



**STATE OF INDIANA**  
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B44131

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

August 26, 2014

Board of Directors  
Dearborn Community Foundation, Inc.  
322 Walnut Street  
Lawrenceburg, IN 47025

We have reviewed the audit report prepared by Blue & Co., LLC, for the period January 1, 2011 to December 31, 2011. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of Dearborn Community Foundation, Inc., as of December 31, 2011, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

# **DEARBORN COMMUNITY FOUNDATION, INC.**

## **FINANCIAL STATEMENTS**

**DECEMBER 31, 2011 AND 2010**

# DEARBORN COMMUNITY FOUNDATION, INC.

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Blue & Co., LLC / 106 Community Drive / Seymour, IN 47274

main 812.522.8416 fax 812.523.8615 email blue@blueandco.com

## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors  
Dearborn Community Foundation, Inc.  
Lawrenceburg, Indiana

We have audited the accompanying statements of financial position of Dearborn Community Foundation, Inc. as of December 31, 2011 and 2010, 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 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 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 audits provide 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 Dearborn Community Foundation, Inc. as of December 31, 2011 and 2010, 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.

*Blue & Co., LLC*

May 29, 2012

# DEARBORN COMMUNITY FOUNDATION, INC.

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2011 AND 2010

### ASSETS

	2011	2010
Cash and cash equivalents	\$ 2,258,189	\$ 1,577,818
Certificates of deposit	1,087,031	1,073,526
Investments	9,785,088	10,197,855
Property and equipment, net	80,679	100,193
	<u>\$ 13,210,987</u>	<u>\$ 12,949,392</u>

### LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	\$ 4,995	\$ 10,364
Deferred revenue	30,000	235,564
Charitable gift annuities payable	10,450	10,814
Custodial funds	<u>6,891,286</u>	<u>6,579,442</u>
Total liabilities	6,936,731	6,836,184
Net assets		
Unrestricted net assets	1,040,940	1,008,291
Temporarily restricted net assets	<u>5,233,316</u>	<u>5,104,917</u>
Total net assets	<u>6,274,256</u>	<u>6,113,208</u>
	<u>\$ 13,210,987</u>	<u>\$ 12,949,392</u>

*See accompanying notes to financial statements.*

# DEARBORN COMMUNITY FOUNDATION, INC.

## STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2011 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDING DECEMBER 31, 2010)

	2011			2010
	Unrestricted	Temporarily Restricted	Total	Total
<b>Support and revenues</b>				
Contributions	\$ 70,664	\$ 396,029	\$ 466,693	\$ 342,502
Grant revenue	241,849	-0-	241,849	224,845
Investment return, net	-0-	(120,848)	(120,848)	479,640
Other investment income	38,180	-0-	38,180	48,270
Administrative fees	199,820	-0-	199,820	187,865
Other revenue	18,218	7,784	26,002	23,159
Net assets released from restrictions	154,566	(154,566)	-0-	-0-
Total support and revenues	723,297	128,399	851,696	1,306,281
<b>Expenses</b>				
Grants	95,729	-0-	95,729	97,132
EcO15 grant expenses	241,849	-0-	241,849	224,845
Salaries and wages	176,866	-0-	176,866	177,905
Payroll taxes and employee benefits	14,761	-0-	14,761	14,563
Administrative fees	51,866	-0-	51,866	43,464
Advertising	5,964	-0-	5,964	4,395
Education	3,098	-0-	3,098	3,799
Supplies	1,707	-0-	1,707	1,583
Postage and printing	15,911	-0-	15,911	13,188
Telephone	1,898	-0-	1,898	1,851
Utilities	3,124	-0-	3,124	2,320
Rent	8,892	-0-	8,892	8,152
Repairs and maintenance	269	-0-	269	105
Depreciation	17,188	-0-	17,188	17,193
Professional fees	18,712	-0-	18,712	14,723
Dues and subscriptions	1,132	-0-	1,132	1,594
Donor development marketing	11,105	-0-	11,105	11,885
Special events	6,970	-0-	6,970	3,007
Lilly scholarship promotion	861	-0-	861	2,824
Insurance	3,214	-0-	3,214	3,255
Miscellaneous	9,532	-0-	9,532	9,190
Total expenses	690,648	-0-	690,648	656,973
Change in net assets	32,649	128,399	161,048	649,308
<b>Net assets, beginning of year</b>	1,008,291	5,104,917	6,113,208	5,463,900
<b>Net assets, end of year</b>	<u>\$ 1,040,940</u>	<u>\$ 5,233,316</u>	<u>\$ 6,274,256</u>	<u>\$ 6,113,208</u>

*See accompanying notes to financial statements.*

# DEARBORN COMMUNITY FOUNDATION, INC.

## STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2010

	Unrestricted	Temporarily Restricted	Total
<b>Support and revenues</b>			
Contributions	\$ 22,597	\$ 319,905	\$ 342,502
Grant revenue	224,845	-0-	224,845
Investment return, net	-0-	479,640	479,640
Other investment income	48,270	-0-	48,270
Administrative fees	187,865	-0-	187,865
Other revenue	18,925	4,234	23,159
Net assets released from restrictions	145,301	(145,301)	-0-
Total support and revenues	647,803	658,478	1,306,281
<b>Expenses</b>			
Grants	97,132	-0-	97,132
EcO15 grant expenses	224,845	-0-	224,845
Salaries and wages	177,905	-0-	177,905
Payroll taxes and employee benefits	14,563	-0-	14,563
Administrative fees	43,464	-0-	43,464
Advertising	4,395	-0-	4,395
Education	3,799	-0-	3,799
Supplies	1,583	-0-	1,583
Postage and printing	13,188	-0-	13,188
Telephone	1,851	-0-	1,851
Utilities	2,320	-0-	2,320
Rent	8,152	-0-	8,152
Repairs and maintenance	105	-0-	105
Depreciation	17,193	-0-	17,193
Professional fees	14,723	-0-	14,723
Dues and subscriptions	1,594	-0-	1,594
Donor development marketing	11,885	-0-	11,885
Special events	3,007	-0-	3,007
Lilly scholarship promotion	2,824	-0-	2,824
Insurance	3,255	-0-	3,255
Miscellaneous	9,190	-0-	9,190
Total expenses	656,973	-0-	656,973
Change in net assets	(9,170)	658,478	649,308
<b>Net assets, beginning of year</b>	1,017,461	4,446,439	5,463,900
<b>Net assets, end of year</b>	<u>\$ 1,008,291</u>	<u>\$ 5,104,917</u>	<u>\$ 6,113,208</u>

*See accompanying notes to financial statements.*

# DEARBORN COMMUNITY FOUNDATION, INC.

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
<b>Operating activities</b>		
Change in net assets	\$ 161,048	\$ 649,308
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	19,514	19,449
Realized and unrealized (gains) losses on investments	496,849	(677,012)
Interest and dividends received on investments	(342,405)	(410,665)
Interest received on certificates of deposit	(13,489)	(20,762)
Changes in assets and liabilities:		
Accounts payable and accrued expenses	(5,369)	(4,076)
Deferred revenue	(205,564)	(36,280)
Charitable gift annuities payable	(364)	(465)
Custodial funds	311,844	575,978
Net cash flows from operating activities	422,064	95,475
<b>Investing activities</b>		
Purchases of property and equipment	-0-	(2,304)
Purchases of certificates of deposit	(1,076,628)	(1,060,646)
Maturities of certificates of deposit	1,076,612	1,060,646
Purchases of investments	(5,393,778)	(6,226,483)
Sales of investments	5,652,101	6,230,439
Net cash flows from investing activities	258,307	1,652
Net change in cash and cash equivalents	680,371	97,127
<b>Cash and cash equivalents, beginning of year</b>	1,577,818	1,480,691
<b>Cash and cash equivalents, end of year</b>	<u>\$ 2,258,189</u>	<u>\$ 1,577,818</u>

*See accompanying notes to financial statements.*



# DEARBORN COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

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### 1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Operations

Dearborn Community Foundation, Inc. (the "Organization") is a not-for-profit entity. The Organization is located in Lawrenceburg, Indiana, and was organized to be a dynamic, creative force, advancing social, educational and cultural opportunities, while preserving the community's heritage, by helping donors to create a permanent legacy in Dearborn County.

#### Management's Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported support, revenues and expenses. Actual results could vary from the estimates that were used.

#### Basis of Presentation

Net assets, support, investment return, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. While most gift instruments give the Organization's Board of Directors the right to vary the terms of the gift, this only allows for a limited right of modification and does not relieve the restrictions imposed by the donor. Accordingly, the net assets of the Organization are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions and primarily made up of the Organization's operating fund to fund current operations of the Organization.

Temporarily restricted net assets – Net assets not yet appropriated for expenditure by the Organization's Board of Directors in accordance with their spending policy or that have donor-imposed restrictions relating to a stipulated purpose or a specified time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished or amounts have been allocated for expenditure by the Board of Directors, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

# **DEARBORN COMMUNITY FOUNDATION, INC.**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010**

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### Cash and Cash Equivalents

Cash and cash equivalents consist primarily of money market investments and exclude amounts held by the Organization's fund managers and included in investments.

### Investments and Investment Return

The Organization carries its investments at fair value for financial reporting purposes. Changes in unrealized appreciation or depreciation of investments are reflected in the Statements of Activities in the period in which such changes occur.

Interest and dividend income and net unrealized and realized gains and losses on investments are recognized as unrestricted or temporarily restricted based upon the existence or absence of donor-imposed restrictions or the related fund classification in accordance with the Organization's spending policy.

### Property and Equipment

Property and equipment, including expenditures that substantially increase the useful lives of existing assets, is recorded at cost except for donations, which are recorded at fair value at the date of the donation. Costs of ordinary maintenance and repairs are expensed as incurred.

Property and equipment is being depreciated over its estimated useful life ranging from three to ten years using the straight-line method.

### Deferred Revenue

Deferred revenue represents grant funds received in advance of the period in which the related services will be provided

### Support and Revenue Recognition

Contributions are recognized as revenues in the period the promise is made.

Support and revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

The Organization recognizes grant revenue in the period the related expenses are incurred.

# DEARBORN COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

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All other support and revenue is recorded when earned.

### Administrative Fees

Administrative fees are expensed from the funds to support the operations of the Organization. Administrative fees from all funds are reflected as revenue on the Statements of Activities. The administrative fees from custodial funds (agency endowments and pass-through funds) are not included as expenses on the Statements of Activities because they are included in the change in custodial funds.

### Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the notes to financial statements. Accordingly, certain costs have been allocated among the programs and supporting services. While the methods of allocation are considered appropriate, other methods could produce different results.

### Income Taxes

The Organization is organized as a not-for-profit corporation under Section 501(c)(3) of the United States Internal Revenue Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2011 and 2010, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

As such, the Organization is generally exempt from income taxes. However, the Organization is required to file Federal Form 990 – Return of Organization Exempt from Income Tax which is an informational return only.

### Reclassifications

Certain prior year amounts have been reclassified herein to conform to the current method of presentation.

# DEARBORN COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

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### Subsequent Events

The Organization has evaluated events or transactions occurring subsequent to the Statement of Financial Position date for recognition and disclosure in the accompanying financial statements through the date the financial statements are available to be issued, which is May 29, 2012.

## 2. CERTIFICATES OF DEPOSIT

Certificates of deposit consist of the following at December 31, 2011 and 2010:

2011			2010		
Amount	Maturity	Interest Rate	Amount	Maturity	Interest Rate
\$ 541,380	1/21/2012	1.50%	\$ 533,984	1/9/2011	1.49%
<u>545,651</u>	4/11/2012	1.00%	<u>539,542</u>	6/11/2011	1.29%
<u>\$ 1,087,031</u>			<u>\$ 1,073,526</u>		

# DEARBORN COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

### 3. INVESTMENTS

Investments consist of the following at December 31, 2011 and 2010:

	2011	2010
Cash and money market funds	\$ 482,883	\$ 325,621
Common stocks		
Basic materials	153,335	182,366
Consumer goods	395,411	349,851
Financial	95,098	149,496
Healthcare/nutrition	167,923	211,981
Services	157,232	181,541
Technology	339,201	320,350
Utilities	151,004	186,788
Other	309,635	466,770
Fixed income mutual funds		
High yield	534,579	369,328
Intermediate-term bond	943,358	1,205,451
Long-term	52,810	84,063
Short-term bond	428,826	313,277
Non-traditional	18,324	361,428
World bond	41,816	215,933
Equity mutual funds		
Diversified	430,431	449,593
Large cap	980,493	976,641
Long/short equity	-0-	235,480
Managed futures	163,508	18,531
Market neutral	253,432	373,305
Real estate	500,095	425,151
Small/mid cap	979,825	894,041
World stock	832,351	590,843
Other	145,161	108,479
Index funds		
Commodities	225,556	205,859
Large	468,881	594,992
Mid	320,056	316,723
Other	213,864	83,973
	<u>\$ 9,785,088</u>	<u>\$ 10,197,855</u>

# DEARBORN COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

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The Organization invests cash in excess of daily requirements in short-term investments and also earns interest on its deposits held in checking. Earnings on these accounts for the years ended December 31, 2011 and 2010 were \$38,180 and \$48,270, respectively.

The following schedule summarizes the investment return, excluding the investment return related to the change in custodial funds, and its classification in the Statements of Activities for the years ended December 31, 2011 and 2010:

	2011	2010
Interest and dividend income	\$ 170,064	\$ 193,321
Realized gains on investments	80,450	131,110
Unrealized gains (losses) on investments	(336,086)	191,710
Investment fees	<u>(35,276)</u>	<u>(36,501)</u>
	<u>\$ (120,848)</u>	<u>\$ 479,640</u>

#### 4. RISKS AND UNCERTAINTIES

The Organization holds a variety of investments (Note 3). Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

#### 5. FAIR VALUE OF FINANCIAL INSTRUMENTS

Assets that are measured at fair value are categorized according to a fair value hierarchy that prioritizes the inputs to valuation techniques, giving the highest priority to quoted prices in active markets for identical assets and the lowest priority to unobservable value inputs. If the inputs used fall within different levels of the hierarchy, the categorization is based upon the lowest level input that is significant to the fair value measurement. The hierarchy of inputs is as follows:

- Level 1 – Unadjusted quoted prices for identical assets and liabilities in active markets.
- Level 2 – Quoted prices for similar assets and liabilities in active markets (other than those included in Level 1) which are observable for the assets or liability, either directly or indirectly.

# DEARBORN COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The following tables set forth financial assets and liabilities measured at fair value in the Statements of Financial Position and the respective levels to which the fair value measurements are classified within the fair value hierarchy as of December 31, 2011 and 2010:

		2011		
		Fair Value	Level 1	Level 3
Assets:				
Investments	\$	9,785,088	\$ 9,785,088	\$ -0-
Liabilities:				
Charitable gift annuities payable		10,450	-0-	10,450
		2010		
		Fair Value	Level 1	Level 3
Assets:				
Investments	\$	10,197,855	\$ 10,197,855	\$ -0-
Liabilities:				
Charitable gift annuities payable		10,814	-0-	10,814

Fair values for investments and restricted investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value for the charitable gift annuities payable is determined by calculating the present value of future payments to beneficiaries using published life expectancy tables with a discount rate ranging between 4.0 percent to 5.6 percent.

The progression of charitable gift annuities during the years ended December 31, 2011 and 2010 is as follows:

	2011	2010
Beginning balance	\$ 10,814	\$ 11,279
Annuity payments made	(1,700)	(1,700)
Change in present value	1,336	1,235
Ending balance	<u>\$ 10,450</u>	<u>\$ 10,814</u>

# DEARBORN COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

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### 6. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2011 and 2010, is as follows:

	2011	2010
Furniture and fixtures	\$ 20,010	\$ 20,010
Equipment and software	92,149	92,149
Leasehold improvements	107,743	107,743
	219,902	219,902
Less accumulated depreciation	(139,223)	(119,709)
	<u>\$ 80,679</u>	<u>\$ 100,193</u>

### 7. CHARITABLE GIFT ANNUITIES

The Organization has two charitable gift annuities, from which the Organization received \$10,000 from each charitable gift. The Organization is required to make annual payments to the donors: one in the amount of \$1,080 for the remainder of the donor's lifetime and the other in the amount of \$620 for the remainder of the donor's lifetime and one designated survivor's lifetime. Upon the death of the specified persons, the remaining amount of the gift is to be used by the Organization for unrestricted purposes. The Organization has recognized a liability for the present value of the amount expected to be paid to the third-party beneficiaries at December 31, 2011 and 2010, under these agreements. The liability was calculated based on the life expectancy of the beneficiary, derived from the applicable one life annuity expected return multiples for the first annuity, and based on the life expectancy of both stated beneficiaries, derived from the applicable joint annuity expected return multiples for the second annuity. The present value was calculated using an IRS discount rate of 5.6% on the single-life annuity and 4.0% on the two-lives annuity. The present value of amounts expected to be paid to the third party beneficiaries was \$10,450 and \$10,814 at December 31, 2011 and 2010, respectively.



# DEARBORN COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

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### 8. CUSTODIAL FUNDS

Custodial funds represent funds placed on deposit with the Organization by other organizations based on their individual board resolutions as well as the pass-through grants program. The Organization accounts for these transfers as a liability in accordance with applicable accounting standards. Income is added to these funds periodically in accordance with the Organization's investment allocation policies. Contributions by, investment interest credits for, and distributions to those organizations are reflected as adjustments to the liability account and are not reflected in the Statements of Activities. Following is a progression of custodial funds during 2011 and 2010:

	2011	2010
Beginning balance	\$ 6,579,442	\$ 6,003,464
Contributions	3,044,805	2,983,626
Realized and unrealized gains (losses)	(241,213)	354,192
Interest and dividend income	172,341	217,344
Investment fees	(45,510)	(46,632)
Administrative fees	(52,845)	(46,883)
Grant payments	(2,564,709)	(2,885,669)
Other expenses	(1,025)	-0-
Ending balance	<u>\$ 6,891,286</u>	<u>\$ 6,579,442</u>

### 9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets represent endowment funds not yet appropriated for expenditure of \$5,233,316 and \$5,104,917 at December 31, 2011 and 2010, respectively.

### 10. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions in the amounts of \$154,566 and \$145,301 based on endowment funds appropriated for expenditure for the years ended December 31, 2011 and 2010, respectively.

# DEARBORN COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

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### 11. ENDOWMENT

The majority of the Organization's funds consists of endowed funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring endowment funds to be classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization 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.

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for granting purposes while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must use for a donor-specified purpose. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce long-term growth of capital without undue exposure to risk. The Organization expects its endowment funds, over a five-year moving period, to provide an average rate of return of approximately 5 percent over the Consumer Price Index. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment decisions shall be made with the intent of maximizing the long-term total return of the portfolio through market value changes (realized and unrealized) and through earned income (dividends and interest).

The Organization has a policy of appropriating for distribution each year. It is the goal to distribute 3 to 5 percent of its endowment funds' average fair value over a rolling 20 quarters, or a lesser percentage as voted upon annually by the Board of Directors. In establishing this policy, the Organization considered the long-term expected return on its endowment.

# DEARBORN COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

Changes in endowed funds for the years ending December 31, 2011 and 2010 were as follows:

	<u>2011</u>	<u>2010</u>
Endowment net assets, beginning of year	\$ 5,104,917	\$ 4,446,439
Contributions and other revenues	403,813	324,139
Investment return, net	(120,848)	479,640
Appropriation of endowment assets for expenditure	<u>(154,566)</u>	<u>(145,301)</u>
Endowment net assets, end of year	<u>\$ 5,233,316</u>	<u>\$ 5,104,917</u>

### 12. FUNCTIONAL EXPENSES

The Organization serves as a vehicle for residents of Dearborn County to donate to various organizations and projects in the county. Expenses related to providing this service for the years ended December 31, 2011 and 2010, are classified as follows:

	<u>2011</u>	<u>2010</u>
Development of Dearborn County	\$ 504,869	\$ 473,440
Fundraising	119,782	116,425
General and administrative expenses	<u>65,997</u>	<u>67,108</u>
	<u>\$ 690,648</u>	<u>\$ 656,973</u>

### 13. RENT

The Organization leases office space with monthly payments of \$846 through July 2015. Rent expense was \$10,152 for the years ended December 31, 2011 and 2010, with a portion allocated to EcO15 grant expenses. Future minimum lease payments subsequent to December 31, 2011 under this lease are as follows:

<u>Year Ending December 31,</u>	
2012	\$ 10,152
2013	10,152
2014	10,152
2015	<u>5,076</u>
	<u>\$ 35,532</u>

# **DEARBORN COMMUNITY FOUNDATION, INC.**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010**

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### **14. CONCENTRATIONS OF CREDIT RISK**

The Organization maintains its cash in bank deposit accounts insured by the Federal Deposit Insurance Corporation at its current coverage levels. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash.

Investments are maintained with several investment firms. Such balances exceed the Securities Investor Protection Corporation insured limits of up to \$500,000.