMENT			
Ambulance	\$ 8,472	\$ (31)	\$ 8,441
Armin Porter Memorial	11,690	5,072	16,762
Barb and Frank Lewand	23,651	(89)	23,562
Bob Gilmore Hospice	46,991	(388)	46,603
Bortz Health and Medical	63,047	(2,047)	61,000
Cancer Fund	16,240	7,539	23,779
Charlie Williams	20,929	(370)	20,559
Childrens Savings Account		20,246	20,246
Conservation easement	377,778		377,778
Cornerstone	228,367	(2,384)	225,983
Dora Williams	10,629	3,150	13,779
Eileen Croghan	12,670	850	13,520
Erin Shufelt Environmental	130,191	(1,188)	129,003
EUP CAN Fund	17,344	20,474	37,818
Father Williams	58,575	(41)	58,534
Frank Horn Scholarship	10,734	2,765	13,499
Friends of Ste. Anne's	10,691	3,462	14,153
Founders Scholarship Fund	1,041,551	(16,606)	1,024,945
General	1,943,118	39,937	1,983,055
Harry Myron	48,153	(1,689)	46,464
Health and Medical Care	22,124	(1,119)	21,005
Healthy Youth and Seniors	31,748	(675)	31,073
Historic Preservations of Documents and Photos	28,097	(100)	27,997
Horse Tradition	28,259	(896)	27,363
Huthwaite Boating	33,354	(1,201)	32,153
Jeanette Doud		6,122	6,122
Joseph Sullivan	7,834	(28)	7,806
Lois Griffin	13,970	756	14,726
Lorabeth Fitzgerald	8,800	(6,213)	2,587
MAC Expendable	47,386	(137)	47,249
MAC Fund	29,174	26,057	55,231
Mackinac College Legacy	108,291	3,160	111,451
Mackinac Conservancy	27,714	6	27,720
Mackinac Historic State Parks	21,925	(81)	21,844
Mackinac Island Cemetery Preservation	67,965	(1,548)	66,417

SCHEDULE OF NET ASSETS (CONTINUED)

	Net Assets at January 1, 2015	Change in Net Assets	Net Assets at December 31, 2015
UNRESTRICTED - DESIGNATED ENDOWMENT (CONTINUED)			
Mackinac Island Public Library	373,401	(9,280)	364,121
Mackinac Island Recreation Development	20,503	(72)	20,431
Mackinac Island Yacht Club		8,530	8,530
Mackinac Medical Center	1,778,492	(69,083)	1,709,409
Manoogian Gallagher	9,191	(1,693)	7,498
Mark Gallagher Scholarship	196,989	1,839	198,828
Marlee Brown Community Arts	249,823	(4,475)	245,348
Martin Peterson Historical Writing	33,177	(118)	33,059
Maurer Scholarship	65,843	(2,550)	63,293
MHA Community Stable	938	1,123	2,061
Murray Family	34,484	(3,180)	31,304
Music	27,805	76	27,881
Natural Resource Preservation	42,855	(131)	42,724
Olivia Chambers	19,305	(44)	19,261
Pompa Preservation of Historic Structures	16,895	43	16,938
Rainy Day	43,417	(141)	43,276
Rex and Elizabeth Orr Fund for Animals	51,686	(2,011)	49,675
Richard and Jane Manoogian	479,256	(1,892)	477,364
Sackfield Mackinac Island Public Library	66,682	(2,726)	63,956
St. Anne Catholic Church	27,007	(918)	26,089
Trinity Episcopal Church	71,198	2,649	73,847
Wawashkamo	113,277	3,760	117,037
Wendy Young	273,482	(10,176)	263,306
Wilfred Puttkammer Conservation	206,314	(2,494)	203,820
William and Jean Allen	7,127	(26)	7,101
William Beaumont Health	313,127	(15,617)	297,510
Youth	397,130	(9,082)	388,048
Zwolinski Sawyer	<u>21,504</u>	<u>(573)</u>	<u>20,931</u>
TOTAL UNRESTRICTED - DESIGNATED ENDOWMENT NET ASSETS	\$ 9,498,370	\$ (15,497)	\$ 9,482,873

SCHEDULE OF NET ASSETS (CONTINUED)

	Net Assets at January 1, 2015	Change in Net Assets	Net Assets at December 31, 2015
UNRESTRICTED - DESIGNATED EXPENDABLE			
Ambulance	\$ 4,777	\$ (62)	\$ 4,715
Anne and Stephen Murray	7,973	(237)	7,736
Bat Conservation-Education Fund	1,372	(5)	1,367
Bike Safety Program	18,447	(986)	17,461
Dora Williams	189	(189)	
Emergency Medical Fund	5,405	(727)	4,678
Garfield Slowley Special Needs Fund	205	(205)	
Great Lakes Collaborative	10,179	62	10,241
Healthy Youth and Seniors Expendable	22,453	(1,232)	21,221
Library Special	147,219	(3,053)	144,166
Mackinac Expendable	175,301	(10,388)	164,913
Rainy Day	<u>30,421</u>	<u>(6,873)</u>	<u>23,548</u>
TOTAL UNRESTRICTED - DESIGNATED EXPENDABLE NET ASSETS	\$ 423,941	\$ (23,895)	\$ 400,046
RESTRICTED - DESIGNATED ENDOWMENT			
Endowment Development	\$ 20,400	\$ (20,000)	\$ 400
LCAN Support Grant	<u>1,910</u>	<u> </u>	<u>1,910</u>
	<u>\$ 22,310</u>	<u>\$ (20,000)</u>	<u>\$ 2,310</u>
TOTAL NET ASSETS	<u>\$ 9,944,621</u>	<u>\$ (59,392)</u>	<u>\$ 9,885,229</u>

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

SUPPLEMENTAL
REPORT

MAKELA, POLLACK & AHONEN, P.L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS
301 N. SUFFOLK STREET
IRONWOOD, MICHIGAN 49938-2027

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REPORT ON INTERNAL CONTROL

Board of Directors
Mackinac Island Community Foundation
Mackinac Island, Michigan

In planning and performing our audit of the financial statements of Mackinac Island Community Foundation as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Mackinac Island Community Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in Mackinac Island Community Foundation's internal control described as item (15-001) to be a significant deficiency.

(15 - 001) Preparation of Financial Statements

Mackinac Island Community Foundation relies on its auditors to draft the financial statements and related disclosures in accordance with generally accepted accounting principles. Members of the Board review the financial statements and accept them on behalf of Mackinac Island Community Foundation. Although we report this as a significant deficiency, the hiring of additional personnel to prepare the financial statements would not be cost effective.

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

Makela, Pollock & Ahonen, PLLC

Certified Public Accountants

Ironwood, Michigan
April 6, 2016