



STATE OF INDIANA
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B39705

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

November 10, 2011

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

We have reviewed the audit report prepared by Blue & Co., LLC, Independent Public Accountants, for the period January 1, 2008 to December 31, 2008. 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 the Dearborn Community Foundation, Inc., as of December 31, 2008, 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.

STATE BOARD OF ACCOUNTS

DEARBORN COMMUNITY FOUNDATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

DEARBORN COMMUNITY FOUNDATION, INC.

TABLE OF CONTENTS DECEMBER 31, 2008 AND 2007

	Page
Report of Independent Auditors	1
 Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	5
Notes to Financial Statements	6



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, 2008 and 2007, 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, 2008 and 2007, 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.

As discussed in Note 2 to the financial statements, Dearborn Community Foundation, Inc. adopted FASB Staff Position 117-1 in 2008 by restating its 2007 financial statements included herein.

Blue & Co., LLC

May 27, 2009

DEARBORN COMMUNITY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2008 AND 2007

ASSETS

	2008	2007 As Restated
Cash	\$ 667,702	\$ 988,476
Certificates of deposit	536,994	-0-
Investments	3,421,749	4,807,537
Property and equipment, net	136,669	29,832
Restricted cash	602,754	2,302,530
Restricted certificates of deposit	1,000,000	-0-
Restricted investments	3,993,749	5,628,894
	<u>\$ 10,359,617</u>	<u>\$ 13,757,269</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$ 13,059	\$ 7,275
Grants payable	122,052	-0-
Deferred revenue	67,475	-0-
Charitable gift annuities payable	11,733	12,144
Custodial funds	5,596,503	7,931,424
Total liabilities	5,810,822	7,950,843

Net assets

Unrestricted net assets	1,031,784	842,506
Temporarily restricted net assets	3,517,011	4,963,920
Total net assets	4,548,795	5,806,426
	<u>\$ 10,359,617</u>	<u>\$ 13,757,269</u>

See accompanying notes to financial statements.

DEARBORN COMMUNITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2008 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDING DECEMBER 31, 2007)

	2008			2007 As Restated
	Unrestricted	Temporarily Restricted	Total	Total
Support and revenues				
Contributions	\$ 129,946	\$ 431,847	\$ 561,793	\$ 192,701
Grant revenue	34,273	-0-	34,273	-0-
Investment return, net	-0-	(1,461,745)	(1,461,745)	322,660
Other investment income	110,114	-0-	110,114	151,000
Administrative fees	152,982	-0-	152,982	175,079
Other revenue	26,481	5,123	31,604	22,578
Net assets released from restrictions	422,134	(422,134)	-0-	-0-
Total support and revenues	875,930	(1,446,909)	(570,979)	864,018
Expenses				
Grants	294,452	-0-	294,452	137,334
EcO ₁₅ grant expenses	34,273	-0-	34,273	-0-
Salaries and wages	163,531	-0-	163,531	158,049
Payroll taxes and employee benefits	17,650	-0-	17,650	22,834
Administrative fees	44,262	-0-	44,262	40,438
Advertising	7,761	-0-	7,761	18,886
Education	7,934	-0-	7,934	6,537
Supplies	3,891	-0-	3,891	5,223
Postage and printing	16,674	-0-	16,674	11,408
Telephone	3,538	-0-	3,538	3,961
Utilities	4,077	-0-	4,077	5,118
Rent	9,058	-0-	9,058	12,000
Contracted services	1,706	-0-	1,706	12,063
Repairs and maintenance	187	-0-	187	-0-
Depreciation	18,792	-0-	18,792	16,514
Professional fees	24,062	-0-	24,062	25,712
Dues and subscriptions	2,330	-0-	2,330	2,805
Donor development marketing	15,761	-0-	15,761	13,058
Special events	3,612	-0-	3,612	-0-
Lilly scholarship promotion	640	-0-	640	2,109
Insurance	1,666	-0-	1,666	325
Loss on timeshare	-0-	-0-	-0-	4,200
Miscellaneous	10,795	-0-	10,795	7,597
Total expenses	686,652	-0-	686,652	506,171
Change in net assets	189,278	(1,446,909)	(1,257,631)	357,847
Net assets, beginning of year	842,506	4,963,920	5,806,426	5,448,579
Net assets, end of year	\$ 1,031,784	\$ 3,517,011	\$ 4,548,795	\$ 5,806,426

See accompanying notes to financial statements.

DEARBORN COMMUNITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2007 (AS RESTATED)

	Unrestricted	Temporarily Restricted	Total
Support and revenues			
Contributions	\$ 42,374	\$ 150,327	\$ 192,701
Investment return, net	-0-	322,660	322,660
Other investment income	151,000	-0-	151,000
Administrative fees	175,079	-0-	175,079
Other revenue	22,578	-0-	22,578
Net assets released from restrictions	<u>256,896</u>	<u>(256,896)</u>	<u>-0-</u>
Total support and revenues	647,927	216,091	864,018
Expenses			
Grants	137,334	-0-	137,334
Salaries and wages	158,049	-0-	158,049
Payroll taxes and employee benefits	22,834	-0-	22,834
Administrative fees	40,438	-0-	40,438
Advertising	18,886	-0-	18,886
Education	6,537	-0-	6,537
Supplies	5,223	-0-	5,223
Postage and printing	11,408	-0-	11,408
Telephone	3,961	-0-	3,961
Utilities	5,118	-0-	5,118
Rent	12,000	-0-	12,000
Contracted services	12,063	-0-	12,063
Depreciation	16,514	-0-	16,514
Professional fees	25,712	-0-	25,712
Dues and subscriptions	2,805	-0-	2,805
Donor development marketing	13,058	-0-	13,058
Lilly scholarship promotion	2,109	-0-	2,109
Insurance	325	-0-	325
Loss on timeshare	4,200	-0-	4,200
Miscellaneous	<u>7,597</u>	<u>-0-</u>	<u>7,597</u>
Total expenses	<u>506,171</u>	<u>-0-</u>	<u>506,171</u>
Change in net assets	<u>\$ 141,756</u>	<u>\$ 216,091</u>	<u>\$ 357,847</u>
Net assets, beginning of year			
As previously reported	\$ 5,247,294	\$ 162,397	\$ 5,409,691
Effect of restatement	<u>(4,546,544)</u>	<u>4,585,432</u>	<u>38,888</u>
As restated	700,750	4,747,829	5,448,579
Change in net assets	<u>141,756</u>	<u>216,091</u>	<u>357,847</u>
Net assets, end of year	<u>\$ 842,506</u>	<u>\$ 4,963,920</u>	<u>\$ 5,806,426</u>

See accompanying notes to financial statements.

DEARBORN COMMUNITY FOUNDATION, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007 As Restated
Operating activities		
Change in net assets	\$ (1,257,631)	\$ 357,847
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	19,110	16,514
Realized and unrealized losses (gains) on investments	1,626,075	(213,790)
Changes in assets and liabilities:		
Other assets	-0-	5,700
Net change in restricted cash and investments	2,334,921	(357,962)
Accounts payable and accrued expenses	5,784	(2,980)
Grants payable	122,052	-0-
Deferred revenue	67,475	-0-
Charitable gift annuities payable	(411)	248
Custodial funds	(2,334,921)	357,962
Net cash flows from operating activities	582,454	163,539
Investing activities		
Purchases of property and equipment	(125,947)	(10,690)
Purchases of certificates of deposit	(536,994)	-0-
Net change in investments	(240,287)	(83,798)
Net cash flows from investing activities	(903,228)	(94,488)
Net change in cash	(320,774)	69,051
Cash, beginning of year	988,476	919,425
Cash, end of year	\$ 667,702	\$ 988,476

See accompanying notes to financial statements.

DEARBORN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

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, 2008 AND 2007

Investments and Investment Return

The Organization carries its investments at fair market 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 the fair market 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.

Restricted Cash and Investments

Restricted cash and investments consist of monies received from organizations that have named themselves as the beneficiary of the income from funds they established for their own benefit and pass-through grant programs. These amounts are also reported as custodial funds payable at December 31, 2008 and 2007.

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, 2008 AND 2007

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 Statement of Activities. The administrative fees from custodial funds (agency endowments and pass-through funds) are not included as expenses on the Statement 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.

Income Taxes

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal taxes on related income pursuant to Section 501(a) of the Code.

Accounting For Uncertainty In Income Taxes

The Financial Accounting Standards Board ("FASB") has issued Interpretation No. 48 ("FIN 48"), which clarifies generally accepted accounting principles for recognition, measurement, presentation, and disclosure relating to uncertain tax positions. FIN 48 applies to business enterprises, not-for-profit entities, and pass-through entities, such as S corporations and limited liability companies. As permitted by FIN 48 (as amended), the Organization has elected to defer the application of FIN 48 until issuance of its December 31, 2009 financial statements. For financial statements covering periods prior to calendar 2009, the Organization evaluates uncertain tax positions in accordance with existing generally accepted accounting principles and makes such accruals and disclosures as might be required thereunder.

2. ADOPTION OF ACCOUNTING STANDARD

In 2008, the FASB issued FASB Staff Position (FSP) 117-1, *Endowments of Not-for-Profit Organizations*, which affects non-profit organizations that have board designated or donor restricted endowments. The Organization has adopted the FSP as of January 1, 2008 and has restated its financial statements as of and for the year ended December 31, 2007 as prescribed in the implementation guidance of the FSP. The reclassification of net assets from unrestricted to temporarily restricted at January 1, 2007 was \$4,546,544.

DEARBORN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

In conjunction with the adoption of the FSP, the Organization also modified its interpretation of the classification of certain funds previously classified as custodial funds. The Organization also restated its 2007 financial statements for this matter increasing the previously reported change in net assets by \$10,018 and the opening temporarily restricted net assets at January 1, 2007 by \$38,888.

3. CERTIFICATES OF DEPOSIT

Certificates of deposit, including restricted certificates of deposit, consist of the following at December 31, 2008:

<u>Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>
\$ 514,173	10/11/2009	3.45%
514,170	3/11/2009	3.50%
<u>508,651</u>	3/10/2009	3.25%
<u>\$ 1,536,994</u>		

4. INVESTMENTS

Investments, including restricted investments, consist of the following at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Cash and money market funds	\$ 337,580	\$ 1,621,861
Domestic equities	3,096,889	5,039,976
Foreign equities	1,050,613	1,124,210
Domestic fixed income mutual funds	1,225,161	-0-
Foreign fixed income mutual funds	889,529	-0-
Domestic equity mutual funds	403,010	404,157
Foreign equity mutual funds	412,716	523,952
U.S. government securities	-0-	691,493
Domestic corporate bonds	-0-	877,797
Foreign corporate bonds	-0-	27,432
Real estate investment funds	-0-	125,553
	<u>\$ 7,415,498</u>	<u>\$ 10,436,431</u>

DEARBORN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

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, 2008 and 2007 were \$110,114 and \$151,000, respectively.

The following schedule summarizes the investment return, excluding the investment return related to the restricted investments which is a part of the change in custodial funds, and its classification in the Statements of Activities for the years ended December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Interest and dividend income	\$ 211,096	\$ 162,073
Realized gains (losses) on investments	(226,931)	62,124
Unrealized gains (losses) on investments	(1,399,144)	151,666
Investment fees	<u>(46,766)</u>	<u>(53,203)</u>
	<u>\$ (1,461,745)</u>	<u>\$ 322,660</u>

5. RISKS AND UNCERTAINTIES

The Organization holds investments (Note 4). 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.

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

Effective January 1, 2008, the Organization adopted FASB Statement No. 157 (FAS 157), *Fair Value Measurements (as amended)*, which provides a comprehensive framework for measuring fair value and expands required disclosures concerning fair value measurements. Specifically, FAS 157 sets forth a definition of fair value and establishes a hierarchy prioritizing the inputs to valuation techniques, giving the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable value inputs. The adoption of FAS 157 did not have a material impact on the Organization's financial statements.

FAS 157 defines levels within the hierarchy of inputs as follows:

- Level 1 – Unadjusted quoted prices for identical assets and liabilities in active markets
-

DEARBORN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

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

The following table sets forth financial assets measured at fair value in the Statement of Financial Position and the respective levels to which the fair value measurements are classified within the fair value hierarchy as of December 31, 2008:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
Assets:			
Certificates of deposit	\$ 536,994	\$ -0-	\$ 536,994
Investments	3,421,749	3,421,749	-0-
Restricted certificates of deposit	1,000,000	-0-	1,000,000
Restricted investments	3,993,749	3,993,749	-0-
Liabilities:			
Charitable gift annuities payable	11,733	-0-	11,733

The fair value of certificates of deposit and restricted certificates of deposit approximates their cost. 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.

DEARBORN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

7. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2008 and 2007, is as follows:

	<u>2008</u>	<u>2007</u>
Furniture and fixtures	\$ 27,306	\$ 14,488
Equipment	88,662	94,819
Leasehold improvements	<u>102,452</u>	<u>-0-</u>
	218,420	109,307
Less accumulated depreciation	<u>(81,751)</u>	<u>(79,475)</u>
	<u>\$ 136,669</u>	<u>\$ 29,832</u>

8. 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, 2008 and 2007, 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% on the two-lives annuity. The present value of amounts expected to be paid to the third party beneficiaries was \$11,733 and \$12,144 at December 31, 2008 and 2007, respectively.

DEARBORN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

9. CUSTODIAL FUNDS

Custodial funds represent funds placed on deposit with the Organization by other 501(c)(3) organizations based on their individual board resolutions. The Organization accounts for these transfers as a liability in accordance with Statement of Financial Accounting Standards No. 136. 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 2008 and 2007:

	2008	2007 As Restated
Beginning balance	\$ 7,931,424	\$ 7,573,462
Contributions	2,867,715	2,883,112
Investment return, net	(1,607,518)	357,789
Administrative fees	(43,658)	(60,232)
Grant payments	(3,319,811)	(2,576,800)
Other expenses	(231,649)	(245,907)
Ending balance	<u>\$ 5,596,503</u>	<u>\$ 7,931,424</u>

10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes at December 31, 2008 and 2007:

	2008	2007
Designated purpose restrictions related to:		
Sustaining Resource Development grant	\$ 5,832	\$ 83,938
Endowment funds not yet appropriated for expenditure	<u>3,511,179</u>	<u>4,879,982</u>
	<u>\$ 3,517,011</u>	<u>\$ 4,963,920</u>

DEARBORN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

11. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during the years ended December 31, 2008 and 2007 as follows:

	<u>2008</u>	<u>2007</u>
Designated purpose restrictions related to:		
Sustaining Resource Development grant	\$ 78,106	\$ 78,459
Endowment funds appropriated for expenditure	<u>344,028</u>	<u>178,437</u>
	<u>\$ 422,134</u>	<u>\$ 256,896</u>

12. ENDOWMENT

The majority of the Organization's funds consists of endowed funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, 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 as well as board-designated

DEARBORN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

funds. 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 12 or 20 quarters, depending on the length of time the fund has existed, 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, 2008 and 2007 were as follows:

	<u>2008</u>	<u>2007</u>
Endowment net assets, beginning of year	\$ 4,879,982	\$ 4,585,432
Contributions and other revenues	436,970	150,327
Investment return, net	(1,461,745)	322,660
Appropriation of endowment assets for expenditure	<u>(344,028)</u>	<u>(178,437)</u>
Endowment net assets, end of year	<u>\$ 3,511,179</u>	<u>\$ 4,879,982</u>

DEARBORN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

13. 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, 2008 and 2007, are classified as follows:

	<u>2008</u>	<u>2007</u>
Development of Dearborn County	\$ 482,614	\$ 281,212
Fundraising	128,081	146,370
General and administrative expenses	<u>75,957</u>	<u>78,589</u>
	<u>\$ 686,652</u>	<u>\$ 506,171</u>

14. RENT

The Organization leases office space with monthly payments of \$846 through July 2015. Rent expense was \$9,058 and \$12,000 for the years ended December 31, 2008 and 2007, respectively. Future minimum lease payments subsequent to December 31, 2008 under this lease are as follows:

<u>Year Ending December 31,</u>	
2009	\$ 10,152
2010	10,152
2011	10,152
2012	10,152
2013	10,152
Thereafter	<u>15,228</u>
	<u>\$ 65,988</u>

15. RELATED PARTY TRANSACTIONS

The Organization received \$61,065 and \$23,775 in contributions from members of the Organization's board of directors, emeriti board members and related parties to board members during 2008 and 2007, respectively.

DEARBORN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

16. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. 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.