

**KIWANIS OF MICHIGAN
FOUNDATION, INC.
(a Michigan non-profit organization)**

FINANCIAL STATEMENTS
with
REPORT OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANT

SEPTEMBER 30, 2017 AND 2016

**KIWANIS OF MICHIGAN
FOUNDATION, INC.
(a Michigan non-profit organization)**

For the Years ended September 30, 2017 and 2016

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Walter, Boesky & Associates, P.C.

Certified Public Accountants

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

Officers and Board of Directors
Kiwanis of Michigan Foundation, Inc.

We have audited the accompanying financial statements of the Kiwanis of Michigan Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of activities and cash flows for the years 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 the Kiwanis of Michigan Foundation, Inc. as of September 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Walter, Boesky
& Associates, P.C.*

Southfield, Michigan
December 29, 2017

Kiwanis of Michigan Foundation, Inc.
(a Michigan non-profit organization)

STATEMENTS OF FINANCIAL POSITION

September 30,

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 42,911	\$ 34,903
Investments	846,902	779,609
Total current assets	889,813	814,512
Other assets		
Copyright	30	30
Total Assets	\$ 889,843	\$ 814,542
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 1,527	\$ 1,833
Deferred revenue	200	1,200
Total current liabilities	1,727	3,033
Net assets		
Unrestricted:		
Board designated	605,447	556,695
Unrestricted	41,214	31,900
Total unrestricted net assets	646,661	588,595
Permanently restricted	241,455	222,914
Total net assets	888,116	811,509
Total Liabilities and Net Assets	\$ 889,843	\$ 814,542

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

Kiwanis of Michigan Foundation, Inc.
(a Michigan non-profit organization)

STATEMENT OF ACTIVITIES

September 30, 2017

	Unrestricted	Permanently Restricted	Total
SUPPORT AND REVENUE:			
Club contributions	173,547	-	173,547
Other contributions	5,252	-	5,252
Memorials	2,685	-	2,685
Miscellaneous	3,800	-	3,800
Special divisional projects	2,543	-	2,543
Holiday greetings	12,066	-	12,066
Interest and dividends	25,711	8,471	34,182
Unrealized gain/(loss) on Investments	33,895	11,719	45,614
Realized gain/(loss) on investments	(2,805)	(2,598)	(5,403)
Special recognition projects	12,081	18,315	30,396
Net assets released from restrictions	17,366	(17,366)	-
	286,141	18,541	304,682
EXPENSES:			
Program Services	213,032	-	213,032
Management and general	15,043	-	15,043
	228,075	-	228,075
Changes in Net Assets	58,066	18,541	76,607
Net Assets, Beginning of Period	588,595	222,914	811,509
Net Assets, End of Period	\$ 646,661	\$ 241,455	\$ 888,116

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

Kiwanis of Michigan Foundation, Inc.
(a Michigan non-profit organization)

STATEMENT OF ACTIVITIES

September 30, 2016

	Unrestricted	Permanently Restricted	Total
SUPPORT AND REVENUE:			
Club contributions	169,768	-	169,768
Other contributions	11,204	-	11,204
Memorials	3,440	-	3,440
Miscellaneous	4,605	-	4,605
Special divisional projects	2,104	-	2,104
Holiday greetings	11,433	-	11,433
Interest and dividends	9,174	4,603	13,777
Unrealized gain/(loss) on Investments	17,230	2,585	19,815
Realized gain/(loss) on investments	21,030	6,941	27,971
Special recognition projects	27,034	10,946	37,980
Net assets released from restrictions	1,731	(1,731)	-
Total Support and Revenue	278,753	23,344	302,097
EXPENSES:			
Program Services	212,906	-	212,906
Management and general	14,735	-	14,735
Total Expenses	227,641	-	227,641
Changes in Net Assets	51,112	23,344	74,456
Net Assets, Beginning of Period	537,483	199,570	737,053
Net Assets, End of Period	\$ 588,595	\$ 222,914	\$ 811,509

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

Kiwanis of Michigan Foundation, Inc.
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STATEMENTS OF CASH FLOWS

September 30,

	2017	2016
Cash Flows from Operating Activities:		
Change in net assets	\$ 76,607	\$ 74,456
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Unrealized gain/(loss) on investments	(45,614)	(19,815)
Changes in operating assets and liabilities:		
Accounts payable	(306)	307
Deferred revenue	(1,000)	(1,300)
	29,687	53,648
Net cash provided by operating activities		
Cash Flows from Investing Activities:		
Purchase of investments	(180,889)	(149,883)
Sale of investments	159,210	99,542
	(21,679)	(50,341)
Net cash used in investing activities		
Net increase/(decrease) in cash and cash equivalents	8,008	3,307
Cash and cash equivalents - Beginning of year	34,903	31,596
Cash and cash equivalents - End of year	\$ 42,911	\$ 34,903

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

Kiwanis of Michigan Foundation, Inc.
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STATEMENT OF FUNCTIONAL EXPENSES

September 30, 2017

	Program Services	Management and General	Totals
EXPENSES:			
Forney Clement Project - Mott	\$ 89,479	\$ -	\$ 89,479
Ben Dean Project - Mary FreeBed	62,948	-	62,948
Herman Meyer Project - McLaren N.	40,021	-	40,021
Walter Ray Project - Children's	18,258	-	18,258
Special recognition	-	938	938
Administrative expense - other	-	2,599	2,599
District services	-	900	900
General office expense	-	85	85
Credit card fees	-	193	193
Postage	275	-	275
Memorial cards	-	-	-
Bank service charges	-	-	-
Professional fees	-	4,300	4,300
Investment fees	2,051	4,895	6,946
Federal excise tax	-	1,133	1,133
	<u>\$ 213,032</u>	<u>\$ 15,043</u>	<u>\$ 228,075</u>
Total Expenses	\$ 213,032	\$ 15,043	\$ 228,075

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

Kiwanis of Michigan Foundation, Inc.
(a Michigan non-profit organization)

STATEMENT OF FUNCTIONAL EXPENSES

September 30, 2016

	Program Services	Management and General	Totals
EXPENSES:			
Forney Clement Project - Mott	\$ 89,637	\$ -	\$ 89,637
Ben Dean Project - Mary FreeBed	62,948	-	62,948
Herman Meyer Project - McLaren N.	40,076	-	40,076
Walter Ray Project - Children's	18,258	-	18,258
Special recognition	-	2,294	2,294
Administrative expense - other	-	1,980	1,980
District services	-	1,200	1,200
General office expense	-	45	45
Credit card fees	-	142	142
Postage	256	81	337
Memorial cards	-	44	44
Bank service charges	-	15	15
Professional fees	-	4,000	4,000
Investment fees	1,731	4,484	6,215
Federal excise tax	-	450	450
	\$ 212,906	\$ 14,735	\$ 227,641
Total Expenses	\$ 212,906	\$ 14,735	\$ 227,641

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

Kiwanis of Michigan Foundation, Inc.
(a Michigan non-profit organization)

NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

NOTE A – NATURE OF ACTIVITIES

The Kiwanis of Michigan Foundation, Inc., assists in the financing of recreation and rehabilitation programs for patients under the supervision of hospitals and other institutions that are located within the Michigan District of Kiwanis International. To achieve their mission, the Foundation relies substantially on the contributions from individual clubs of the Michigan District of Kiwanis International.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Foundation have been prepared in conformity with generally accepted accounting principles as applied to certain non-profit organizations.

A summary of the Foundation's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Basis of Accounting

The records are maintained and these financial statements have been prepared using the accrual basis of accounting.

2. Cash Equivalents

Cash and cash equivalents are defined as highly liquid investments with maturity of three months or less at the date of purchase.

3. Contributions

Contributions are recorded at fair value when received and recognized as revenue concurrently.

4. Use of Estimates

The financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America, which require management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates.

5. Basis of Presentation

Net assets of the Foundation are classified as permanently restricted or unrestricted depending on the presence and characteristics of donor-imposed restrictions limiting the Foundation's ability to use or dispose of contributed assets or the economic benefit embodied in those assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

Kiwanis of Michigan Foundation, Inc.
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NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

6. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

7. Subsequent Events

The Foundation has evaluated subsequent events through December 29, 2017, the date the financial statements were available to be issued.

NOTE C - INCOME TAXES

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation has obtained a favorable tax determination letter from the Internal Revenue Service, and the Board of Directors believes that the Foundation continues to qualify and to operate in accordance with applicable provisions of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the Foundation's financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The trustees believe it is no longer subject to tax examinations for years prior to 2014.

NOTE D - INVESTMENTS

The Foundation's balance of investments during 2017 and 2016 were designated permanently restricted and unrestricted. Investments that represent 5% or more of the Foundation's net assets are separately identified.

	<u>2017</u>	<u>2016</u>
<u>Mutual Funds: Unrestricted - Board Designated</u>		
AMG Funds Yacktman Fund (YACKX)	\$ 60,838	\$ 53,786

Kiwanis of Michigan Foundation, Inc.
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NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

NOTE D – INVESTMENTS, continued

	2017	2016
<u>Mutual Funds: Unrestricted - Board Designated</u>		
Income Fund America Inc. Class A (AMECX)	83,609	77,310
T Rowe Price Cap Appreciation. Fund (PRWCX)	220,236	182,796
FPA Crescent Port Instl. Class SHS (FPACX)	154,357	137,686
Sunamerica Focused Div. (FDSWX)	51,249	44,612
Miscellaneous	35,158	60,506
Sub Total	605,447	556,695
<u>Mutual Funds: Permanently Restricted</u>		
Doubleline Funds TR Total Return (DBLTX)	-	104,993
T Rowe Price Cap Appreciation Fund (PRWCX)	81,280	72,423
FPA Crescent Port Instl Class SHS (FPACX)	51,006	45,498
Oppenheimer Senior floating Rate (OOSYX)	86,453	-
Miscellaneous	22,716	-
Sub Total	241,455	222,914
Total	\$ 846,902	\$ 779,609

NOTE E – FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 820, Fair Value Measurement and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- Quote prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Kiwanis of Michigan Foundation, Inc.
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NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

NOTE E – FAIR VALUE MEASUREMENTS - Continued

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017 and 2016.

Mutual funds: Valued at the net asset value (NAV) of shares held by the plan at year end.

Investments Assets at Fair Value
as of December 31, 2017

	Level 1	Level 2	Level 3	Total
Investments				
Mutual Funds	\$ 846,902	\$ -	\$ -	\$ 846,902
Total Investments at Fair Value:	\$ 846,902	\$ -	\$ -	\$ 846,902

Investments Assets at Fair Value
as of December 31, 2016

	Level 1	Level 2	Level 3	Total
Investments				
Mutual Funds	\$ 779,609	\$ -	\$ -	\$ 779,609
Total Investments at Fair Value:	\$ 779,609	\$ -	\$ -	\$ 779,609