

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

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

December 31, 2016

CONTENTS

Audited Financial Statements:	
Independent Auditor's Report	Page 3
Statements of Financial Position	6
Statements of Activities and Changes in Net Assets.....	7
Statements of Cash Flows	8
Notes to Financial Statements	10
Supplementary Financial Information:	
Schedule of Net Assets.....	17
Supplemental Report –	
Report on Internal Control	A-1

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

T. J. MAKELA, C.P.A.
A. R. POLLACK, C.P.A., C.S.E.P.
K. T. AHONEN, C.P.A.
MEMBERS

TELEPHONE
(906) 932-4430
FAX
(906) 932-0677
EMAIL
mpa@ironwoodcpa.com

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, 2016, and the related statements of activities and changes in net assets, 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, 2016, 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, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 6, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, 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 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
May 15, 2017

AUDITED
FINANCIAL
STATEMENTS

STATEMENTS OF FINANCIAL POSITION
MACKINAC ISLAND COMMUNITY FOUNDATION

	December 31,	
	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	\$ 115,696	\$ 77,555
Investments	9,538,441	9,375,776
Promises to give	400	400
TOTAL CURRENT ASSETS	\$ 9,654,137	\$ 9,453,731
NONCURRENT ASSETS -		
Investment - Corporate bonds		53,720
OTHER ASSET		
Conservation Easement	377,778	377,778
	\$ 10,031,915	\$ 9,885,229
NET ASSETS		
NET ASSETS		
Unrestricted:		
Designated endowment	\$ 9,657,806	\$ 9,482,873
Designated expendable	372,199	400,046
	\$ 10,030,005	\$ 9,882,919
Temporarily restricted:		
Designated endowment		\$ 400
Grants	\$ 1,910	1,910
	\$ 1,910	2,310
	\$ 10,031,915	\$ 9,885,229

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, 2016			Year ended December 31, 2015
	Unrestricted	Temporarily Restricted	Total	(Summarized)
SUPPORT AND REVENUE				
Donations	\$ 260,166		\$ 260,166	\$ 212,772
Grants received				20,930
Grant funds returned	1,093		1,093	1,180
Investment income	192,407		192,407	67,907
Donated services	17,000		17,000	18,240
Administrative fee income	86,563		86,563	77,045
Other				103
TOTAL SUPPORT AND REVENUE	\$ 557,229		\$ 557,229	\$ 398,177
EXPENSES				
Program expenses:				
Grants to other organizations	\$ 209,646		\$ 209,646	\$ 272,089
Advertising	4,378		4,378	5,958
Conference fees	1,904		1,904	830
Direct expenses	1,788		1,788	1,751
Dues and subscriptions	2,620		2,620	2,620
Miscellaneous	404		404	263
Supplies and postage	6,920		6,920	4,752
Telephone	1,833		1,833	2,302
Travel	1,331		1,331	953
Write-off of uncollectible promises to give		\$ 400	400	
	\$ 230,824	\$ 400	\$ 231,224	\$ 291,518
Management and general:				
Administrative fee expense	\$ 86,563		\$ 86,563	\$ 77,045
Payroll expenses	62,512		62,512	62,359
Donated services	17,000		17,000	18,240
Insurance	3,178		3,178	1,216
Professional fees	10,066		10,066	7,191
	\$ 179,319		\$ 179,319	\$ 166,051
TOTAL EXPENSES	\$ 410,143	\$ 400	\$ 410,543	\$ 457,569
CHANGE IN NET ASSETS	\$ 147,086	\$ (400)	\$ 146,686	\$ (59,392)
NET ASSETS AT BEGINNING OF YEAR	9,882,919	2,310	9,885,229	9,944,621
NET ASSETS AT END OF YEAR	\$ 10,030,005	\$ 1,910	\$ 10,031,915	\$ 9,885,229

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>	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 146,686	\$ (59,392)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized gain on investments	\$ (105,666)	\$ (197,042)
Unrealized (gain) loss on investments	(6,068)	234,324
Decrease in promises to give		20,000
Write off of uncollectible promises to give	<u>400</u>	<u> </u>
Total adjustments	<u>\$ (111,334)</u>	<u>\$ 57,282</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 35,352	\$ (2,110)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	\$(1,864,148)	\$ (1,477,548)
Proceeds from sales of investments	<u>1,866,937</u>	<u>1,448,597</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	\$ 2,789	\$ (28,951)
NET INCREASE (DECREASE) IN CASH	\$ 38,141	\$ (31,061)
Cash at beginning of year	<u>77,555</u>	<u>108,616</u>
CASH AT END OF YEAR	\$ <u>115,696</u>	\$ <u>77,555</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, 2016

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, 2016 and 2015.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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.

NOTE C – PROMISES TO GIVE

Unconditional promises to give consisted of one outstanding promise to give of \$400 at December 31, 2015.

During the year ended December 31, 2016, the Foundation wrote off the outstanding promises to give of \$400 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, 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>			

	<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>			

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>2016</u>	<u>2015</u>
Investment earnings	\$ 123,471	\$ 146,262
Realized gain on investments	105,666	197,042
Unrealized gain (loss) on investments	6,068	(234,324)
Investment fees	<u>(42,798)</u>	<u>(41,073)</u>
TOTAL	<u>\$ 192,407</u>	<u>\$ 67,907</u>

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.

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.

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 \$117,072 and \$123,251 at December 31, 2016 and 2015, 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.

SUPPLEMENTARY
FINANCIAL
INFORMATION

SCHEDULE OF NET ASSETS

MACKINAC ISLAND COMMUNITY FOUNDATION

Year ended December 31, 2016

	Net Assets at January 1, 2016	Change in Net Assets	Net Assets at December 31, 2016
UNRESTRICTED - DESIGNATED ENDOWMENT			
Ambulance	\$ 8,441	\$ 98	\$ 8,539
Armin Porter Memorial	16,762	5,102	21,864
Barb and Frank Lewand	23,562	(622)	22,940
Bob Gilmore Hospice	46,603	884	47,487
Bortz Health and Medical	61,000	(1,037)	59,963
Cancer Fund	23,779	31,270	55,049
Charlie Williams	20,559	259	20,818
Childrens Savings Account	20,246	(20,246)	
Conservation easement	377,778		377,778
Cornerstone	225,983	9,757	235,740
Dora Williams	13,779	1,690	15,469
Eileen Croghan	13,520	670	14,190
Erin Shufelt Environmental	129,003	1,138	130,141
EUP CAN Fund	37,818	(6,925)	30,893
Father Williams	58,534	(1,501)	57,033
Frank Horn Scholarship	13,499	(1,668)	11,831
Friends of Ste. Anne's	14,153	40,852	55,005
Founders Scholarship Fund	1,024,945	(6,734)	1,018,211
General	1,983,055	21,464	2,004,519
Harry Myron	46,464	(1,038)	45,426
Health and Medical Care	21,005	(479)	20,526
Healthy Youth and Seniors	31,073	(829)	30,244
Historic Preservations of Documents and Photos	27,997	322	28,319
Horse Tradition	27,363	(717)	26,646
Huthwaite Boating	32,153	(913)	31,240
Jeanette Doud	6,122	10,962	17,084
Joseph Sullivan	7,806	(204)	7,602
Lois Griffin	14,726	736	15,462
Lorabeth Fitzgerald	2,587	317	2,904
MAC Expendable	47,249	5,533	52,782
MAC Fund	55,231	2,247	57,478
Mackinac College Legacy	111,451	971	112,422
Mackinac Conservancy	27,720	518	28,238
Mackinac Historic State Parks	21,844	250	22,094
Mackinac Island Cemetery Preservation	66,417	(1,850)	64,567

SCHEDULE OF NET ASSETS (CONTINUED)

	Net Assets at January 1, 2016	Change in Net Assets	Net Assets at December 31, 2016
UNRESTRICTED - DESIGNATED ENDOWMENT (CONTINUED)			
Mackinac Island Public Library	364,121	(8,106)	356,015
Mackinac Island Recreation Development	20,431	235	20,666
Mackinac Island Yacht Club	8,530	2,339	10,869
Mackinac Medical Center	1,709,409	19,398	1,728,807
Manoogian Gallagher	7,498	6,356	13,854
Mark Gallagher Scholarship	198,828	3,700	202,528
Marlee Brown Community Arts	245,348	(4,384)	240,964
Martin Peterson Historical Writing	33,059	381	33,440
Maurer Scholarship	63,293	(879)	62,414
MHA Community Stable	2,061	536	2,597
Murray Family	31,304	15,192	46,496
Music	27,881	572	28,453
Natural Resource Preservation	42,724	1,010	43,734
Olivia Chambers	19,261	(397)	18,864
Pompa Preservation of Historic Structures	16,938	(428)	16,510
Rainy Day	43,276	1,846	45,122
Rehabilitation Fund		41,364	41,364
Rex and Elizabeth Orr Fund for Animals	49,675	(1,439)	48,236
Richard and Jane Manoogian	477,364	14,242	491,606
Sackfield Mackinac Island Public Library	63,956	(1,897)	62,059
St. Anne Catholic Church	26,089	295	26,384
Trinity Episcopal Church	73,847	(1,038)	72,809
Wawashkamo	117,037	51	117,088
Wendy Young	263,306	24	263,330
Wilfred Puttkammer Conservation	203,820	(1,130)	202,690
William and Jean Allen	7,101	(428)	6,673
William Beaumont Health	297,510	(2,640)	294,870
Wohletz Family Fund		5,332	5,332
Youth	388,048	(4,899)	383,149
Zwolinski Sawyer	20,931	(552)	20,379
TOTAL UNRESTRICTED - DESIGNATED ENDOWMENT NET ASSETS	\$ 9,482,873	\$ 174,933	\$ 9,657,806

SCHEDULE OF NET ASSETS (CONTINUED)

	Net Assets at January 1, 2016	Change in Net Assets	Net Assets at December 31, 2016
UNRESTRICTED - DESIGNATED EXPENDABLE			
Ambulance	\$ 4,715	\$ 30	\$ 4,745
Anne and Stephen Murray	7,736	(271)	7,465
Bat Conservation-Education Fund	1,367	16	1,383
Bike Safety Program	17,461	(443)	17,018
Emergency Medical Fund	4,678	49	4,727
Great Lakes Collaborative	10,241	119	10,360
Healthy Youth and Seniors Expendable	21,221	(2,756)	18,465
Library Special	144,166	(10,602)	133,564
Mackinac Expendable	164,913	(9,556)	155,357
Rainy Day	<u>23,548</u>	<u>(4,433)</u>	<u>19,115</u>
TOTAL UNRESTRICTED - DESIGNATED EXPENDABLE NET ASSETS	\$ 400,046	\$ (27,847)	\$ 372,199
RESTRICTED - DESIGNATED ENDOWMENT			
Endowment Development	\$ 400	\$ (400)	
LCAN Support Grant	<u>1,910</u>	<u> </u>	<u>\$ 1,910</u>
	<u>\$ 2,310</u>	<u>\$ (400)</u>	<u>\$ 1,910</u>
TOTAL NET ASSETS	<u>\$ 9,885,229</u>	<u>\$ 146,686</u>	<u>\$ 10,031,915</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

T. J. MAKELA, C.P.A.
A. R. POLLACK, C.P.A., C.S.E.P.
K. T. AHONEN, C.P.A.
MEMBERS

TELEPHONE
(906) 932-4430
FAX
(906) 932-0677
EMAIL
mpa@ironwoodcpa.com

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, 2016, 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 material weakness and another deficiency 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 consider the following deficiency in Mackinac Island Community Foundation's internal control described as item (2016-001) to be a material weakness.

(2016 - 001) Segregation of Duties

The size of Mackinac Island Community Foundation's accounting and administrative staff precludes certain internal controls and proper segregation of duties that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remains involved in the financial affairs of Mackinac Island Community Foundation to provide oversight and independent review functions.

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 (2016-002) to be a significant deficiency.

(2016 - 002) 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, the hiring of additional personnel to prepare the financial statements would not be cost effective.

We also issued a separate letter dated May 15, 2017 to Mackinac Island Community Foundation with a recommendation for another item noted during the audit.

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, Pollack & Ahonen, PLLC

Certified Public Accountants

Ironwood, Michigan
May 15, 2017