

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

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

December 31, 2017

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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, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2017, and the changes in its net assets and its cash flows for the year 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, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 15, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

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 16 through 18 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
February 16, 2018

AUDITED
FINANCIAL
STATEMENTS

STATEMENTS OF FINANCIAL POSITION
MACKINAC ISLAND COMMUNITY FOUNDATION

	December 31,	
	2017	2016
ASSETS		
CURRENT ASSETS		
Cash	\$ 66,606	\$ 115,696
Investments	<u>11,407,456</u>	<u>9,538,441</u>
TOTAL CURRENT ASSETS	\$ 11,474,062	\$ 9,654,137
OTHER ASSET		
Conservation Easement	<u>377,778</u>	<u>377,778</u>
	<u>\$ 11,851,840</u>	<u>\$ 10,031,915</u>
LIABILITIES		
CURRENT LIABILITIES - Accounts payable	\$ 29,022	
NET ASSETS		
NET ASSETS		
Unrestricted:		
Designated endowment	\$ 10,388,773	\$ 8,966,771
Designated expendable	<u>1,432,135</u>	<u>1,063,234</u>
	\$ 11,820,908	\$ 10,030,005
Temporarily restricted -		
Grants	<u>1,910</u>	<u>1,910</u>
	<u>\$ 11,851,840</u>	<u>\$ 10,031,915</u>

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

STATEMENTS OF ACTIVITIES
MACKINAC ISLAND COMMUNITY FOUNDATION

	<u>Year ended December 31, 2017</u>			Year ended December 31, <u>2016</u>
	Unrestricted	Temporarily Restricted	Total	(Summarized)
SUPPORT AND REVENUE				
Donations	\$ 344,303		\$ 344,303	\$ 260,166
Grants received	2,500		2,500	
Grant funds returned				1,093
Investment income	1,885,443		1,885,443	192,407
Donated services	17,000		17,000	17,000
Administrative fee income	<u>94,765</u>		<u>94,765</u>	<u>86,563</u>
TOTAL SUPPORT AND REVENUE	\$ 2,344,011		\$ 2,344,011	\$ 557,229
EXPENSES				
Program expenses:				
Grants to other organizations	\$ 339,792		\$ 339,792	\$ 209,646
Advertising	6,928		6,928	4,378
Conference fees	100		100	1,904
Direct expenses	4,815		4,815	1,788
Dues and subscriptions	3,870		3,870	2,620
Miscellaneous	797		797	404
Supplies and postage	5,986		5,986	6,920
Telephone and internet	1,853		1,853	1,833
Travel	2,228		2,228	1,331
Write-off of uncollectible promises to give				<u>400</u>
	<u>\$ 366,369</u>		<u>\$ 366,369</u>	<u>\$ 231,224</u>
Management and general:				
Administrative fee expense	\$ 94,765		\$ 94,765	\$ 86,563
Payroll expenses	56,394		56,394	62,512
Donated services	17,000		17,000	17,000
Insurance	2,328		2,328	3,178
Other	1,010		1,010	
Professional fees	<u>15,242</u>		<u>15,242</u>	<u>10,066</u>
	<u>\$ 186,739</u>		<u>\$ 186,739</u>	<u>\$ 179,319</u>
TOTAL EXPENSES	\$ 553,108		\$ 553,108	\$ 410,543
CHANGE IN NET ASSETS	\$ 1,790,903	\$ 0	\$ 1,790,903	\$ 146,686
NET ASSETS AT BEGINNING OF YEAR	<u>10,030,005</u>	<u>1,910</u>	<u>10,031,915</u>	<u>9,885,229</u>
NET ASSETS AT END OF YEAR	<u>\$ 11,820,908</u>	<u>\$ 1,910</u>	<u>\$ 11,822,818</u>	<u>\$ 10,031,915</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>	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,790,903	\$ 146,686
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized gain on investments	\$ (865,893)	\$ (105,666)
Unrealized gain on investments	(930,792)	(6,068)
Increase in accounts payable	29,022	
Write off of uncollectible promises to give	<u> </u>	<u>400</u>
Total adjustments	<u>\$(1,767,663)</u>	<u>\$ (111,334)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 23,240	\$ 35,352
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	\$(4,294,399)	\$ (1,864,148)
Proceeds from sales of investments	<u>4,222,069</u>	<u>1,866,937</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>\$ (72,330)</u>	<u>\$ 2,789</u>
NET INCREASE (DECREASE) IN CASH	\$ (49,090)	\$ 38,141
Cash at beginning of year	<u>115,696</u>	<u>77,555</u>
CASH AT END OF YEAR	<u>\$ 66,606</u>	<u>\$ 115,696</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, 2017

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 Foundation 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, 2017 and 2016.

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 on 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 – 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.

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, 2017</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	\$ 1,411,331	\$ 1,388,052	N/A	N/A	N/A
Equity securities	6,829,025	9,495,132	N/A	N/A	N/A
Money market	<u>524,272</u>	<u>524,272</u>	N/A	N/A	N/A
TOTAL	<u>\$ 8,764,628</u>	<u>\$ 11,407,456</u>			

	<u>December 31, 2016</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	\$ 2,696,984	\$ 2,663,177	N/A	N/A	N/A
Equity securities	4,564,232	6,345,483	N/A	N/A	N/A
Money market	478,338	478,338	N/A	N/A	N/A
Corporate bonds	<u>52,344</u>	<u>51,443</u>	FA/MS/AO	1-2 years	1 years
TOTAL	<u>\$ 7,791,898</u>	<u>\$ 9,538,441</u>			

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE C – 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>2017</u>	<u>2016</u>
Investment earnings	\$ 134,985	\$ 123,471
Realized gain on investments	865,893	105,666
Unrealized gain on investments	930,792	6,068
Investment fees	<u>(46,227)</u>	<u>(42,798)</u>
TOTAL	<u>\$ 1,885,443</u>	<u>\$ 192,407</u>

As of December 31, 2016, the Foundation held foreign equities with a market value of \$176,745 and an international mutual growth fund with a market value of \$1,265,221.

As of December 31, 2017, the Foundation held two international mutual growth funds with a market value of \$1,969,974.

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 \$123,576 and \$117,072 at December 31, 2017 and 2016, respectively. 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 D – RECLASSIFICATIONS

Several net asset categories were reclassified as of December 31, 2016 from unrestricted – designated endowment to unrestricted – designated expendable. The reclassifications totaled \$691,035. The December 31, 2016 unrestricted net assets have been restated for this change.

SUPPLEMENTARY
FINANCIAL
INFORMATION

SCHEDULE OF NET ASSETS

MACKINAC ISLAND COMMUNITY FOUNDATION

Year ended December 31, 2017

	Net Assets at January 1, 2017	Change in Net Assets	Net Assets at December 31, 2017
UNRESTRICTED - DESIGNATED ENDOWMENT			
Ambulance	\$ 8,539	\$ 1,764	\$ 10,303
Armin Porter Memorial	21,864	9,928	31,792
Barb and Frank Lewand	22,940	4,496	27,436
Bob Gilmore Hospice	47,487	9,640	57,127
Bortz Health and Medical	59,963	8,963	68,926
Charlie Williams	20,818	3,105	23,923
Conservation easement	377,778		377,778
Cornerstone	235,740	43,553	279,293
Dora Williams	15,469	7,779	23,248
Dorothy Dehring		11,772	11,772
Eileen Croghan	14,190	2,791	16,981
Erin Shufelt Environmental	130,141	25,306	155,447
EUP CAN Fund	30,893	10,082	40,975
Father Williams	57,033	9,394	66,427
Friends of Ste. Anne's	55,005	20,911	75,916
Founders Scholarship Fund	1,018,211	181,349	1,199,560
General	2,004,519	266,701	2,271,220
Harry Myron	45,426	9,134	54,560
Health and Medical Care	20,526	3,581	24,107
Healthy Youth and Seniors	30,244	6,451	36,695
Historic Preservations of Documents and Photos	28,319	5,560	33,879
Horse Tradition	26,646	4,069	30,715
Huthwaite Boating	31,240	4,756	35,996
Jeanette Doud	17,084	11,644	28,728
Joseph Sullivan	7,602	1,490	9,092
Judge Glenn S. Allen Family		5,570	5,570
Lois Griffin	15,462	4,186	19,648
Lorabeth Fitzgerald	2,904	(2,904)	
MAC Expendable	52,782	10,430	63,212
MAC Fund	57,478	12,248	69,726
Mackinac College Legacy	112,422	22,772	135,194
Mackinac Historic State Parks	22,094	3,492	25,586
Mackinac Island Cemetery Preservation	64,567	33,467	98,034
Mackinac Island Public Library	356,015	55,606	411,621
Mackinac Island Recreation Development	20,666	4,058	24,724

SCHEDULE OF NET ASSETS (CONTINUED)

	Net Assets at January 1, 2017	Change in Net Assets	Net Assets at December 31, 2017
UNRESTRICTED - DESIGNATED ENDOWMENT (CONTINUED)			
Mackinac Island Yacht Club	10,869	3,026	13,895
Mackinac Medical Center	1,728,807	203,888	1,932,695
Mark Gallagher Scholarship	202,528	41,389	243,917
Marlee Brown Community Arts	240,964	40,447	281,411
Martin Peterson Historical Writing	33,440	5,303	38,743
Maurer Scholarship	62,414	13,336	75,750
Music	28,453	4,365	32,818
Natural Resource Preservation	43,734	7,670	51,404
Olivia Chambers	18,864	3,803	22,667
Pompa Preservation of Historic Structures	16,510	3,341	19,851
Rainy Day	45,122	9,802	54,924
Rex and Elizabeth Orr Fund for Animals	48,236	7,540	55,776
Sackfield Mackinac Island Public Library	62,059	9,298	71,357
Sandra and Debra Orr		5,444	5,444
St. Anne Catholic Church	26,384	11,120	37,504
Trinity Episcopal Church	72,809	12,444	85,253
Wawashkamo	117,088	26,807	143,895
Wendy Young	263,330	44,243	307,573
Wilfred Puttkammer Conservation	202,690	44,549	247,239
William and Jean Allen	6,673	1,437	8,110
William Beaumont Health	294,870	44,138	339,008
Wohletz Family Fund	5,332	2,537	7,869
Youth	383,149	59,823	442,972
Zwolinski Sawyer	<u>20,379</u>	<u>3,108</u>	<u>23,487</u>
TOTAL UNRESTRICTED - DESIGNATED ENDOWMENT NET ASSETS	\$ 8,966,771	\$ 1,422,002	\$ 10,388,773

SCHEDULE OF NET ASSETS (CONTINUED)

	Net Assets at January 1, 2017	Change in Net Assets	Net Assets at December 31, 2017
UNRESTRICTED - DESIGNATED EXPENDABLE			
Ambulance	\$ 4,745	\$ 2,718	\$ 7,463
Anne and Stephen Murray	7,465	(420)	7,045
Bat Conservation-Education Fund	1,383	271	1,654
Bike Safety Program	17,018	2,990	20,008
Cancer Fund	55,049	59,613	114,662
Emergency Medical Fund	4,727	1,016	5,743
Frank Horn Scholarship	11,831	3,536	15,367
Great Lakes Collaborative	10,360	2,034	12,394
Healthy Youth and Seniors Expendable	18,465	3,586	22,051
Housing Fund		43,831	43,831
Library Special	133,564	26,175	159,739
Mackinac Conservancy	28,238	5,651	33,889
Mackinac Expendable	155,357	23,414	178,771
Manoogian Gallagher	13,854	40	13,894
MHA Community Stable	2,597	519	3,116
Murray Family	46,496	9,213	55,709
Rainy Day	19,115	4,278	23,393
Rehabilitation Fund	41,364	72,824	114,188
Richard and Jane Manoogian	<u>491,606</u>	<u>107,612</u>	<u>599,218</u>
TOTAL UNRESTRICTED - DESIGNATED EXPENDABLE NET ASSETS	\$ 1,063,234	\$ 368,901	\$ 1,432,135
RESTRICTED - DESIGNATED ENDOWMENT			
LCAN Support Grant	<u>1,910</u>	<u> </u>	<u>1,910</u>
TOTAL NET ASSETS	<u>\$ 10,031,915</u>	<u>\$ 1,790,903</u>	<u>\$ 11,822,818</u>

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

SUPPLEMENTAL
REPORT

MAKELA, POLLACK & AHONEN, P.L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S 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, 2017, 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 Mackinac Island Community Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Mackinac Island Community 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 (2017 - 001) to be a significant deficiency.

(2017 - 001) Preparation of Financial Statements

Mackinac Island Community Foundation relies on its auditors to draft the financial statements and related note 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, we believe 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
February 16, 2018