



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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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, 2009 to December 31, 2009. 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, 2009, 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, 2009 AND 2008

DEARBORN COMMUNITY FOUNDATION, INC.

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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, 2009 and 2008, 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, 2009 and 2008, 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 21, 2010

DEARBORN COMMUNITY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2009 AND 2008

ASSETS

	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 766,692	\$ 667,702
Certificates of deposit	552,764	536,994
Investments	4,324,669	3,421,749
Property and equipment, net	117,338	136,669
Restricted cash	713,999	602,754
Restricted certificates of deposit	500,000	1,000,000
Restricted investments	<u>4,789,465</u>	<u>3,993,749</u>
	<u>\$ 11,764,927</u>	<u>\$ 10,359,617</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	\$ 14,440	\$ 13,059
Grants payable	-0-	122,052
Deferred revenue	271,844	67,475
Charitable gift annuities payable	11,279	11,733
Custodial funds	<u>6,003,464</u>	<u>5,596,503</u>
Total liabilities	6,301,027	5,810,822
Net assets		
Unrestricted net assets	1,017,461	1,031,784
Temporarily restricted net assets	<u>4,446,439</u>	<u>3,517,011</u>
Total net assets	<u>5,463,900</u>	<u>4,548,795</u>
	<u>\$ 11,764,927</u>	<u>\$ 10,359,617</u>

See accompanying notes to financial statements.

DEARBORN COMMUNITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2009 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDING DECEMBER 31, 2008)

	2009			2008
	Unrestricted	Temporarily Restricted	Total	Total
Support and revenues				
Contributions	\$ 12,241	\$ 347,212	\$ 359,453	\$ 561,793
Grant revenue	414,015	-0-	414,015	34,273
Investment return, net	-0-	715,455	715,455	(1,461,745)
Other investment income	59,860	-0-	59,860	110,114
Administrative fees	184,315	-0-	184,315	152,982
Other revenue	21,089	3,225	24,314	31,604
Net assets released from restrictions	<u>136,464</u>	<u>(136,464)</u>	<u>-0-</u>	<u>-0-</u>
Total support and revenues	827,984	929,428	1,757,412	(570,979)
Expenses				
Grants	94,526	-0-	94,526	294,452
EcO ₁₅ grant expenses	414,015	-0-	414,015	34,273
Salaries and wages	165,107	-0-	165,107	163,531
Payroll taxes and employee benefits	13,548	-0-	13,548	17,650
Administrative fees	35,819	-0-	35,819	44,262
Advertising	3,933	-0-	3,933	7,761
Education	4,045	-0-	4,045	7,934
Supplies	2,149	-0-	2,149	3,891
Postage and printing	16,074	-0-	16,074	16,674
Telephone	1,974	-0-	1,974	3,538
Utilities	2,296	-0-	2,296	4,077
Rent	7,992	-0-	7,992	9,058
Contracted services	-0-	-0-	-0-	1,706
Repairs and maintenance	-0-	-0-	-0-	187
Depreciation	24,172	-0-	24,172	18,792
Professional fees	20,464	-0-	20,464	24,062
Dues and subscriptions	2,361	-0-	2,361	2,330
Donor development marketing	16,616	-0-	16,616	15,761
Special events	3,559	-0-	3,559	3,612
Lilly scholarship promotion	2,374	-0-	2,374	640
Insurance	3,016	-0-	3,016	1,666
Miscellaneous	<u>8,267</u>	<u>-0-</u>	<u>8,267</u>	<u>10,795</u>
Total expenses	<u>842,307</u>	<u>-0-</u>	<u>842,307</u>	<u>686,652</u>
Change in net assets	(14,323)	929,428	915,105	(1,257,631)
Net assets, beginning of year	<u>1,031,784</u>	<u>3,517,011</u>	<u>4,548,795</u>	<u>5,806,426</u>
Net assets, end of year	<u>\$ 1,017,461</u>	<u>\$ 4,446,439</u>	<u>\$ 5,463,900</u>	<u>\$ 4,548,795</u>

See accompanying notes to financial statements.

DEARBORN COMMUNITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2008

	Unrestricted	Temporarily Restricted	Total
Support and revenues			
Contributions	\$ 129,946	\$ 431,847	\$ 561,793
Grant revenue	34,273	-0-	34,273
Investment return, net	-0-	(1,461,745)	(1,461,745)
Other investment income	110,114	-0-	110,114
Administrative fees	152,982	-0-	152,982
Other revenue	26,481	5,123	31,604
Net assets released from restrictions	422,134	(422,134)	-0-
Total support and revenues	875,930	(1,446,909)	(570,979)
Expenses			
Grants	294,452	-0-	294,452
EcO ₁₅ grant expenses	34,273	-0-	34,273
Salaries and wages	163,531	-0-	163,531
Payroll taxes and employee benefits	17,650	-0-	17,650
Administrative fees	44,262	-0-	44,262
Advertising	7,761	-0-	7,761
Education	7,934	-0-	7,934
Supplies	3,891	-0-	3,891
Postage and printing	16,674	-0-	16,674
Telephone	3,538	-0-	3,538
Utilities	4,077	-0-	4,077
Rent	9,058	-0-	9,058
Contracted services	1,706	-0-	1,706
Repairs and maintenance	187	-0-	187
Depreciation	18,792	-0-	18,792
Professional fees	24,062	-0-	24,062
Dues and subscriptions	2,330	-0-	2,330
Donor development marketing	15,761	-0-	15,761
Special events	3,612	-0-	3,612
Lilly scholarship promotion	640	-0-	640
Insurance	1,666	-0-	1,666
Miscellaneous	10,795	-0-	10,795
Total expenses	686,652	-0-	686,652
Change in net assets	189,278	(1,446,909)	(1,257,631)
Net assets, beginning of year	842,506	4,963,920	5,806,426
Net assets, end of year	\$ 1,031,784	\$ 3,517,011	\$ 4,548,795

See accompanying notes to financial statements.

DEARBORN COMMUNITY FOUNDATION, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Operating activities		
Change in net assets	\$ 915,105	\$ (1,257,631)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	25,805	19,110
Realized and unrealized losses (gains) on investments	(587,944)	1,626,075
Changes in assets and liabilities:		
Net change in restricted cash and investments	(406,961)	2,334,921
Accounts payable and accrued expenses	1,381	5,784
Grants payable	(122,052)	122,052
Deferred revenue	204,369	67,475
Charitable gift annuities payable	(454)	(411)
Custodial funds	406,961	(2,334,921)
Net cash flows from operating activities	<u>436,210</u>	<u>582,454</u>
Investing activities		
Purchases of property and equipment	(6,474)	(125,947)
Net change in certificates of deposit	(15,770)	(536,994)
Net change in investments	<u>(314,976)</u>	<u>(240,287)</u>
Net cash flows from investing activities	<u>(337,220)</u>	<u>(903,228)</u>
Net change in cash and cash equivalents	98,990	(320,774)
Cash and cash equivalents, beginning of year	<u>667,702</u>	<u>988,476</u>
Cash and cash equivalents, end of year	<u>\$ 766,692</u>	<u>\$ 667,702</u>

See accompanying notes to financial statements.

DEARBORN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

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, 2009 AND 2008

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of money market investments and exclude amounts held by the Foundation'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 the 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.

Restricted Cash, Investments, and Certificates of Deposit

Restricted cash, investments, and certificates of deposit 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, 2009 and 2008.

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.

DEARBORN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

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.

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.

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.

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 21, 2010.

DEARBORN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

2. CERTIFICATES OF DEPOSIT

Certificates of deposit, including restricted certificates of deposit, consist of the following at December 31, 2009 and 2008:

2009			2008		
Amount	Maturity	Interest Rate	Amount	Maturity	Interest Rate
\$ 522,361	3/9/2010	1.98%	\$ 514,173	10/11/2009	3.45%
<u>530,403</u>	8/11/2010	1.98%	514,170	3/11/2009	3.50%
			<u>508,651</u>	3/10/2009	3.25%
<u>\$ 1,052,764</u>			<u>\$ 1,536,994</u>		

3. INVESTMENTS

Investments, including restricted investments, consist of the following at December 31, 2009 and 2008:

	2009	2008
Cash and money market funds	\$ 426,027	\$ 337,580
Domestic equities	3,445,910	3,096,889
Foreign equities	985,132	1,050,613
Domestic fixed income mutual funds	2,117,015	1,225,161
Foreign fixed income mutual funds	216,317	889,529
Domestic equity mutual funds	1,269,684	403,010
Foreign equity mutual funds	<u>654,049</u>	<u>412,716</u>
	<u>\$ 9,114,134</u>	<u>\$ 7,415,498</u>

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, 2009 and 2008 were \$59,860 and \$110,114, respectively.

DEARBORN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

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, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Interest and dividend income	\$ 162,714	\$ 211,096
Realized losses on investments	(167,014)	(226,931)
Unrealized gains (losses) on investments	754,958	(1,399,144)
Investment fees	<u>(35,203)</u>	<u>(46,766)</u>
	<u>\$ 715,455</u>	<u>\$ (1,461,745)</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.
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

DEARBORN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

The following table sets 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, 2009 and 2008:

	2009		
	Fair Value	Level 1	Level 3
Assets:			
Investments	\$ 4,324,669	\$ 4,324,669	\$ -0-
Restricted investments	4,789,465	4,789,465	-0-
Liabilities:			
Charitable gift annuities payable	11,279	-0-	11,279
	2008		
	Fair Value	Level 1	Level 3
Assets:			
Investments	\$ 3,421,749	\$ 3,421,749	\$ -0-
Restricted investments	3,993,749	3,993,749	-0-
Liabilities:			
Charitable gift annuities payable	11,733	-0-	11,733

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, 2009 and 2008 is as follows:

	2009	2008
Beginning balance	\$ 11,733	\$ 12,144
Change in present value	(454)	(411)
Ending balance	\$ 11,279	\$ 11,733

DEARBORN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

6. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2009 and 2008, is as follows:

	<u>2009</u>	<u>2008</u>
Furniture and fixtures	\$ 20,010	\$ 27,306
Equipment	89,845	88,662
Leasehold improvements	<u>107,743</u>	<u>102,452</u>
	217,598	218,420
Less accumulated depreciation	<u>(100,260)</u>	<u>(81,751)</u>
	<u>\$ 117,338</u>	<u>\$ 136,669</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, 2009 and 2008, 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 \$11,279 and \$11,733 at December 31, 2009 and 2008, respectively.

DEARBORN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

8. CUSTODIAL FUNDS

Custodial funds represent funds placed on deposit with the Foundation by other 501(c)(3) organizations based on their individual board resolutions as well as the pass-through grants program. The Foundation accounts for these transfers as a liability in accordance with applicable accounting standards. Income is added to these funds periodically in accordance with the Foundation'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 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Beginning balance	\$ 5,596,503	\$ 7,931,424
Contributions	2,751,095	2,867,715
Investment return, net	833,531	(1,607,518)
Administrative fees	(40,705)	(43,658)
Grant payments	(3,129,287)	(3,319,811)
Other expenses	<u>(7,673)</u>	<u>(231,649)</u>
Ending balance	<u>\$ 6,003,464</u>	<u>\$ 5,596,503</u>

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Designated purpose restrictions related to:		
Sustaining Resource Development grant	\$ -0-	\$ 5,832
Endowment funds not yet appropriated for expenditure	<u>4,446,439</u>	<u>3,511,179</u>
	<u>\$ 4,446,439</u>	<u>\$ 3,517,011</u>

DEARBORN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

10. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during the years ended December 31, 2009 and 2008 as follows:

	<u>2009</u>	<u>2008</u>
Designated purpose restrictions related to:		
Sustaining Resource Development grant	\$ 5,832	\$ 78,106
Endowment funds appropriated for expenditure	<u>130,632</u>	<u>344,028</u>
	<u>\$ 136,464</u>	<u>\$ 422,134</u>

11. 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 accounting principles generally accepted in the United States of America, 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

DEARBORN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

Organization must use for a donor-specified purpose as well as board-designated 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, 2009 and 2008 were as follows:

	<u>2009</u>	<u>2008</u>
Endowment net assets, beginning of year	\$ 3,511,179	\$ 4,879,982
Contributions and other revenues	350,437	436,970
Investment return, net	715,455	(1,461,745)
Appropriation of endowment assets for expenditure	<u>(130,632)</u>	<u>(344,028)</u>
Endowment net assets, end of year	<u>\$ 4,446,439</u>	<u>\$ 3,511,179</u>

DEARBORN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

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, 2009 and 2008, are classified as follows:

	<u>2009</u>	<u>2008</u>
Development of Dearborn County	\$ 650,314	\$ 482,614
Fundraising	119,820	128,081
General and administrative expenses	<u>72,173</u>	<u>75,957</u>
	<u>\$ 842,307</u>	<u>\$ 686,652</u>

13. RENT

The Organization leases office space with monthly payments of \$846 through July 2015. Rent expense was \$10,152 and \$9,958 for the years ended December 31, 2009 and 2008, respectively. Future minimum lease payments subsequent to December 31, 2009 under this lease are as follows:

<u>Year Ending December 31,</u>	
2010	\$ 10,152
2011	10,152
2012	10,152
2013	10,152
2014	10,152
Thereafter	<u>5,076</u>
	<u>\$ 55,836</u>

14. RELATED PARTY TRANSACTIONS

The Organization received \$18,325 and \$61,065 in contributions from members of the Organization's board of directors, emeriti board members and related parties to board members during 2009 and 2008, respectively.

DEARBORN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

15. 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.