



**SOUTHFIELD COMMUNITY FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

**Years Ended June 30, 2002 and 2001**

**SOUTHFIELD COMMUNITY FOUNDATION, INC.  
FINANCIAL STATEMENTS**

**Years Ended June 30, 2002 and 2001**

**TABLE OF CONTENTS**

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT .....	1
STATEMENTS OF FINANCIAL POSITION .....	2
STATEMENTS OF ACTIVITIES.....	3
STATEMENTS OF CASH FLOWS .....	4
NOTES TO THE FINANCIAL STATEMENTS.....	5 - 8



**ZALENKO & ASSOCIATES, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

26211 CENTRAL PARK BLVD. • SUITE 220

SOUTHFIELD, MICHIGAN 48076 • PHONE (248) 357-2400

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Southfield Community Foundation, Inc.  
Southfield, MI

We have audited the accompanying Statements of Financial Position of Southfield Community Foundation, Inc. (a nonprofit organization) as of June 30, 2002 and 2001, and the related Statements of Activities and Cash Flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southfield Community Foundation, Inc. as of June 30, 2002 and 2001 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

August 30, 2002

**SOUTHFIELD COMMUNITY FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
 June 30, 2002 and 2001

**ASSETS**

	<u>2002</u>	<u>2001</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 63,779	\$ 17,221
Investments	1,402,951	1,476,779
Prepaid Expense	8,872	4,972
Contributions Receivable	<u>10,000</u>	<u>45,866</u>
<b>TOTAL CURRENT ASSETS</b>	<u>1,485,602</u>	<u>1,544,838</u>
<b>PROPERTY AND EQUIPMENT</b>		
Computer Equipment	18,720	17,391
Vehicles	<u>9,600</u>	<u>9,600</u>
Total Cost	28,320	26,991
Less: Accumulated Depreciation	<u>14,619</u>	<u>8,973</u>
<b>NET PROPERTY AND EQUIPMENT</b>	<u>13,701</u>	<u>18,018</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,499,303</u>	<u>\$ 1,562,856</u>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Accounts Payable	\$ 24,380	\$ 7,212
Grants Payable	8,497	10,347
Deferred Income	2,500	7,225
Agency Funds		
Pass-Through	30,828	32,533
Endowment	<u>150,000</u>	<u>150,000</u>
<b>TOTAL LIABILITIES</b>	<u>216,205</u>	<u>207,317</u>
<b>NET ASSETS</b>		
Unrestricted		
Designated Endowment	1,393,339	1,509,059
Designated Expendable	37,280	22,051
Undesignated	<u>(147,521)</u>	<u>(175,571)</u>
<b>TOTAL NET ASSETS</b>	<u>1,283,098</u>	<u>1,355,539</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,499,303</u>	<u>\$ 1,562,856</u>

SOUTHFIELD COMMUNITY FOUNDATION, INC.  
 STATEMENTS OF ACTIVITIES  
 Years Ended June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>		
<b>REVENUES</b>		
Contributions		
General Operating	\$ 107,063	\$ 109,775
Designated for Current Use	25,840	11,903
Designated for Endowment		
Southfield Emergency Services	3,046	3,408
Southfield Education Fund	1,456	676
Field of Interest Funds	1,739	16,417
Scholarship Funds	11,306	1,942
Donor Advised Funds	15,750	4,728
Other	1,397	1,437
Programs and Events		
Celebration of Diversity	89,506	182,354
Fundraising Events	57,002	44,632
Other Programs	1,499	1,435
Investment (Loss)	<u>(110,227)</u>	<u>(165,930)</u>
<b>TOTAL REVENUES</b>	<u>205,377</u>	<u>212,777</u>
<b>EXPENSES</b>		
Program		
Grants	44,788	51,690
Celebration of Diversity	28,599	371,300
Community Service and Other	16,725	17,266
Supporting Services		
General and Administrative	132,130	96,557
Fundraising Activities	<u>55,576</u>	<u>58,978</u>
<b>TOTAL EXPENSE</b>	<u>277,818</u>	<u>595,791</u>
<b>(DECREASE) IN UNRESTRICTED NET ASSETS</b>	(72,441)	(383,014)
<b>NET ASSETS, BEGINNING</b>	<u>1,355,539</u>	<u>1,738,553</u>
<b>NET ASSETS, ENDING</b>	<u>\$ 1,283,098</u>	<u>\$ 1,355,539</u>

**SOUTHFIELD COMMUNITY FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
 Years Ended June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (72,441)	\$ (383,014)
Adjustment to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	5,646	5,358
Realized and Unrealized Loss on Investments	126,778	240,869
Non-Cash Contributions	-0-	(10,800)
Net (Increase) Decrease in:		
Contributions Receivable	35,866	45,476
Prepaid Expense	(3,900)	(2,772)
Net Increase (Decrease) in:		
Accounts Payable	17,168	(13,883)
Deferred Income	(4,725)	-0-
Grants Payable	(1,850)	(8,046)
Contributions Designated for Endowment	<u>(34,694)</u>	<u>(28,608)</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>67,848</u>	<u>(155,420)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital Expenditures	(1,329)	-0-
Proceeds from Sales of Investments	1,403,067	-0-
Purchase of Investments	(1,456,017)	-0-
Increase in Investments	<u>-0-</u>	<u>9,692</u>
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<u>(54,279)</u>	<u>9,692</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Agency Endowment	(1,705)	100,000
Collections of Contributions Designated for Endowment	<u>34,694</u>	<u>28,608</u>
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>32,989</u>	<u>128,608</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	46,558	(17,120)
<b>CASH AND CASH EQUIVALENTS</b>		
<b>BEGINNING</b>	<u>17,221</u>	<u>34,341</u>
<b>ENDING</b>	<u>\$ 63,779</u>	<u>\$ 17,221</u>

**SOUTHFIELD COMMUNITY FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2002 and 2001**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This Summary of Significant Accounting Policies of Southfield Community Foundation, Inc. (the Foundation) is presented to assist in understanding the Foundation's financial statements. The financial statements and notes are representations of the Foundation's management, who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

**NATURE OF ACTIVITIES**

The Foundation is a not-for-profit charity created in 1989 to maintain and enhance the quality of life in the City of Southfield by generating funding to build endowments for programs and services not traditionally financed by government. The Foundation raises donations from corporations and individuals and provides grants to community organizations in Southfield, with six focus areas: cultural arts, youth development, community livability, education, senior adults, and multiculturalism.

**CASH EQUIVALENTS**

The Foundation considers all short-term investments with an original maturity of three months or less to be cash equivalents.

**INVESTMENTS**

Investments in marketable equity securities with readily determinable fair values are stated at fair market value. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

**PROPERTY AND EQUIPMENT**

The various classes of Property and Equipment are carried at cost. Property and Equipment are depreciated over their estimated lives using the straight-line method, which is designed to amortize the cost of assets over their estimated useful lives. Total depreciation expense for the years ended June 30, 2002 and 2001 was \$5,646 and \$5,358, respectively.

**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:

**SOUTHFIELD COMMUNITY FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2002 and 2001**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**CLASSIFICATION OF NET ASSETS - (Continued)**

Designated Endowment - The designated endowment net assets class 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 asset class includes donor designated funds, board designated funds and earnings on endowments that are available for future grant making.

The Foundation reports gifts 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 gift is 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 assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**USE OF ESTIMATES**

The preparation of the 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 at the date of the financial statements and the reported amount of revenues and expenses during the report period. Actual results could differ from those estimates.

**AGENCY ENDOWMENTS**

Agency Endowments result from resources received from not-for-profit organizations for the purpose of establishing and building an endowment fund for the benefit of the contributing organization. Each endowment is governed by a fund agreement. Assets are managed along with other Foundation investments and distributions are made to the beneficiary organization from time to time, as approved by the Foundation Board.

**INCOME TAXES**

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

**SOUTHFIELD COMMUNITY FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2002 and 2001

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**RECLASSIFICATIONS**

Certain amounts in the 2001 financial statements have been reclassified to conform to the 2002 presentation.

**DONATED ASSETS**

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

**DONATED SERVICES**

Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

**NOTE 2: CONTRIBUTIONS RECEIVABLE**

Contributions Receivable are recognized as contribution revenue in the period promised. Contributions Receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Contributions Receivable at June 30, 2002 and 2001 were \$10,000 and \$45,866, respectively. The uncollected balance of Contributions Receivable was written off as bad debt expense in the current year.

**NOTE 3: INVESTMENTS**

Investments in marketable securities are reflected at fair value and consist of the following at June 30, 2002 and 2001:

	<u>2002</u>	<u>2001</u>
Money Market	\$ 1,402,951	\$ 436,529
Bonds	-0-	188,204
Equities	<u>-0-</u>	<u>852,046</u>
Total	<u>\$ 1,402,951</u>	<u>\$ 1,476,779</u>

Investment return consists of the following:

	<u>2002</u>	<u>2001</u>
Investment Income	\$ 16,551	\$ 74,939
Net Realized and Unrealized Gain (Loss) on Investments	<u>(126,778)</u>	<u>(240,869)</u>
Total Investment (Loss)	<u>\$ (110,227)</u>	<u>\$ (165,930)</u>

**SOUTHFIELD COMMUNITY FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2002 and 2001

**NOTE 4: DESIGNATION OF NET ASSETS**

The Designated Expendable Net Assets includes donor advised gifts not held for endowment and accumulated earnings on designated endowments available for future spending:

	<u>2002</u>	<u>2001</u>
Gifts Designated for Other than Endowment	\$ 37,280	\$ 13,225
Accumulated Earnings on Designated Endowment Available for Future Spending	<u>-0-</u>	<u>8,826</u>
Total Expendable	<u>\$ 37,280</u>	<u>\$ 22,051</u>

The Net Assets designated for permanent endowment includes the following:

	<u>2002</u>	<u>2001</u>
Millennium Fund	\$ 585,218	\$ 634,014
Youth Advisory Committee	447,772	508,830
Scholarship Funds:		
Gene Taylor Memorial Scholarship Fund	11,603	10,089
Memorial Scholarship Fund	10,333	10,128
HESS Fund	909	975
Other	2,590	500
Other Field of Interest Funds:		
Southfield Schools Education Fund	118,641	129,427
Mary Thompson Historic Preservation Fund	155,356	175,314
Southfield Emergency Services	12,803	10,466
Healthy Youth Healthy Seniors	9,694	10,398
Arts & Culture Fund	5,006	4,887
Other	812	377
Donor Advised Funds		
Mayor's Fund	14,295	-0-
Tony Spina Fund	4,878	-0-
Other	<u>13,429</u>	<u>13,654</u>
Total Endowment	<u>\$ 1,393,339</u>	<u>\$ 1,509,059</u>

**NOTE 5: DONATED SERVICES**

The value of donated services included as contributions in the financial statements for the services are as follows:

	<u>2002</u>	<u>2001</u>
Office Rent	\$ 6,600	\$ 6,000
Services of Administrative Assistant	<u>43,542</u>	<u>42,000</u>
Total Donated Services	<u>\$ 50,142</u>	<u>\$ 48,000</u>