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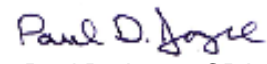
January 10, 2018

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

We have reviewed the report prepared by Dearborn Community Foundation, Inc. and opined upon by Blue & Co., LLC, Independent Public Accountants, for the period January 1, 2015 to December 31, 2015. Per the *Report of Independent Auditors* the financial statements included in the report present fairly the financial condition of Dearborn Community Foundation, Inc. as of December 31, 2015 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Blue & Co., LLC prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

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


Paul D. Joyce, CPA
State Examiner

DEARBORN COMMUNITY FOUNDATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

CPAs / ADVISORS



DEARBORN COMMUNITY FOUNDATION, INC.

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DECEMBER 31, 2015 AND 2014

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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, 2015 and 2014, 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, 2015 and 2014, 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

April 11, 2016

DEARBORN COMMUNITY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2015 AND 2014

ASSETS

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 2,089,467	\$ 2,272,306
Certificates of deposit	564,306	1,113,057
Investments	14,932,474	14,100,114
Property and equipment, net	<u>38,701</u>	<u>51,499</u>
	<u>\$ 17,624,948</u>	<u>\$ 17,536,976</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	\$ 8,270	\$ 20,131
Deferred revenue	-0-	480,079
Charitable gift annuities payable	5,744	9,017
Liability for funds held as agency endowments	5,759,968	6,262,805
Custodial funds	<u>1,607,600</u>	<u>1,458,082</u>
Total liabilities	7,381,582	8,230,114
Net assets		
Unrestricted:		
Operating	981,523	906,838
Board designated	<u>92,699</u>	<u>100,000</u>
Total unrestricted net assets	1,074,222	1,006,838
Temporarily restricted net assets	<u>9,169,144</u>	<u>8,300,024</u>
Total net assets	<u>10,243,366</u>	<u>9,306,862</u>
	<u>\$ 17,624,948</u>	<u>\$ 17,536,976</u>

See accompanying notes to financial statements.

DEARBORN COMMUNITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDING DECEMBER 31, 2014)

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
Support and revenues				
Contributions	\$ 14,421	\$ 1,546,157	\$ 1,560,578	\$ 598,171
Investment return, net	(5,813)	(404,573)	(410,386)	117,709
Other investment income	21,933	-0-	21,933	20,879
Administrative fees	334,530	-0-	334,530	338,924
Other revenue	15,597	4,884	20,481	19,711
Net assets released from restrictions	277,348	(277,348)	-0-	-0-
Total support and revenues	658,016	869,120	1,527,136	1,095,394
Expenses				
Grants	112,325	-0-	112,325	114,641
Salaries and wages	210,640	-0-	210,640	205,360
Payroll taxes and employee benefits	17,238	-0-	17,238	16,173
Administrative fees	148,397	-0-	148,397	142,159
Advertising	9,782	-0-	9,782	11,222
Education	2,284	-0-	2,284	3,733
Supplies	3,491	-0-	3,491	4,488
Postage and printing	11,664	-0-	11,664	15,458
Telephone	2,792	-0-	2,792	2,826
Utilities	4,321	-0-	4,321	4,042
Rent	10,530	-0-	10,530	10,152
Depreciation	14,642	-0-	14,642	11,655
Professional fees	24,911	-0-	24,911	27,353
Dues and subscriptions	1,430	-0-	1,430	3,085
Donor development marketing	7,936	-0-	7,936	7,501
Special events	1,506	-0-	1,506	1,784
Insurance	4,029	-0-	4,029	3,702
Actuarial loss on annuity obligations	(2,653)	-0-	(2,653)	965
Miscellaneous	5,367	-0-	5,367	3,455
Total expenses	590,632	-0-	590,632	589,754
Change in net assets	67,384	869,120	936,504	505,640
Net assets, beginning of year	1,006,838	8,300,024	9,306,862	8,801,222
Net assets, end of year	<u>\$ 1,074,222</u>	<u>\$ 9,169,144</u>	<u>\$ 10,243,366</u>	<u>\$ 9,306,862</u>

See accompanying notes to financial statements.

DEARBORN COMMUNITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014

	Unrestricted	Temporarily Restricted	Total
Support and revenues			
Contributions	\$ 31,024	\$ 567,147	\$ 598,171
Investment return, net	-0-	117,709	117,709
Other investment income	20,879	-0-	20,879
Administrative fees	338,924	-0-	338,924
Other revenue	14,914	4,797	19,711
Net assets released from restrictions	<u>275,071</u>	<u>(275,071)</u>	<u>-0-</u>
Total support and revenues	680,812	414,582	1,095,394
Expenses			
Grants	114,641	-0-	114,641
Salaries and wages	205,360	-0-	205,360
Payroll taxes and employee benefits	16,173	-0-	16,173
Administrative fees	142,159	-0-	142,159
Advertising	11,222	-0-	11,222
Education	3,733	-0-	3,733
Supplies	4,488	-0-	4,488
Postage and printing	15,458	-0-	15,458
Telephone	2,826	-0-	2,826
Utilities	4,042	-0-	4,042
Rent	10,152	-0-	10,152
Depreciation	11,655	-0-	11,655
Professional fees	27,353	-0-	27,353
Dues and subscriptions	3,085	-0-	3,085
Donor development marketing	7,501	-0-	7,501
Special events	1,784	-0-	1,784
Insurance	3,702	-0-	3,702
Actuarial loss on annuity obligations	965	-0-	965
Miscellaneous	<u>3,455</u>	<u>-0-</u>	<u>3,455</u>
Total expenses	<u>589,754</u>	<u>-0-</u>	<u>589,754</u>
Change in net assets	91,058	414,582	505,640
Net assets, beginning of year	<u>915,780</u>	<u>7,885,442</u>	<u>8,801,222</u>
Net assets, end of year	<u>\$ 1,006,838</u>	<u>\$ 8,300,024</u>	<u>\$ 9,306,862</u>

See accompanying notes to financial statements.

DEARBORN COMMUNITY FOUNDATION, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Operating activities		
Change in net assets	\$ 936,504	\$ 505,640
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	14,642	11,655
Reinvested interest on certificates of deposit	(8,232)	(8,132)
Realized and unrealized losses on investments	722,069	197,796
Realized and unrealized losses on agency endowments	483,323	151,443
Actuarial loss on annuity obligations	(2,653)	965
Changes in assets and liabilities:		
Accounts payable and accrued expenses	(11,861)	9,331
Deferred revenue	(480,079)	470,087
Liability for funds held as agency endowments	(502,837)	(126,784)
Custodial funds	149,518	50,677
Net cash flows from operating activities	1,300,394	1,262,678
Investing activities		
Purchases of property and equipment	(1,844)	(10,904)
Purchases of certificates of deposit	(559,166)	(1,107,811)
Maturities of certificates of deposit	1,116,149	1,107,811
Purchases of investments	(5,308,194)	(19,945,301)
Proceeds from sales of investments	3,270,442	19,660,354
Net cash flows from investing activities	(1,482,613)	(295,851)
Financing activities		
Charitable gift annuity payments	(620)	(1,700)
Net change in cash and cash equivalents	(182,839)	965,127
Cash and cash equivalents, beginning of year	2,272,306	1,307,179
Cash and cash equivalents, end of year	\$ 2,089,467	\$ 2,272,306

See accompanying notes to financial statements.

DEARBORN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

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. The Organization maintains unrestricted funds as follows:

Operating – used to fund current operations of the Organization

Board Designated – funds transferred from operating to meet changing needs in the community

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 Statements of Activities as net assets released from restrictions.

DEARBORN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash in checking and savings 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. Investment return related to agency endowments is not included on the Statements of Activities because it is included in the change in liability for funds held as agency endowments.

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

During 2014, the Organization received a \$500,000 grant from Lilly Endowment through its GIFT Phase VI initiative. The grant is required to be matched with new contributions to help build the Organization's unrestricted endowments and provide support for specified charitable projects and needs. Therefore, deferred revenue relates to the portion of the grant that has not yet been matched and earned. The matching period is from August 1, 2014 through March 31, 2016. As qualifying contributions are received, the related match amount is recognized as revenue. Deferred revenue related to this grant was \$0 and \$480,079 at December 31, 2015 and 2014, respectively.

DEARBORN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

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 agency endowments and custodial 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, 2015 and 2014, 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.

DEARBORN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

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 April 11, 2016.

2. CERTIFICATES OF DEPOSIT

Certificates of deposit consist of the following at December 31, 2015 and 2014:

2015			2014		
Amount	Maturity	Interest Rate	Amount	Maturity	Interest Rate
<u>\$ 564,306</u>	1/23/2016	1.00%	\$ 554,366	1/23/2015	1.00%
			<u>558,691</u>	12/11/2015	0.50%
			<u>\$ 1,113,057</u>		

DEARBORN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

3. INVESTMENTS

Investments consist of the following at December 31, 2015 and 2014:

	2015	2014
Cash	\$ 8,756	\$ 8,810
Money market funds	99,307	80,946
Fixed income mutual funds		
Short-term bond	1,478,359	1,455,556
Intermediate-term bond	739,363	1,401,033
Non-traditional bond	-0-	450,227
Equity mutual funds		
Large cap	6,327,286	5,564,914
Mid/small cap	3,489,205	3,739,298
Equity exchange traded funds		
Large cap	946,062	-0-
Mid/small cap	583,375	614,373
Energy	532,092	425,957
Commodities	-0-	359,000
Fixed income exchange traded funds		
Short-term bond	432,688	-0-
Intermediate-term bond	295,981	-0-
	<u>\$ 14,932,474</u>	<u>\$ 14,100,114</u>

The Organization invests cash in excess of daily requirements in short-term investments and also earns interest on its deposits held in checking and savings. Earnings on these accounts for the years ended December 31, 2015 and 2014 were \$21,933 and \$20,879, respectively.

The following schedule summarizes the investment return, excluding the investment return related to the change in agency endowments and custodial funds, and its classification in the Statements of Activities for the years ended December 31, 2015 and 2014:

	2015	2014
Interest and dividend income	\$ 343,659	\$ 354,482
Realized and unrealized losses on investments	(722,069)	(197,796)
Investment fees	<u>(31,976)</u>	<u>(38,977)</u>
	<u>\$ (410,386)</u>	<u>\$ 117,709</u>

DEARBORN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

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. There were no transfers during 2015 or 2014. 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, 2015 and 2014.

- *Money market funds*: Generally transact subscription and redemption activity at \$1 stable net asset value (NAV) however, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of the securities held in the fund.

DEARBORN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

- *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 of 4.0 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, 2015 and 2014:

	2015		
	Fair Value	Level 1	Level 2
Assets:			
Money market funds	\$ 99,307	\$ -0-	\$ 99,307
Mutual funds	12,034,213	12,034,213	-0-
Exchange traded funds	2,790,198	2,790,198	-0-
Liabilities:			
Charitable gift annuities payable	5,744	-0-	5,744
	2014		
	Fair Value	Level 1	Level 2
Assets:			
Money market funds	\$ 80,946	\$ -0-	\$ 80,946
Mutual funds	12,611,028	12,611,028	-0-
Exchange traded funds	1,399,330	1,399,330	-0-
Liabilities:			
Charitable gift annuities payable	9,017	-0-	9,017

DEARBORN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

6. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2015 and 2014, is as follows:

	2015	2014
Furniture and fixtures	\$ 20,010	\$ 20,010
Equipment and software	91,708	89,864
Leasehold improvements	<u>107,742</u>	<u>107,742</u>
	219,460	217,616
Less accumulated depreciation	<u>(180,759)</u>	<u>(166,117)</u>
	<u>\$ 38,701</u>	<u>\$ 51,499</u>

7. CHARITABLE GIFT ANNUITIES

The Organization has one charitable gift annuity at December 31, 2015, from which the Organization received \$10,000 from the charitable gift. The Organization is required to make annual payments to the beneficiary in the amount of \$620 for the remainder of the donor's lifetime. Upon the death of the specified person, 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 beneficiary at December 31, 2015 and 2014, under this agreement. The liability was calculated based on the life expectancy of the beneficiary, derived from the applicable one life annuity expected return multiples. The present value was calculated using an IRS discount rate of 4.0% on the single-life annuity. The Organization had an additional charitable gift annuity at December 31, 2014, in which the donor passed away in early 2015. The present value of amounts expected to be paid to the third party beneficiaries was \$5,744 and \$9,017 at December 31, 2015 and 2014, 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 grant programs. The Organization accounts for these transfers as a liability in accordance with applicable accounting standards. Income is added to the agency endowment funds periodically in accordance with the Organization's investment allocation policies. Contributions by, investment return and expenses for, and distributions to those organizations are reflected as adjustments to the liability account and are not reflected in the Statements of Activities.

DEARBORN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

Following is a progression of the liability for funds held as agency endowments and custodial funds during 2015 and 2014:

	2015	2014
Beginning balance	\$ 7,720,887	\$ 7,796,994
Contributions	1,742,126	2,152,205
Interest and dividend income	229,450	283,318
Realized and unrealized losses	(483,323)	(151,443)
Investment fees	(24,118)	(31,681)
Administrative fees	(118,035)	(116,328)
Grant payments	(1,699,419)	(2,212,178)
Ending balance	<u>\$ 7,367,568</u>	<u>\$ 7,720,887</u>

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets represent endowment funds not yet appropriated for expenditure of \$9,169,144 and \$8,300,024 at December 31, 2015 and 2014, respectively.

10. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions in the amounts of \$277,348 and \$275,071 based on endowment funds appropriated for expenditure for the years ended December 31, 2015 and 2014, respectively.

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 a fund 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.

DEARBORN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

- (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 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 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.

Endowed funds by net asset type at December 31, 2015 and 2014 were as follows:

	2015		2014	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Board Designated Funds	\$ 92,699	\$ -0-	\$ 100,000	\$ -0-
Donor Restricted Funds	<u>-0-</u>	<u>9,169,144</u>	<u>-0-</u>	<u>8,300,024</u>
	<u>\$ 92,699</u>	<u>\$ 9,169,144</u>	<u>\$ 100,000</u>	<u>\$ 8,300,024</u>

DEARBORN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

Changes in endowment net assets for the years ending December 31, 2015 and 2014 were as follows:

	2015		2014	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Endowment net assets, beginning of year	\$ 100,000	\$ 8,300,024	\$ -0-	\$ 7,885,442
Contributions and other revenues	-0-	1,551,041	-0-	571,944
Transfer from operating	-0-	-0-	100,000	-0-
Investment return, net	(5,813)	(404,573)	-0-	117,709
Appropriation of endowment assets for expenditure	<u>(1,488)</u>	<u>(277,348)</u>	<u>-0-</u>	<u>(275,071)</u>
Endowment net assets, end of year	<u>\$ 92,699</u>	<u>\$ 9,169,144</u>	<u>\$ 100,000</u>	<u>\$ 8,300,024</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, 2015 and 2014, are classified as follows:

	2015	2014
Development of Dearborn County	\$ 383,638	\$ 382,963
Fundraising	132,059	132,113
General and administrative expenses	<u>74,935</u>	<u>74,678</u>
	<u>\$ 590,632</u>	<u>\$ 589,754</u>

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13. RENT

The Organization leases office space with monthly payments of \$846 through July 2015. The lease was renewed through July 2018 with monthly payments of \$900. Rent expense was \$10,530 and \$10,152 for the years ended December 31, 2015 and 2014, respectively. Future minimum lease payments subsequent to December 31, 2015 under this lease are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2016	\$ 10,800
2017	10,800
2018	<u>5,400</u>
	<u>\$ 27,000</u>

14. 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.