

Battle Creek
Community
Foundation
and Its Supporting
Organization



For good. For ever. For all.

For the Years
Ended March 31,
2015 and 2014

Combining
Financial
Statements



BATTLE CREEK COMMUNITY FOUNDATION AND ITS SUPPORTING ORGANIZATION

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INDEPENDENT AUDITORS' REPORT

June 30, 2015

Board of Trustees
Battle Creek Community Foundation
and Its Supporting Organization
Battle Creek, Michigan

We have audited the accompanying combining financial statements of the *Battle Creek Community Foundation and Its Supporting Organization* (a Michigan not-for-profit corporation, the "Foundation"), which comprise the combining statements of financial position as of March 31, 2015 and 2014, and the related combining statements of activities and cash flows for the years then ended, and the related notes to the combining financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combining 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.

Independent Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combining financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combining 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 combining 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 combining 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 combining financial statements referred to above present fairly, in all material respects, the individual and combined financial positions of the Battle Creek Community Foundation and Its Supporting Organization as of March 31, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Rehmann Lobson LLC

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**BATTLE CREEK COMMUNITY FOUNDATION
AND ITS SUPPORTING ORGANIZATION**

Combining Statements of Financial Position
March 31, 2015 and 2014

	March 31, 2015			
	Battle Creek Community Foundation and Subsidiary	Legacy Scholars	Eliminations	Combined
Assets				
Cash and cash equivalents	\$ 891,900	\$ 6,595	\$ -	\$ 898,495
Investments, at fair value	109,877,906	-	-	109,877,906
Contributions receivable	456,973	-	-	456,973
Accounts receivable	38,474	-	-	38,474
Other assets	420,759	2,491	-	423,250
Property and equipment, net	8,194,860	-	-	8,194,860
Total assets	\$ 119,880,872	\$ 9,086	\$ -	\$ 119,889,958
Liabilities				
Accounts payable and accrued expenses	\$ 477,092	\$ 2,780	\$ -	\$ 479,872
Grants payable	3,676,634	-	-	3,676,634
Loans payable	780,273	-	-	780,273
Obligations under charitable gift annuities	571,424	-	-	571,424
Custodial funds managed for others	7,094,569	-	-	7,094,569
Total liabilities	12,599,992	2,780	-	12,602,772
Net assets				
Unrestricted:				
Net investment in property and equipment	8,194,860	-	-	8,194,860
Other unrestricted net assets	91,370,119	-	-	91,370,119
	99,564,979	-	-	99,564,979
Temporarily restricted	5,041,623	6,306	-	5,047,929
Permanently restricted	2,674,278	-	-	2,674,278
Total net assets	107,280,880	6,306	-	107,287,186
Total liabilities and net assets	\$ 119,880,872	\$ 9,086	\$ -	\$ 119,889,958

The accompanying notes are an integral part of these combining financial statements.



March 31, 2014			
Battle Creek Community Foundation and Subsidiary	Legacy Scholars	Eliminations	Combined
\$ 2,729,858	\$ 49,088	\$ -	\$ 2,778,946
104,664,300	-	-	104,664,300
545,309	-	-	545,309
55,034	-	-	55,034
403,577	1,224	-	404,801
6,392,785	-	-	6,392,785
<u>\$114,790,863</u>	<u>\$ 50,312</u>	<u>\$ -</u>	<u>\$114,841,175</u>
\$ 199,448	\$ 7,756	\$ -	\$ 207,204
2,549,937	-	-	2,549,937
582,105	-	-	582,105
582,894	-	-	582,894
6,816,972	-	-	6,816,972
<u>10,731,356</u>	<u>7,756</u>	<u>-</u>	<u>10,739,112</u>
6,392,785	-	-	6,392,785
89,358,687	-	-	89,358,687
95,751,472	-	-	95,751,472
5,633,757	42,556	-	5,676,313
2,674,278	-	-	2,674,278
<u>104,059,507</u>	<u>42,556</u>	<u>-</u>	<u>104,102,063</u>
<u>\$114,790,863</u>	<u>\$ 50,312</u>	<u>\$ -</u>	<u>\$114,841,175</u>

**BATTLE CREEK COMMUNITY FOUNDATION
AND ITS SUPPORTING ORGANIZATION**

Combining Statement of Activities

For the Year Ended March 31, 2015

	Battle Creek Community Foundation and Subsidiary			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support, revenues and gains				
Contributions, grants and bequests	\$ 4,972,262	\$ 745,114	\$ -	\$ 5,717,376
Investment earnings	9,719,475	780,033	-	10,499,508
Net unrealized depreciation in fair value of investments	(2,486,602)	(223,797)	-	(2,710,399)
Changes in charitable gift annuities	(123,530)	(19,484)	-	(143,014)
Fund management fees	73,894	-	-	73,894
Rental income	500,919	3,575	-	504,494
Other revenues	152,544	52,400	-	204,944
Net assets released from restrictions - satisfied by grant and expense payments	1,929,975	(1,929,975)	-	-
Total public support, revenues and gains	14,738,937	(592,134)	-	14,146,803
Grants and expenses				
Grants	6,886,015	-	-	6,886,015
Community project operating and management	1,398,913	-	-	1,398,913
Management and general	2,632,845	-	-	2,632,845
Total grants and expenses	10,917,773	-	-	10,917,773
Other changes				
Loss on disposal of property and equipment	(7,657)	-	-	(7,657)
Change in net assets	3,813,507	(592,134)	-	3,221,373
Net assets, beginning of year	95,751,472	5,633,757	2,674,278	104,059,507
Net assets, end of year	\$ 99,564,979	\$ 5,041,623	\$ 2,674,278	\$ 107,280,880

The accompanying notes are an integral part of these combining financial statements.

Legacy Scholars				
Unrestricted	Temporarily Restricted	Total	Eliminations	Combined
\$ -	\$ 157,355	\$ 157,355	\$ (137,350)	\$ 5,737,381
-	8	8	-	10,499,516
-	-	-	-	(2,710,399)
-	-	-	-	(143,014)
-	-	-	(30,000)	43,894
-	-	-	-	504,494
-	-	-	-	204,944
193,613	(193,613)	-	-	-
193,613	(36,250)	157,363	(167,350)	14,136,816
-	-	-	(137,350)	6,748,665
193,613	-	193,613	(30,000)	1,562,526
-	-	-	-	2,632,845
193,613	-	193,613	(167,350)	10,944,036
-	-	-	-	(7,657)
-	(36,250)	(36,250)	-	3,185,123
-	42,556	42,556	-	104,102,063
\$ -	\$ 6,306	\$ 6,306	\$ -	\$ 107,287,186

**BATTLE CREEK COMMUNITY FOUNDATION
AND ITS SUPPORTING ORGANIZATION**

Combining Statement of Activities
For the Year Ended March 31, 2014

	Battle Creek Community Foundation and Subsidiary			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support, revenues and gains				
Contributions, grants and bequests	\$ 2,873,430	\$ 391,462	\$ -	\$ 3,264,892
Investment earnings	3,238,971	266,110	-	3,505,081
Net unrealized appreciation in fair value of investments	7,105,948	603,287	-	7,709,235
Changes in charitable gift annuities	1,233	103,248	-	104,481
Fund management fees	72,913	-	-	72,913
Rental income	470,248	2,490	-	472,738
Other revenues	79,666	65,693	-	145,359
Net assets released from restrictions - satisfied by grant and expense payments	659,144	(659,144)	-	-
Total public support, revenues and gains	14,501,553	773,146	-	15,274,699
Grants and expenses				
Grants	2,307,406	-	-	2,307,406
Community project operating and management	1,659,325	-	-	1,659,325
Management and general	2,133,537	-	-	2,133,537
Total grants and expenses	6,100,268	-	-	6,100,268
Change in net assets	8,401,285	773,146	-	9,174,431
Net assets, beginning of year	87,350,187	4,860,611	2,674,278	94,885,076
Net assets, end of year	\$ 95,751,472	\$ 5,633,757	\$ 2,674,278	\$ 104,059,507

The accompanying notes are an integral part of these combining financial statements.

Legacy Scholars				
Unrestricted	Temporarily Restricted	Total	Eliminations	Combined
\$ -	\$ 145,128	\$ 145,128	\$ (130,000)	\$ 3,280,020
-	226	226	-	3,505,307
-	-	-	-	7,709,235
-	-	-	-	104,481
-	-	-	(30,000)	42,913
-	-	-	-	472,738
-	-	-	-	145,359
293,690	(293,690)	-	-	-
293,690	(148,336)	145,354	(160,000)	15,260,053
-	-	-	(130,000)	2,177,406
293,690	-	293,690	(30,000)	1,923,015
-	-	-	-	2,133,537
293,690	-	293,690	(160,000)	6,233,958
-	(148,336)	(148,336)	-	9,026,095
-	190,892	190,892	-	95,075,968
\$ -	\$ 42,556	\$ 42,556	\$ -	\$104,102,063

**BATTLE CREEK COMMUNITY FOUNDATION
AND ITS SUPPORTING ORGANIZATION**

Combining Statements of Cash Flows

	For the Year Ended March 31, 2015			
	Battle Creek Community Foundation and Subsidiary	Legacy Scholars	Eliminations	Combined
Cash flows from operating activities				
Change in net assets	\$ 3,221,373	\$ (36,250)	\$ -	\$ 3,185,123
Adjustments to reconcile change in net assets to net cash used in operating activities:				
Depreciation	211,693	-	-	211,693
Loss on disposal of property and equipment	7,657	-	-	7,657
Net unrealized (appreciation) depreciation in fair value of investments	2,710,399	-	-	2,710,399
Realized (gains) losses on sale of investments	(9,820,343)	-	-	(9,820,343)
Obligations under charitable gift annuities	34,528	-	-	34,528
Noncash contributions	291,500	-	-	291,500
Changes in operating assets and liabilities that provided (used) cash:				
Contributions receivable	88,336	-	-	88,336
Accounts receivable	16,560	-	-	16,560
Other assets	(17,182)	(1,267)	-	(18,449)
Accounts payable and accrued expenses	277,644	(4,976)	-	272,668
Grants payable	1,126,697	-	-	1,126,697
Custodial funds managed for others	277,597	-	-	277,597
Net cash used in operating activities	(1,573,541)	(42,493)	-	(1,616,034)
Cash flows from investing activities				
Purchase of property and equipment	(2,021,425)	-	-	(2,021,425)
Purchase of investments	(91,308,747)	-	-	(91,308,747)
Proceeds from sale of investments	92,913,585	-	-	92,913,585
Net cash provided by (used in) investing activities	(416,587)	-	-	(416,587)
Cash flows from financing activities				
Payments under charitable gift annuities	(45,998)	-	-	(45,998)
Issuance of long-term debt	275,000	-	-	275,000
Principal paid on long-term debt	(76,832)	-	-	(76,832)
Net cash provided by (used in) financing activities	152,170	-	-	152,170
Net change in cash and cash equivalents	(1,837,958)	(42,493)	-	(1,880,451)
Cash and cash equivalents, beginning of year	2,729,858	49,088	-	2,778,946
Cash and cash equivalents, end of year	\$ 891,900	\$ 6,595	\$ -	\$ 898,495

The accompanying notes are an integral part of these combining financial statements.

For the Year Ended March 31, 2014			
Battle Creek Community Foundation and Subsidiary	Legacy Scholars	Eliminations	Combined
\$ 9,174,431	\$ (148,336)	\$ -	\$ 9,026,095
188,767	-	-	188,767
-	-	-	-
(7,709,235)	-	-	(7,709,235)
(901,500)	-	-	(901,500)
(151,963)	-	-	(151,963)
147,951	-	-	147,951
14,731	-	-	14,731
64,310	-	-	64,310
(27,374)	336	-	(27,038)
90,042	4,572	-	94,614
(2,065,438)	-	-	(2,065,438)
754,082	-	-	754,082
<u>(421,196)</u>	<u>(143,428)</u>	<u>-</u>	<u>(564,624)</u>
(684,874)	-	-	(684,874)
(5,596,997)	-	-	(5,596,997)
7,674,231	-	-	7,674,231
<u>1,392,360</u>	<u>-</u>	<u>-</u>	<u>1,392,360</u>
(65,677)	-	-	(65,677)
-	-	-	-
(91,240)	-	-	(91,240)
<u>(156,917)</u>	<u>-</u>	<u>-</u>	<u>(156,917)</u>
814,247	(143,428)	-	670,819
<u>1,915,611</u>	<u>192,516</u>	<u>-</u>	<u>2,108,127</u>
<u>\$ 2,729,858</u>	<u>\$ 49,088</u>	<u>\$ -</u>	<u>\$ 2,778,946</u>

BATTLE CREEK COMMUNITY FOUNDATION AND ITS SUPPORTING ORGANIZATION

Notes to Combining Financial Statements

1. MISSION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Battle Creek Community Foundation (the "Foundation"), a Michigan not-for-profit organization, is a public foundation established to aggregate funds created by individuals, families and corporations, to benefit programs and services primarily for residents in the Battle Creek, Michigan area.

In February 2008, the Foundation formed the Burnham Brook Community Center Title Holding Corporation (the "Corporation"), a nonprofit corporation and wholly-owned subsidiary of the Foundation. The Foundation appoints the board of directors of the Corporation, which is a non-stock corporation. The Corporation's purpose is to hold, administer and lease the Burnham Brook Community Center, which was transferred to the Corporation on February 29, 2008, and to pay any net proceeds from this activity to the parent organization (i.e., the Foundation). Inter-organization balances and transactions between the Foundation and the Corporation have been eliminated in consolidation.

Legacy Scholars, a Michigan not-for-profit organization, is a supporting organization of the Battle Creek Community Foundation. Its purpose is to create and administer a community-based, collaborative scholarship program to ensure that underserved, low-income students in the Battle Creek area graduate from high school and successfully complete post-secondary education. Legacy Scholars was incorporated during fiscal 2006 and became a supporting organization at that time.

Use of Estimates

The preparation of combining financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combining financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. Significant estimates include but are not limited to the liability associated with charitable gift annuities and the estimate for scholarships payable.

Basis of Presentation and Significant Accounting Policies

Combining Financial Statements

The Foundation appoints a voting majority of the Legacy Scholars board of directors. Accordingly, the financial statements of this entity are included herein as part of the reporting entity. Inter-entity transactions and balances, if any, are eliminated in combination.

Internal Reporting

To ensure observance of limitations and restrictions placed on the use of available resources, for internal accounting and stewardship purposes, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and internal reporting into funds established according to their nature and purpose.

BATTLE CREEK COMMUNITY FOUNDATION AND ITS SUPPORTING ORGANIZATION

Notes to Combining Financial Statements

External Reporting

For external financial reporting purposes, the Foundation reports resources classified into net asset categories according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions into three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets. Accordingly, net assets and changes therein are classified as follows:

- *Unrestricted Net Assets* are net assets that are not subject to donor-imposed restrictions including the carrying value of equipment. Resources that are reported in this net asset category include unrestricted gifts and the investment earnings thereon, and related expenses associated with the operations of the Foundation.
- *Temporarily Restricted Net Assets* are net assets subject to donor-imposed restrictions that will be satisfied by actions of the Foundation. Resources reported in this net asset category include gifts for which restrictions have not been met and the investment earnings thereon, and realized and unrealized earnings on endowment funds. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been met) are reported as reclassifications between the applicable classes of net assets.
- *Permanently Restricted Net Assets* are resources subject to donor-imposed stipulations that the corpus (original principal value of endowment gifts) be maintained permanently by the Foundation. The donors of these assets permit the Foundation to spend only the income earned on the related investments.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Cash and Cash Equivalents

Cash and cash equivalents consist of amounts maintained in bank demand deposit and money market accounts. For purposes of the combining statement of cash flows, the Foundation considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. The Foundation maintains demand deposits in several banks which are insured by the Federal Deposit Insurance Corporation (FDIC). At times throughout the year, the cash balances may exceed insured limits. Management believes the Foundation is not exposed to any significant interest rate or other financial risk on these deposits.

Investments

Purchased investments are initially recorded at cost; investments received by gift are recorded at fair value at the date of donation. Thereafter, the carrying value of such investments are adjusted to fair value, which is determined using published exchange market quotations, where applicable, or estimated fair values provided by external investment managers or other sources. The net unrealized appreciation (depreciation) in fair value of investments is reflected in the combining statements of activities. Investment earnings consist of interest, dividends and realized gains and losses on marketable securities.

BATTLE CREEK COMMUNITY FOUNDATION AND ITS SUPPORTING ORGANIZATION

Notes to Combining Financial Statements

Fair Value Measurements

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (level 1) and the lowest priority to unobservable data (level 3).

A description of each category in the fair value hierarchy is as follows:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets. Level 1 securities include those traded on an active exchange, 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.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market. The Foundation maintains certain investments with Commonfund and Russell Institutional Funds, which are classified as Level 2 investments.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. The liability described in Note 11 is classified as Level 3; see that Note for a description of the changes in this liability.

For a further discussion of Fair Value Measurements, refer to Note 3 to the combining financial statements.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows at the time of receipt or notification of the pledge. The discounts on those amounts are computed using a risk-adjusted interest rate applicable to the year in which the promise is received. Discount amortization is included in contribution revenue.

Other Assets

Other assets consist of prepaid expenses and the cash surrender value of life insurance policies. Payments to vendors for services that will benefit periods beyond the Foundation's fiscal year end are recorded as prepaid expenses. The Foundation is the holder of certain life insurance policies. In the event that a policy is voluntarily terminated before its maturity, an amount will be paid to the Foundation. The cash surrender value is provided to the Foundation by the insurance company in the annual policy statements.

BATTLE CREEK COMMUNITY FOUNDATION AND ITS SUPPORTING ORGANIZATION

Notes to Combining Financial Statements

Property and Equipment

Property and equipment is recorded at cost. Donated assets are recorded at fair value when received. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred, while major improvements and renewals are capitalized.

Custodial Funds Managed for Others

The Foundation has entered into agreements with other organizations to receive, invest and manage certain funds. The Foundation reports a liability for these resources since the other organizations have either named themselves as beneficiaries or retained the unilateral right to withdraw or otherwise redirect the use of those funds.

Income Taxes

The Foundation is a not-for-profit organization, exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and is exempt from similar state and local taxes. Accordingly, no provision has been made for income taxes in the accompanying financial statements. Although the Foundation was granted income tax exemption by the Internal Revenue Service, such exemption does not apply to “unrelated business taxable income.” Such income, pursuant to the Internal Revenue Code and related regulations, includes investment income such as interest received from sources other than directly from program fees.

The Foundation analyzes its filing positions in the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years (2011 through 2015) in these jurisdictions to identify potential uncertain tax positions. The Foundation treats interest and penalties attributable to income taxes, and reflects any charges for such, to the extent they arise, as a component of its general operating expenses.

Endowment Net Asset Classifications

GAAP provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”).

The State of Michigan adopted its version of UPMIFA effective September 10, 2009 (“SPMIFA”). The Board of Trustees has determined that a majority of the Foundation’s net assets meet the definition of endowment funds under SPMIFA. The Foundation is governed by its bylaws and most contributions are received subject to the terms and conditions of these bylaws.

BATTLE CREEK COMMUNITY FOUNDATION AND ITS SUPPORTING ORGANIZATION

Notes to Combining Financial Statements

Pursuant to the bylaws, the Board has the ability to distribute so much of the corpus of any trust or separate gift, devise, bequest or fund as the Board in its sole discretion shall determine. In accordance with SPMIFA, the Foundation 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 appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

As a result of the ability to distribute corpus, the Board has determined that all contributions received subject to the bylaws and SPMIFA, are classified as unrestricted net assets. Contributions that are subject to other gift instruments and SPMIFA may be recorded as permanently restricted, temporarily restricted or unrestricted, depending on the specific terms of the agreement and the donor's intent. Generally, if the corpus of a contribution will at some future time become available for spending it is recorded as temporarily restricted, and if the corpus never becomes available for spending it will be reported as permanently restricted.

Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to conform with the current year's presentation.

In previous years, the Foundation reported certain internally designated funds as temporarily restricted for external financial reporting. These funds were primarily used to track specific board-approved projects, and were funded from unrestricted sources. Because there are not any external restrictions imposed on these funds, temporarily restricted net assets in the amount of \$63,488 were reclassified to be presented as unrestricted as of March 31, 2014.

Related Party Transactions

As an organization with broad participation from individuals throughout the community on the Foundation's board and committees, it is reasonable to expect that related party transactions may occur from time to time. To ensure that any such transactions are minimized and conducted only within the constraints of its internal control, the Foundation has a conflict of interest policy that is followed and all potential related party transactions are closely monitored. The Foundation entered into a construction contract with a company owned by a member of the Philanthropic Development Committee. Expenses incurred under the contract for the years ending March 31, 2015 and 2014 were approximately \$982,000 and \$560,000, respectively. In addition, the spouse of a Foundation board member is the owner of an architectural company utilized for the Burnham Brook construction project. Expenses incurred for these services for the years ended March 31, 2015 and 2014 were approximately \$33,000 and \$118,000, respectively.

For the years ended March 31, 2015 and 2014, the Foundation had other inconsequential related party transactions that were for amounts immaterial to the combining financial statements.

BATTLE CREEK COMMUNITY FOUNDATION AND ITS SUPPORTING ORGANIZATION

Notes to Combining Financial Statements

Subsequent Events

In preparing these combining financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to March 31, 2015, the most recent combining statement of financial position presented herein, through June 30, 2015, the date the combining financial statements were available to be issued. No such significant events or transactions were identified, other than the matters disclosed in Note 16 labeled "Subsequent Events."

2. WHOLLY-OWNED SUBSIDIARY

The Corporation was established in response to an identified need to separate the grant-funded operations of the local Area Agency on Aging from the financial and administrative burden of also operating a senior activities center. Prior to fiscal 2008, those operations/services were handled by the Burnham Brook Center (renamed to Region 3B Area Agency on Aging during fiscal 2009), an unrelated nonprofit corporation, with diminishing success and concern from the area agency on aging grantor agencies (primarily the State of Michigan) that the senior center was draining resources from the grant-funded programs.

Following the creation of the Corporation, the Burnham Brook Center transferred the senior center property to the Corporation with an estimated net fair value of \$4.6 million.

3. FAIR VALUE MEASUREMENTS

The Foundation utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Marketable securities are recorded at fair value on a recurring basis. Additionally, from time to time, the Foundation may be required to record at fair value other assets on a nonrecurring basis, such as non-marketable equity securities and long lived assets. These nonrecurring fair value adjustments typically involve the application of lower of cost or market accounting or write downs of individual assets.

Following is a description of the valuation methodologies and key inputs used to measure financial assets and liabilities recorded at fair value, as well as a description of the methods and significant assumptions used to estimate fair value disclosures for financial instruments not recorded at fair value in their entirety on a recurring basis. For financial assets and liabilities recorded at fair value, the description includes an indication of the level of the fair value hierarchy in which the assets or liabilities are classified.

Cash and Cash Equivalents

The carrying amounts of cash and short-term instruments approximate fair values.

BATTLE CREEK COMMUNITY FOUNDATION AND ITS SUPPORTING ORGANIZATION

Notes to Combining Financial Statements

Marketable Securities

Marketable securities are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss and liquidity assumptions. Level 1 securities include mutual funds traded on an active exchange, such as the New York Stock Exchange, that are traded by dealers or brokers in active over-the-counter markets and money market funds. Level 2 investments include balances with Commonfund and Russell Institutional Funds.

Remainder Interest in Real Estate

The Foundation's remainder interest in real estate under a charitable gift annuity was carried at the estimated realizable proceeds from sale of the property, based on the listing price less real estate agent fees at March 31, 2014. During the current year, this property was sold; therefore, no amount was reported at March 31, 2015.

Loans Payable

The fair values of the Foundation's loans payable are estimated using discounted cash flow analyses based on the Foundation's current incremental borrowing rates for similar types of borrowing arrangements.

Obligations Under Charitable Gift Annuities

Charitable gift annuities are recorded at present value based on the donor's life expectancy using actuarial tables provided by the Internal Revenue Service (IRS).

Debt Guarantee

The Foundation is the guarantor of an outstanding line of credit for an unrelated entity. Through March 31, 2014, the liability was recorded at the net present value of the guarantee. The difference between the fair value at donation and the maximum loan guarantee was being amortized over the term of the related debt (10 years) using a discount rate of 7.5%. As of March 31, 2015, the Foundation recorded its proportionate share of the guarantee of the full balance outstanding on the line of credit due to uncertainties in the unrelated entity's ability to repay the line.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

BATTLE CREEK COMMUNITY FOUNDATION AND ITS SUPPORTING ORGANIZATION

Notes to Combining Financial Statements

Assets Recorded at Fair Value on a Recurring Basis

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value on a recurring basis:

March 31, 2015	Total	Level 1	Level 2	Level 3
Investments				
Multi-strategy equity funds	\$ 59,166,607	\$ -	\$ 59,166,607	\$ -
Multi-strategy bond funds	30,658,450	-	30,658,450	-
Mutual funds:				
Domestic equity	591,252	591,252	-	-
International equity	446,937	446,937	-	-
Fixed income	619,306	619,306	-	-
Balanced	18,301,098	18,301,098	-	-
Real estate investment trust	89,046	89,046	-	-
Domestic equity	5,210	5,210	-	-
Total investments	\$ 109,877,906	\$ 20,052,849	\$ 89,825,057	\$ -

March 31, 2014	Total	Level 1	Level 2	Level 3
Investments				
Mutual funds:				
Domestic equity	\$ 30,605,887	\$ 30,605,887	\$ -	\$ -
International equity	24,633,367	24,633,367	-	-
Fixed income	27,809,683	27,809,683	-	-
Balanced	17,000,314	17,000,314	-	-
Real estate investment trust	4,384,660	4,384,660	-	-
Remainder interest in real estate	230,389	-	230,389	-
Total investments	\$ 104,664,300	\$ 104,433,911	\$ 230,389	\$ -

The Foundation's Level 2 investments are subject to certain redemption restrictions.

For investments held by Russell Institutional Fund which totaled \$44,000,456 at March 31, 2015, redemptions requested prior to the close of business will be paid in cash the following banking day. The Foundation is required to maintain an aggregate balance in each fund of \$100,000.

For investments held by Commonfund which totaled \$45,824,601 at March 31, 2015, interests can be redeemed as of the last business day of the month with at least 5 business days' written notice. Redemptions are not permitted in amounts less than \$100,000 and the remaining balance in the account after the redemption must be at least \$1,000,000.

The Foundation's Level 2 investments at March 31, 2014 were limited to a remainder interest in real estate.

BATTLE CREEK COMMUNITY FOUNDATION AND ITS SUPPORTING ORGANIZATION

Notes to Combining Financial Statements

Estimated Fair Values of Financial Instruments Not Recorded at Fair Value in their Entirety on a Recurring Basis

Disclosure of the estimated fair values of financial instruments, which differ from carrying values, often requires the use of estimates. In cases where quoted market values in an active market are not available, the Foundation uses present value techniques and other valuation methods to estimate the fair values of its financial instruments. These valuation methods require considerable judgment and the resulting estimates of fair value can be significantly affected by the assumptions made and methods used.

The carrying amount and estimated fair value of financial instruments not recorded at fair value in their entirety on a recurring basis on the Foundation's combining statements of financial position are as follows at March 31:

	2015		2014	
	Carrying Value	Estimated Value	Carrying Value	Estimated Value
Assets				
Cash and cash equivalents	\$ 898,495	\$ 898,495	\$ 2,778,946	\$ 2,778,946
Liabilities				
Loans payable	780,273	780,273	582,105	582,105
Obligations under charitable gift annuities (Note 7)	571,424	571,424	582,894	582,894
Debt guarantee (Note 11)	1,422,031	1,422,031	1,123,201	1,123,201

4. CONTRIBUTIONS RECEIVABLE

The Foundation is the recipient of bequests through specific identification in certain closed estates and expects to receive benefits in the future when assets are distributed. In addition, the Foundation receives pledges of contributions through various fund drives. Contributions receivable are expected to be collected in the following time distribution as of March 31:

	2015	2014
Due within one year	\$ 24,924	\$ 67,454
Due in 1-5 years	104,697	98,000
Due in 6-10 years	7,000	26,600
Remainder interest	320,352	353,255
Total contributions receivable	\$ 456,973	\$ 545,309

BATTLE CREEK COMMUNITY FOUNDATION AND ITS SUPPORTING ORGANIZATION

Notes to Combining Financial Statements

5. PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows at March 31:

	2015	2014	Depreciable Life (Years)
Land	\$ 744,900	\$ 744,900	0
Construction in progress	719,622	76,628	0
Buildings	7,375,432	6,283,936	40
Leasehold improvements	63,140	-	27
Furniture, fixtures and equipment	940,145	726,388	5-15
Total property and equipment	<u>9,843,239</u>	<u>7,831,852</u>	
Less accumulated depreciation	<u>(1,648,379)</u>	<u>(1,439,067)</u>	
Property and equipment, net	<u>\$ 8,194,860</u>	<u>\$ 6,392,785</u>	

Land and buildings include the Burnham Brook Community Center transferred to the Foundation in February 2008 through its wholly-owned subsidiary as discussed in Notes 1 and 2. Buildings also include an office building in Battle Creek that the Foundation rents to both related and unrelated nonprofit organizations pursuant to lease agreements that are accounted for as operating leases. Lease revenue from all sources amounted to \$402,123 and \$339,680 for the years ended March 31, 2015 and 2014, respectively. Depreciation expense was \$211,693 and \$188,767 for the years ended March 31, 2015 and 2014, respectively.

Construction in progress includes projects at Burnham Brook as well as initial leasehold improvements at the Foundation's new offices. The balance remaining on construction contracts at March 31, 2015 and 2014 was approximately \$87,000 and \$919,000, respectively.

6. GRANTS PAYABLE

The Foundation has awarded grants to other organizations or individuals (in the case of scholarships) that are expected to be paid subsequent to March 31 as follows:

	2015	2014
Payable in less than one year	\$ 843,633	\$ 608,877
Payable in one to five years	1,410,970	817,859
Payable in six to ten years	<u>1,422,031</u>	<u>1,123,201</u>
Total grants payable	<u>\$ 3,676,634</u>	<u>\$ 2,549,937</u>

The above payable includes estimated obligations for Legacy scholarships in the amount of \$993,042 (payable in less than one year of \$496,521 and payable in one to five years of \$496,521) and \$572,542 (payable in less than one year of \$370,008 and payable in one to five years of \$202,534) for the years ending March 31, 2015 and 2014, respectively.

BATTLE CREEK COMMUNITY FOUNDATION AND ITS SUPPORTING ORGANIZATION

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The amounts shown above as payable in six to ten years represent the fair value of the Foundation's guarantee of debt as described in Note 11.

7. OBLIGATIONS UNDER CHARITABLE GIFT ANNUITIES

The Foundation operates a charitable gift annuity program whereby donors receive life income in exchange for assets conveyed to the Foundation under an annuity contract. The Foundation's liability under the annuity contracts is recorded at present value based on the donor's life expectancy. Payments to contract holders amounted to \$45,998 and \$65,677 for the years ended March 31, 2015 and 2014, respectively, and have been recorded as a reduction in the liability under charitable gift annuities. Under the terms of the contracts, the assets are restricted until the death of the donors. Actuarial gains and losses and amortization of the present value discount on annuity obligations are reflected in the combining statements of activities as changes in charitable gift annuities. The assets related to these charitable gift annuities are included in the pooled investments of the Foundation.

8. CUSTODIAL FUNDS MANAGED FOR OTHERS

A summary of the changes in the Foundation's custodial funds managed for others for the years ended March 31 is as follows:

	2015	2014
Balance in custodial funds, beginning of year	\$ 5,248,717	\$ 4,562,890
Deposits / contributions	126,942	284,749
Investment earnings	59,647	137,505
Net appreciation in fair value of investments	362,708	418,574
Withdrawals / grants	(144,426)	(115,741)
Investment management/custodial fees	(15,576)	-
Management fees	(43,443)	(39,260)
	<u>5,594,569</u>	<u>5,248,717</u>
Balance in custodial funds, end of year	5,594,569	5,248,717
Amounts due to others held in non-custodial funds	1,500,000	1,568,255
	<u>\$ 7,094,569</u>	<u>\$ 6,816,972</u>

Amounts due to others held in non-custodial funds represents a \$1,500,000 cash donation received by the Foundation in a prior year. The donor is permitted to request disbursements against the corpus during her lifetime for health, education, support, or maintenance. The Foundation is entitled to and recognizes any investments earnings on the corpus and will recognize the remaining balance of the corpus as revenue upon the death of the donor.

BATTLE CREEK COMMUNITY FOUNDATION AND ITS SUPPORTING ORGANIZATION

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9. LEASES

The Foundation leases office space (the "Riverwalk Complex") from a trust to which the Foundation makes monthly lease payments of \$1,425. The Foundation is able to extend this lease in five year extensions at the same rate. The current extension is through June 2015. Rent expense for this property totaled \$17,100 each year for the years ended March 31, 2015 and 2014.

In October 2014, the Foundation signed a lease for office space at a new location (the "Hampton Building") but did not occupy the facility until after year-end. Lease payments are due monthly for a 10-year period ending in April 2025. After the first five years of the lease term, the lease payment is subject to increase based on the Consumer Price Index (CPI). The Foundation is able to extend this lease for two additional five-year periods. Since this building was not occupied until after March 31, 2015, no rent expense was incurred for the year then ended.

The aggregate amount of future minimum lease payments expected to be paid by the Foundation, exclusive of expected extensions and CPI increases, in years after March 31, 2015 are as follows:

Year Ended March 31,	Riverwalk Complex	Hampton Building	Total Lease Commitment
2016	\$ 4,275	\$ 98,600	\$ 102,875
2017	-	102,900	102,900
2018	-	102,900	102,900
2019	-	102,900	102,900
2020	-	102,900	102,900
Thereafter	-	523,075	523,075
	<u>\$ 4,275</u>	<u>\$ 1,033,275</u>	<u>\$ 1,037,550</u>

10. LOANS PAYABLE

The Foundation has borrowed funds to support amounts expended for construction for the CentraCare Corporation ("CentraCare") at Burnham Brook. These loans are unsecured and are direct obligations of the Foundation and CentraCare. At March 31, 2015 and 2014, loans outstanding consisted of:

CSCC loan 1. The original loan was refinanced in August 2012; \$515,960 loan outstanding (\$631,006 borrowed in refinancing) as of March 31, 2015 due in monthly installments of \$5,343 through August 2017 when a balloon payment is due; interest of 3.35%. The balance at March 31, 2014 was \$561,748.

CSCC loan 2. A loan payable of \$275,000 was entered into in August 2014; \$264,313 loan outstanding as of March 31, 2015 due in monthly installments of \$2,851 through September 2019 when a balloon payment is due; interest of 4.44%.

BATTLE CREEK COMMUNITY FOUNDATION AND ITS SUPPORTING ORGANIZATION

Notes to Combining Financial Statements

Annual debt service requirements to maturity for all loans outstanding as of March 31, 2015, are as follows:

Year Ended March 31,	Principal	Interest
2016	\$ 73,212	\$ 27,787
2017	77,923	24,989
2018	436,813	14,754
2019	26,203	8,007
2020	166,122	3,562
Total	<u>\$ 780,273</u>	<u>\$ 79,099</u>

11. DEBT GUARANTOR

In January 2008, the Foundation entered into an agreement with a local bank to serve as guarantor on a \$2 million line of credit made by the bank to Comprehensive Senior Care Corporation ("CSCC"), an unrelated nonprofit corporation. At that time, CSCC was a start-up entity that signed a 15-year agreement with the Corporation to lease approximately 25% of the Burnham Brook property. As the Corporation's single largest tenant, CSCC is offering a range of services to the senior and aging population in the Battle Creek area, some of which are new services to the market. In March 2014, this agreement was amended to reduce the guarantee to \$1.5 million. The balance on this line of credit was \$1,422,031 and \$1,363,921 at March 31, 2015 and 2014, respectively.

At the time of donation, the fair value of the Foundation's guarantee was recorded as grant expense and included in grants payable. Subsequent changes in the fair value are recorded as increases or decreases in grant expense in the year of the change. The March 31, 2014 balance of \$1,123,201 reflects the amortization of the maximum loan guarantee liability over a ten year period at a discount rate of 7.5%. The March 31, 2015 balance of \$1,422,031 represents the full amount of the outstanding line of credit balance at the Foundation's proportionate share of the guarantee. The Foundation determined it was appropriate to record the full undiscounted liability in the current year due to signs of fiscal distress at CSCC.

12. RETIREMENT PLAN

The Foundation provides retirement benefits to its employees by contributing an amount equal to five percent of each employee's base salary to individual annuity accounts upon completing one full year of employment with the Foundation. Retirement plan expense amounted to \$55,092 and \$49,677 for the years ended March 31, 2015 and 2014, respectively.

13. CONCENTRATIONS

During the year ended March 31, 2015, two donors contributed approximately 62% of the Foundation's total contribution revenue. During the year ended March 31, 2014, two donors contributed approximately 57% of the Foundation's total contribution revenue.

BATTLE CREEK COMMUNITY FOUNDATION AND ITS SUPPORTING ORGANIZATION

Notes to Combining Financial Statements

14. ENDOWMENT

The Foundation's endowment consists of approximately 1,100 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation has interpreted SPMIFA as requiring the preservation of the fair value of the original gift as of the 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 (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument, if any, 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 SPMIFA.

For the Board-designated endowments, the Foundation classifies as unrestricted net assets (a) the original value of endowment gifts donated to the Foundation, (b) the original value of subsequent gifts to the endowment, and (c) any earnings related to the endowment. See Note 1 for further discussion related to the net asset classifications.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that were reported in unrestricted net assets were \$12,989 (4 funds) and \$213,199 (5 funds) as of March 31, 2015 and 2014, respectively. These deficiencies resulted from recent unfavorable market fluctuations and community mission investments. Management believes that the deficiencies will be recouped through future activities.

Return Objectives and Risk Parameters

The Foundation has adopted investment 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, which includes those assets of donor-restricted funds that must be held in perpetuity as well as board-designated funds. Under this policy, the endowment assets are invested in a manner that is intended to produce results that meet or exceed the price and yield results of established indexes for differing investment classes while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of 8.0-9.0% annually. Actual returns in any given year may vary from this range.

BATTLE CREEK COMMUNITY FOUNDATION AND ITS SUPPORTING ORGANIZATION

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Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Following is a summary of the Foundation's endowment and changes therein:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Asset Comparison by Type of Fund as of March 31, 2015				
Donor-restricted endowment funds	\$ (12,989)	\$ 2,548,132	\$ 2,674,278	\$ 5,209,421
Board-designated endowment funds	91,677,765	-	-	91,677,765
	<u>\$ 91,664,776</u>	<u>\$ 2,548,132</u>	<u>\$ 2,674,278</u>	<u>\$ 96,887,186</u>
Changes in Endowment Net Assets for the Year Ended March 31, 2015				
Investment return:				
Investment earnings	\$ 9,606,611	\$ 488,120	\$ -	\$ 10,094,731
Net unrealized depreciation	(2,535,281)	(143,411)	-	(2,678,692)
Net investment return	7,071,330	344,709	-	7,416,039
Contributions and other revenues	1,743,852	(19,459)	-	1,724,393
Appropriation of endowment assets for expenditure	(7,417,480)	(637,226)	-	(8,054,706)
Changes to endowment net assets	1,397,702	(311,976)	-	1,085,726
Endowment net assets:				
Beginning of year	90,267,074	2,860,108	2,674,278	95,801,460
End of year	<u>\$ 91,664,776</u>	<u>\$ 2,548,132</u>	<u>\$ 2,674,278</u>	<u>\$ 96,887,186</u>
Endowment Net Asset Comparison by Type of Fund as of March 31, 2014				
Donor-restricted endowment funds	\$ (213,199)	\$ 2,860,108	\$ 2,674,278	\$ 5,321,187
Board-designated endowment funds	90,480,273	-	-	90,480,273
	<u>\$ 90,267,074</u>	<u>\$ 2,860,108</u>	<u>\$ 2,674,278</u>	<u>\$ 95,801,460</u>

BATTLE CREEK COMMUNITY FOUNDATION AND ITS SUPPORTING ORGANIZATION

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	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in Endowment Net Assets for the Year Ended March 31, 2014				
Investment return:				
Investment earnings	\$ 3,171,479	\$ 158,997	\$ -	\$ 3,330,476
Net unrealized appreciation	6,993,586	333,837	-	7,327,423
Net investment return	10,165,065	492,834	-	10,657,899
Contributions and other revenues	1,705,500	103,998	-	1,809,498
Appropriation of endowment assets for expenditure	(4,196,718)	(217,292)	-	(4,414,010)
Changes to endowment net assets	7,673,847	379,540	-	8,053,387
Endowment net assets:				
Beginning of year	82,593,227	2,480,568	2,674,278	87,748,073
End of year	\$ 90,267,074	\$ 2,860,108	\$ 2,674,278	\$ 95,801,460

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has an annual spending policy of 5.0% of its endowment fund's average fair value over the prior 16 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return of its endowment. Accordingly, over the long-term, the Foundation expects its current spending policy to allow its endowment to grow at an average of 3.0% to 4.0% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

15. NET ASSET RESTRICTIONS

Temporarily restricted net assets of the Foundation are held for specific purposes or are limited by time or availability restrictions as follows at March 31:

	2015	2014
Community projects	\$ 1,285,637	\$ 1,090,990
Charitable gift annuities	2,047,133	2,197,134
Donor imposed uses	1,708,853	2,345,633
Total	\$ 5,041,623	\$ 5,633,757

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Permanently restricted net assets of \$2,674,278 as of both March 31, 2015 and 2014, are limited by donor imposed restrictions that require the gift to be maintained in perpetuity and are not subject to the Foundation's variance power.

The temporarily restricted net assets of Legacy Scholars of \$6,306 and \$42,556 as of March 31, 2015 and 2014, respectively, are restricted for the administration of the Legacy Scholarship Program.

16. SUBSEQUENT EVENTS

As described in Note 11, the Foundation is a guarantor on a line of credit for an unrelated entity. On April 29, 2015, the Foundation increased its guarantee from \$1.5 million to \$1.75 million. In addition, the Foundation agreed to make a loan (not bank-financed) to this entity of up to \$300,000. Amounts drawn on the loan mature after a period of 36 months, but full or partial payments may be made at any time without penalty. No interest is being charged by the Foundation on the outstanding balance.

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