Livonia Community Foundation, Inc.

Financial Statements

For the Year Ended December 31, 2014

With Comparative Totals
For The Year Ended December 31, 2013

CND Cole, Newton & Duran
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Livonia Community Foundation, Inc., which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and changes in net assets and functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

An audit includes 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 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 includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Livonia Community Foundation, Inc. as of December 31, 2014, 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 Livonia Community Foundation's 2013 financial statements, and in our report dated May 20, 2014, expressed an unmodified opinion on those audited statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

COLE, NEWTON & DURAN

Cole, Newton & Duran

July 30, 2015

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Livonia Community Foundation, Inc.

Statement of Financial Position

December 31, 2014

With Comparative Totals for the Year Ended December 31, 2013

ASSETS

	2014	2013
Cash and cash equivalents	$ 71,553	$ 67,534
Investments	1,128,425	1,084,957
Promises to give	-	1,000
Prepaid expenses	2,787	2,179
Computer equipment, net of accumulated depreciation	375	640
TOTAL ASSETS	$ 1,203,140	$ 1,156,310

LIABILITIES AND NET ASSETS

	2014	2013
Accounts payable and other accrued expenses	$ 269	$ 660
Grants payable	27,500	25,000
Grant reserve	12,521	9,544
TOTAL LIABILITIES	40,290	35,204
NET ASSETS		
Unrestricted	120,870	122,222
Temporarily restricted	109,934	81,934
Permanently restricted	932,046	916,950
TOTAL NET ASSETS	1,162,850	1,121,106
TOTAL LIABILITIES AND NET ASSETS	$ 1,203,140	$ 1,156,310

See Accompanying Notes to the Financial Statements.

Livonia Community Foundation, Inc.

Statement of Activities and Changes in Net Assets

For the Year Ended December 31, 2014

With Comparative Totals for the Year Ended December 31, 2013

	2014				2013
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
SUPPORT AND REVENUE					
Support	$ 16,329	$ -	$ 15,096	$ 31,425	$ 30,140
Special events, net of direct expenses of $950 (2014) and $850 (2013)	3,331	-	-	3,331	5,875
Investment income	32,526	28,000	-	60,526	138,559
Total Support and Revenue	52,186	28,000	15,096	95,282	174,574
OPERATING EXPENSES					
Program	31,094	-	-	31,094	35,554
Administrative	13,230	-	-	13,230	12,412
Fundraising	9,214	-	-	9,214	11,852
Total Operating Expenses	53,538	-	-	53,538	59,818
INCREASE/(DECREASE) IN NET ASSETS	(1,352)	28,000	15,096	41,744	114,756
NET ASSETS AT BEGINNING OF YEAR	112,417	81,934	916,950	1,111,301	996,545
PRIOR PERIOD ADJUSTMENT	9,805	-	-	9,805	9,805
BEGINNING NET ASSETS, RE-STATED	122,222	81,934	916,950	1,121,106	-
NET ASSETS AT END OF YEAR	$ 120,870	$ 109,934	$ 932,046	$ 1,162,850	$ 1,121,106

Livonia Community Foundation, Inc.

Statement of Functional Expenses

For the Year Ended December 31, 2014

With Comparative Totals for the Year Ended December 31, 2013

	2014				2013
	Program	Management	Fundraising	Totals	Totals
Grants	$ 30,477	$ -	$ -	$ 30,477	$ 34,544
Dues and conferences	-	159	-	159	318
Postage	-	-	3,055	3,055	2,907
Printing and supplies	-	2,358	6,159	8,517	10,062
Bank charges	-	359	-	359	217
Audit and tax fees	-	5,128	-	5,128	4,945
Insurance	-	970	-	970	961
Filing fees	-	30	-	30	20
Events expense	617	-	-	617	1,010
Wages	-	2,933	-	2,933	4,010
Other expense	-	385	-	385	-
Payroll expenses	-	364	-	364	295
Payroll tax expense	-	279	-	279	374
Depreciation	-	265	-	265	155
	$ 31,094	$ 13,230	$ 9,214	$ 53,538	$ 59,818

Livonia Community Foundation, Inc.

Statement of Cash Flows

For the Year Ended December 31, 2014

With Comparative Totals for the Year Ended December 31, 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ 41,744	$ 114,756
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	265	155
Realized and unrealized (gains) losses on investments	842	(96,878)
Changes in operating assets and liabilities		
(Increase) decrease in promises to give	1,000	(1,000)
(Increase) decrease in prepaid expenses	(608)	134
Increase (decrease) in accounts payable and accrued expenses	5,086	2,302
Net cash provided by (used in) operating activities	48,329	19,469
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of computer equipment	-	(795)
Proceeds from sales of investments	50,988	496,676
Purchases of investments	(95,298)	(557,179)
Net cash provided by (used in) investing activities	(44,310)	(61,298)
Net increase (decrease) in cash and cash equivalents	4,019	(41,829)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	67,534	109,363
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 71,553	$ 67,534

Supplementary cash flows information:

Cash paid for interest	$ -
Cash paid for income taxes	$ -

Livonia Community Foundation, Inc.

Notes to Financial Statements

December 31, 2014 and 2013

NOTE A. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Organization and nature of activities

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

Financial statement presentation and contributions

Financial statement presentation follows requirements of the Not-for-Profit Entities Topic of the FASB Accounting Standards Codification. Net assets of the Foundation are classified as unrestricted, temporarily restricted, or permanently restricted. Contributions and income received by the Foundation are held in various funds which are classified as follows:

> Unrestricted net assets consist of resources that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.
>
> Temporarily restricted net assets consist of resources of which the use by the Foundation is limited by donor imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations.
>
> Permanently restricted net assets consist of beneficial interest in perpetual trusts and funds created by donors. Earnings on permanently restricted net assets are classified as temporarily restricted until appropriated for expenditure.

Cash and cash equivalents

The Foundation considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Promises to give

Promises to give consist of unconditional contributions receivable. All are expected to be received within one year, no allowance for uncollectible accounts has been provided by management.

Contributed services

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

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

NOTE A. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES, continued

Computer equipment

Computer equipment is recorded at cost and depreciated using the straight-line method. Cost of the equipment was $795, accumulated depreciation is $420, net book value is $375 and $640 as of December 31, 2014 and 2013, respectively.

Income taxes

The Foundation is a non-profit organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is no longer subject to U.S. federal tax examinations for years before 2011.

Events occurring after reporting date

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

NOTE B. INVESTMENTS

As of December 31, 2014, and 2013 the Foundation's investments consisted of the following:

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Equities	$ 561,994	$ 667,592	$524,768	$ 645,162
Mutual funds	458,842	460,834	443,144	439,795
	$1,020,836	$1,128,425	$967,912	$1,084,957

Investment income was as follows:	2014	2013
Dividend and interest income	$ 69,264	$ 48,778
Realized gains (losses) on sales	12,163	74,554
Unrealized gains (losses)	(13,005)	22,324
Investment fees	(7,896)	(7,097)
Total	$ 60,526	$ 138,559

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

NOTE C. CREDIT RISK

The Federal Deposit Insurance Corporation (FDIC) insures balances in one bank up to $250,000. Money market funds at investment firms are not insured by the FDIC. The Foundation has not experienced any losses with respect to uninsured balances.

NOTE D. ADMINISTRATIVE ALLOCATION

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

NOTE E. FAIR VALUE MEASUREMENTS

Accounting standards require certain assets be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on hierarchy that prioritizes the valuation techniques and inputs used to measure fair value.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

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

As of December 31, 2014 and 2013, all investments are classified as Level 1, in which valuation is based on quoted prices for identical instruments traded in active markets, such as the New York Stock Exchange, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets, and money market funds.

NOTE F. ENDOWMENT FUNDS

Endowment funds at December 31, 2014 and 2013 consisted of the following:

	2014	2013
General fund	$800,079	$784,983
Greenmead Endowment	15,600	15,600
Health and Education Endowment	102,367	102,367
First Step Endowment	7,000	7,000
Livonia Y Kid Camp Endowment	7,000	7,000
	$932,046	$ 916,950

NOTE F. ENDOWMENT FUNDS, continued

Change in Endowment Net Assets for the Year Ended December 31, 2013:

	Temporarily Restricted	Permanently Restricted
Net assets, beginning of year	$ 9,794	$ 903,830
Investment return:		
Investment income	116,235	-0-
Net appreciation (depreciation)	-0-	-0-
Contributions and other income	-0-	29,140
Expenses	(44,095)	(16,020)
	$ 81,934	$ 916,950

Change in Endowment Net Assets for the Year Ended December 31, 2014:

	Temporarily Restricted	Permanently Restricted
Net assets, beginning of year	$ 81,934	$ 916,950
Investment return:		
Investment income	60,524	-0-
Net appreciation (depreciation)	-0-	-0-
Contributions and other income	-0-	31,425
Expenses	(32,524)	(16,329)
	$ 109,934	$ 932,046

Interpretation of Relevant Law

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the original gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets at the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

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

NOTE F. ENDOWMENT FUNDS, continued

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

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

Short-term asset allocation

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

Long-term asset allocation

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

Equities: Maximized portfolio allocation of no more than 75% of the total value and minimum portfolio allocation of no less than 65% of the total portfolio value, with a target of 70%.

Fixed Income: Maximized portfolio allocation of no more than 35% of the total portfolio value and minimum portfolio allocation of no less than 25% of the total portfolio, with a target of 30%.

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

NOTE G. COMPARATIVE STATEMENTS

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

NOTE H. PRIOR PERIOD ADJUSTMENT

Management determined during 2014 that the grant reserve liability was over-stated in 2013. An adjustment of $9,805 has been recorded to correct the overstatement.