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STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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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, 2012 to December 31, 2012. 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, 2012, 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, 2012 AND 2011

DEARBORN COMMUNITY FOUNDATION, INC.

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DECEMBER 31, 2012 AND 2011

CPAS / ADVISORS

blue

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

Report on the Financial Statements

We have audited the accompanying financial statements of Dearborn Community Foundation, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2012 and 2011, 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 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 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 Organization as of December 31, 2012 and 2011, 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

Seymour, Indiana

May 28, 2013

DEARBORN COMMUNITY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011

ASSETS

	2012	2011
Cash and cash equivalents	$ 1,738,782	$ 2,258,189
Certificates of deposit	1,099,124	1,087,031
Investments	11,719,713	9,785,088
Property and equipment, net	66,013	80,679
	$ 14,623,632	$ 13,210,987

LIABILITIES AND NET ASSETS

	2012	2011
Liabilities		
Accounts payable and accrued expenses	$ 9,713	$ 4,995
Grants payable	25,650	-0-
Deferred revenue	11,063	30,000
Charitable gift annuities payable	10,046	10,450
Liability for funds held as agency endowments	5,344,026	4,958,087
Custodial funds	1,755,467	1,933,199
Total liabilities	7,155,965	6,936,731
Net assets		
Unrestricted net assets	993,764	1,040,940
Temporarily restricted net assets	6,473,903	5,233,316
Total net assets	7,467,667	6,274,256
	$ 14,623,632	$ 13,210,987

See accompanying notes to financial statements.

DEARBORN COMMUNITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDING DECEMBER 31, 2011)

	2012			2011
	Unrestricted	Temporarily Restricted	Total	Total
Support and revenues				
Contributions	$ 17,384	$ 840,702	$ 858,086	$ 466,693
Grant revenue	23,437	-0-	23,437	241,849
Investment return, net	-0-	530,762	530,762	(119,512)
Other investment income	31,785	-0-	31,785	38,180
Administrative fees	205,444	-0-	205,444	199,820
Other revenue	14,025	4,975	19,000	26,002
Net assets released from restrictions	135,852	(135,852)	-0-	-0-
Total support and revenues	427,927	1,240,587	1,668,514	853,032
Expenses				
Grants	75,223	-0-	75,223	95,729
EcO_{15} grant expenses	23,437	-0-	23,437	241,849
Salaries and wages	198,948	-0-	198,948	176,866
Payroll taxes and employee benefits	15,715	-0-	15,715	14,761
Administrative fees	56,277	-0-	56,277	51,866
Advertising	8,890	-0-	8,890	6,825
Education	2,725	-0-	2,725	3,098
Supplies	3,863	-0-	3,863	3,714
Postage and printing	14,434	-0-	14,434	15,911
Telephone	2,572	-0-	2,572	1,898
Utilities	4,084	-0-	4,084	3,124
Rent	10,152	-0-	10,152	8,892
Depreciation	14,666	-0-	14,666	17,188
Professional fees	23,942	-0-	23,942	23,704
Dues and subscriptions	1,545	-0-	1,545	1,132
Donor development marketing	7,342	-0-	7,342	11,105
Special events	4,220	-0-	4,220	6,970
Insurance	3,321	-0-	3,321	3,214
Actuarial loss on annuity obligations	1,296	-0-	1,296	1,336
Miscellaneous	2,451	-0-	2,451	2,802
Total expenses	475,103	-0-	475,103	691,984
Change in net assets	(47,176)	1,240,587	1,193,411	161,048
Net assets, beginning of year	1,040,940	5,233,316	6,274,256	6,113,208
Net assets, end of year	$ 993,764	$ 6,473,903	$ 7,467,667	$ 6,274,256

See accompanying notes to financial statements.

DEARBORN COMMUNITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2011

	Unrestricted	Temporarily Restricted	Total
Support and revenues			
Contributions	$ 70,664	$ 396,029	$ 466,693
Grant revenue	241,849	-0-	241,849
Investment return, net	-0-	(119,512)	(119,512)
Other investment income	38,180	-0-	38,180
Administrative fees	199,820	-0-	199,820
Other revenue	18,218	7,784	26,002
Net assets released from restrictions	155,902	(155,902)	-0-
Total support and revenues	724,633	128,399	853,032
Expenses			
Grants	95,729	-0-	95,729
EcO_{15} grant expenses	241,849	-0-	241,849
Salaries and wages	176,866	-0-	176,866
Payroll taxes and employee benefits	14,761	-0-	14,761
Administrative fees	51,866	-0-	51,866
Advertising	6,825	-0-	6,825
Education	3,098	-0-	3,098
Supplies	3,714	-0-	3,714
Postage and printing	15,911	-0-	15,911
Telephone	1,898	-0-	1,898
Utilities	3,124	-0-	3,124
Rent	8,892	-0-	8,892
Depreciation	17,188	-0-	17,188
Professional fees	23,704	-0-	23,704
Dues and subscriptions	1,132	-0-	1,132
Donor development marketing	11,105	-0-	11,105
Special events	6,970	-0-	6,970
Insurance	3,214	-0-	3,214
Actuarial loss on annuity obligations	1,336	-0-	1,336
Miscellaneous	2,802	-0-	2,802
Total expenses	691,984	-0-	691,984
Change in net assets	32,649	128,399	161,048
Net assets, beginning of year	1,008,291	5,104,917	6,113,208
Net assets, end of year	$ 1,040,940	$ 5,233,316	$ 6,274,256

See accompanying notes to financial statements.

DEARBORN COMMUNITY FOUNDATION, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Operating activities		
Change in net assets	$ 1,193,411	$ 161,048
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	14,666	19,514
Reinvested interest on certificates of deposit	(12,093)	(13,489)
Realized and unrealized (gains) losses on investments	(387,244)	254,300
Realized and unrealized (gains) losses on agency endowments	(385,297)	241,213
Actuarial loss on annuity obligations	1,296	1,336
Changes in assets and liabilities:		
Accounts payable and accrued expenses	4,718	(5,369)
Grants payable	25,650	-0-
Deferred revenue	(18,937)	(205,564)
Liability for funds held as agency endowments	385,939	(250,496)
Custodial funds	(177,732)	562,340
Net cash flows from operating activities	644,377	764,833
Investing activities		
Purchases of certificates of deposit	(1,089,223)	(1,076,628)
Maturities of certificates of deposit	1,089,223	1,076,612
Purchases of investments	(9,003,938)	(5,734,847)
Proceeds from sales of investments	7,841,854	5,652,101
Net cash flows from investing activities	(1,162,084)	(82,762)
Financing activities		
Charitable gift annuity payments	(1,700)	(1,700)
Net change in cash and cash equivalents	(519,407)	680,371
Cash and cash equivalents, beginning of year	2,258,189	1,577,818
Cash and cash equivalents, end of year	$ 1,738,782	$ 2,258,189

See accompanying notes to financial statements.

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.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash in checking 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, net unrealized and realized gains and losses on investments and investment expenses 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 either unrestricted or temporarily restricted net assets in accordance with the classification of the fund as it relates to Organization's spending policy.

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

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 non-permanent funds) are not included as expenses on the Statements of Activities because they are included in the change in liability for funds held as agency endowments and 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, 2012 and 2011, 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.

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 28, 2013.

2. CERTIFICATES OF DEPOSIT

Certificates of deposit consist of the following at December 31, 2012 and 2011:

2012			2011		
Amount	Maturity	Interest Rate	Amount	Maturity	Interest Rate
$ 549,584	1/21/2013	1.50%	$ 541,380	1/21/2012	1.50%
549,540	2/11/2013	0.60%	545,651	4/11/2012	1.00%
$ 1,099,124			$ 1,087,031		

3. INVESTMENTS

Investments consist of the following at December 31, 2012 and 2011:

	2012	2011
Cash and money market funds	$ 447,387	$ 482,886
Common stocks		
Basic materials	187,874	169,235
Consumer goods	210,452	395,411
Financial	174,674	95,594
Healthcare/nutrition	266,665	167,923
Industrial goods	109,028	49,776
Services	261,778	184,058
Technology	431,099	357,900
Utilities	274,048	169,272
Other	117,325	160,155
Fixed income mutual funds		
Short-term bond	1,141,984	714,744
Intermediate-term bond	2,236,964	1,366,831
Long-term bond	27,841	8,138
Equity mutual funds		
Large	2,610,472	2,166,748
Mid	1,171,179	1,203,210
Small	619,913	515,834
Fixed income exchange traded funds		
Short-term bond	257,467	-0-
Intermediate-term bond	29,965	113,744
Long-term bond	109,390	150,899
Equity exchange traded funds		
Large	606,345	767,118
Mid	427,863	545,612
	$ 11,719,713	$ 9,785,088

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, 2012 and 2011 were $31,785 and $38,180, 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, 2012 and 2011:

	2012	2011
Interest and dividend income	$ 189,192	$ 170,064
Realized and unrealized gains (losses) on investments	387,244	(254,300)
Investment fees	(45,674)	(35,276)
	$ 530,762	$ (119,512)

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

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (level 3). The Organization's policy is to recognize transfers, if any, between levels as of the actual date of the event or change in circumstances. The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted 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. 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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2012 and 2011.

- *Common stocks*: Valued at the closing price reported on the active market on which the individual securities are traded.

- *Mutual funds and exchange traded funds*: Valued at the daily closing price as reported by the fund. Securities held by the Organization are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The funds held by the Organization are deemed to be actively traded.

- *Charitable gift annuities payable*: Fair value is determined by calculating the present value of the annuities using published life expectancy tables with a discount rate ranging from 4.0 percent to 5.6 percent.

The following table sets forth by level, within the hierarchy, the Organization's assets and liabilities measured at fair value on a recurring basis as of December 31, 2012 and 2011:

	2012		
	Fair Value	Level 1	Level 2
Assets:			
Common stocks	$ 2,032,943	$ 2,032,943	$ -0-
Mutual funds	7,808,353	7,808,353	-0-
Exchange traded funds	1,431,030	1,431,030	-0-
Liabilities:			
Charitable gift annuities payable	10,046	-0-	10,046

	2011		
	Fair Value	Level 1	Level 3
Assets:			
Common stocks	$ 1,749,324	$ 1,749,324	$ -0-
Mutual funds	5,975,505	5,975,505	-0-
Exchange traded funds	1,577,373	1,577,373	-0-
Liabilities:			
Charitable gift annuities payable	10,450	-0-	10,450

During 2012, the gift annuity payable became Level 2 due to updated technical guidance on fair value classification issued. The progression of the gift annuity payable classified as Level 3 for the years ended December 31, 2012 and 2011 is as follows:

	2012	2011
Beginning balance	$ 10,450	$ 10,814
Annuity payments made	(1,700)	(1,700)
Change in present value	1,296	1,336
Transfer to Level 2	(10,046)	-0-
Ending balance	$ -0-	$ 10,450

6. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2012 and 2011, is as follows:

	2012	2011
Furniture and fixtures	$ 20,010	$ 20,010
Equipment and software	92,149	92,149
Leasehold improvements	107,742	107,743
	219,901	219,902
Less accumulated depreciation	(153,888)	(139,223)
	$ 66,013	$ 80,679

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, 2012 and 2011, 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 $10,046 and $10,450 at December 31, 2012 and 2011, respectively.

8. LIABILITY FOR FUNDS HELD AS AGENCY ENDOWMENTS AND CUSTODIAL FUNDS

Liability for funds held as agency endowments represent funds placed on deposit with the Organization by other organizations based on their individual board resolutions and custodial funds represent the non-permanent 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 the liability for funds held as agency endowments and custodial funds during 2012 and 2011:

	2012	2011
Beginning balance	$ 6,891,286	$ 6,579,442
Contributions	3,029,258	3,044,805
Interest and dividend income	167,760	172,341
Realized and unrealized gains (losses)	385,297	(241,213)
Investment fees	(43,863)	(45,510)
Administrative fees	(50,253)	(52,845)
Grant payments	(3,279,992)	(2,565,734)
Ending balance	$ 7,099,493	$ 6,891,286

9. TEMPORARILY RESTRICTED NET SSETS

Temporarily restricted net assets represent endowment funds not yet appropriated for expenditure of $6,473,903 and $5,233,316 at December 31, 2012 and 2011, respectively.

10. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions in the amounts of $135,852 and $155,902 based on endowment funds appropriated for expenditure for the years ended December 31, 2012 and 2011, respectively.

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.

Changes in endowed funds for the years ending December 31, 2012 and 2011 were as follows:

	2012	2011
Endowment net assets, beginning of year	$ 5,233,316	$ 5,104,917
Contributions and other revenues	845,677	403,813
Investment return, net	530,762	(119,512)
Appropriation of endowment assets for expenditure	(135,852)	(155,902)
Endowment net assets, end of year	$ 6,473,903	$ 5,233,316

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, 2012 and 2011, are classified as follows:

	2012	2011
Development of Dearborn County	$ 278,951	$ 506,205
Fundraising	125,889	119,782
General and administrative expenses	70,263	65,997
	$ 475,103	$ 691,984

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, 2012 and 2011, with a portion allocated to EcO15 grant expenses in 2011. Future minimum lease payments subsequent to December 31, 2012 under this lease are as follows:

Year Ending December 31,		
2013	$	10,152
2014		10,152
2015		5,076
	$	25,380

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.