



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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February 6, 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, 2016 to December 31, 2016. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Dearborn Community Foundation, Inc. as of December 31, 2016 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, 2016 AND 2015

CPAs / ADVISORS



DEARBORN COMMUNITY FOUNDATION, INC.

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DECEMBER 31, 2016 AND 2015

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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, 2016 and 2015, 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, 2016 and 2015, 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 25, 2017

DEARBORN COMMUNITY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2016 AND 2015

ASSETS

	2016	2015
Cash and cash equivalents	\$ 2,419,219	\$ 2,089,467
Certificates of deposit	569,993	564,306
Investments	15,243,364	14,932,474
Property and equipment, net	<u>23,649</u>	<u>38,701</u>
	<u>\$ 18,256,225</u>	<u>\$ 17,624,948</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	\$ 8,076	\$ 8,270
Charitable gift annuities payable	5,192	5,744
Liability for funds held as agency endowments	5,821,789	5,759,968
Custodial funds	<u>1,781,954</u>	<u>1,607,600</u>
Total liabilities	7,617,011	7,381,582
Net assets		
Unrestricted:		
Operating	1,045,401	981,523
Board designated	<u>95,552</u>	<u>92,699</u>
Total unrestricted net assets	1,140,953	1,074,222
Temporarily restricted net assets	<u>9,498,261</u>	<u>9,169,144</u>
Total net assets	<u>10,639,214</u>	<u>10,243,366</u>
	<u>\$ 18,256,225</u>	<u>\$ 17,624,948</u>

See accompanying notes to financial statements.

DEARBORN COMMUNITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2016 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDING DECEMBER 31, 2015)

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
Support and revenues				
Contributions	\$ 8,500	\$ 166,621	\$ 175,121	\$ 1,560,578
Investment return, net	4,300	447,052	451,352	(410,386)
Other investment income	20,365	-0-	20,365	21,933
Administrative fees	348,581	-0-	348,581	334,530
Other revenue	17,709	4,611	22,320	20,481
Net assets released from restrictions	289,167	(289,167)	-0-	-0-
Total support and revenues	688,622	329,117	1,017,739	1,527,136
Expenses				
Grants	108,701	-0-	108,701	112,325
Salaries and wages	212,507	-0-	212,507	210,640
Payroll taxes and employee benefits	27,452	-0-	27,452	17,238
Administrative fees	161,319	-0-	161,319	148,397
Advertising	12,131	-0-	12,131	9,782
Education	4,060	-0-	4,060	2,284
Supplies	3,086	-0-	3,086	3,491
Postage and printing	11,580	-0-	11,580	11,664
Telephone	2,834	-0-	2,834	2,792
Utilities	3,798	-0-	3,798	4,321
Rent	10,800	-0-	10,800	10,530
Depreciation	15,052	-0-	15,052	14,642
Professional fees	30,342	-0-	30,342	24,911
Dues and subscriptions	857	-0-	857	1,430
Donor development marketing	7,549	-0-	7,549	7,936
Special events	1,494	-0-	1,494	1,506
Insurance	3,938	-0-	3,938	4,029
Actuarial change on annuity obligations	68	-0-	68	(2,653)
Miscellaneous	4,323	-0-	4,323	5,367
Total expenses	621,891	-0-	621,891	590,632
Change in net assets	66,731	329,117	395,848	936,504
Net assets, beginning of year	1,074,222	9,169,144	10,243,366	9,306,862
Net assets, end of year	\$ 1,140,953	\$ 9,498,261	\$ 10,639,214	\$ 10,243,366

See accompanying notes to financial statements.

DEARBORN COMMUNITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Total
Support and revenues			
Contributions	\$ 14,421	\$ 1,546,157	\$ 1,560,578
Investment return, net	(5,813)	(404,573)	(410,386)
Other investment income	21,933	-0-	21,933
Administrative fees	334,530	-0-	334,530
Other revenue	15,597	4,884	20,481
Net assets released from restrictions	<u>277,348</u>	<u>(277,348)</u>	<u>-0-</u>
Total support and revenues	658,016	869,120	1,527,136
Expenses			
Grants	112,325	-0-	112,325
Salaries and wages	210,640	-0-	210,640
Payroll taxes and employee benefits	17,238	-0-	17,238
Administrative fees	148,397	-0-	148,397
Advertising	9,782	-0-	9,782
Education	2,284	-0-	2,284
Supplies	3,491	-0-	3,491
Postage and printing	11,664	-0-	11,664
Telephone	2,792	-0-	2,792
Utilities	4,321	-0-	4,321
Rent	10,530	-0-	10,530
Depreciation	14,642	-0-	14,642
Professional fees	24,911	-0-	24,911
Dues and subscriptions	1,430	-0-	1,430
Donor development marketing	7,936	-0-	7,936
Special events	1,506	-0-	1,506
Insurance	4,029	-0-	4,029
Actuarial change on annuity obligations	(2,653)	-0-	(2,653)
Miscellaneous	<u>5,367</u>	<u>-0-</u>	<u>5,367</u>
Total expenses	<u>590,632</u>	<u>-0-</u>	<u>590,632</u>
Change in net assets	67,384	869,120	936,504
Net assets, beginning of year	<u>1,006,838</u>	<u>8,300,024</u>	<u>9,306,862</u>
Net assets, end of year	<u>\$ 1,074,222</u>	<u>\$ 9,169,144</u>	<u>\$ 10,243,366</u>

See accompanying notes to financial statements.

DEARBORN COMMUNITY FOUNDATION, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Operating activities		
Change in net assets	\$ 395,848	\$ 936,504
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	15,052	14,642
Reinvested interest on certificates of deposit	(5,687)	(8,232)
Realized and unrealized losses (gains) on investments	(196,284)	722,069
Realized and unrealized losses (gains) on agency endowments	(121,511)	483,323
Actuarial change on annuity obligations	68	(2,653)
Changes in assets and liabilities:		
Accounts payable and accrued expenses	(194)	(11,861)
Deferred revenue	-0-	(480,079)
Liability for funds held as agency endowments	61,821	(502,837)
Custodial funds	174,354	149,518
Net cash flows from operating activities	323,467	1,300,394
Investing activities		
Purchases of property and equipment	-0-	(1,844)
Purchases of certificates of deposit	(564,785)	(559,166)
Maturities of certificates of deposit	564,785	1,116,149
Purchases of investments	(9,481,496)	(5,308,194)
Proceeds from sales of investments	9,488,401	3,270,442
Net cash flows from investing activities	6,905	(1,482,613)
Financing activities		
Charitable gift annuity payments	(620)	(620)
Net change in cash and cash equivalents	329,752	(182,839)
Cash and cash equivalents, beginning of year	2,089,467	2,272,306
Cash and cash equivalents, end of year	\$ 2,419,219	\$ 2,089,467

See accompanying notes to financial statements.

DEARBORN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

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, 2016 AND 2015

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.

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.

DEARBORN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

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, 2016 and 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

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

Going Concern Evaluation

Management evaluates whether there are conditions or events that raise substantial doubt about the Organization's ability to continue as a going concern for a period of one year from the date the financial statements are available to be issued.

DEARBORN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

Recently Issued Accounting Standards

On August 18, 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)* that amends how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. This new standard, which the Organization is not required to adopt until its year ending December 31, 2018, requires improved presentation and disclosures to help not-for-profits provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. This ASU completes the first phase of a two phase project to amend not-for-profit financial reporting requirements.

The Organization is presently evaluating the effects that this ASU will have on its future financial statements, including related disclosures.

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 25, 2017.

2. CERTIFICATES OF DEPOSIT

Certificates of deposit consist of the following at December 31, 2016 and 2015:

2016			2015		
Amount	Maturity	Interest Rate	Amount	Maturity	Interest Rate
<u>\$ 569,993</u>	1/23/2017	1.00%	<u>\$ 564,306</u>	1/23/2016	1.00%

DEARBORN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

3. INVESTMENTS

Investments consist of the following at December 31, 2016 and 2015:

	2016	2015
Cash	\$ 9,209	\$ 8,756
Money market funds	82,297	99,307
Fixed income mutual funds		
Short-term bond	1,520,196	1,478,359
Intermediate-term bond	765,090	739,363
Non-traditional bond	378,808	-0-
Equity mutual funds		
Large cap	6,135,109	6,327,286
Mid/small cap	1,494,795	3,489,205
Equity exchange traded funds		
Large cap	2,772,000	946,062
Mid/small cap	-0-	583,375
Energy	806,308	532,092
Real estate	513,886	-0-
Fixed income exchange traded funds		
Short-term bond	458,904	432,688
Long-term bond	306,760	295,981
	\$ 15,243,364	\$ 14,932,474

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, 2016 and 2015 were \$20,365 and \$21,933, 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, 2016 and 2015:

	2016	2015
Interest and dividend income	\$ 291,607	\$ 343,659
Realized and unrealized gains (losses) on investments	196,284	(722,069)
Investment fees	(36,539)	(31,976)
	\$ 451,352	\$ (410,386)

DEARBORN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

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 2016 or 2015. 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, 2016 and 2015.

- *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, 2016 AND 2015

- *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, 2016 and 2015:

	2016		
	Fair Value	Level 1	Level 2
Assets:			
Money market funds	\$ 82,297	\$ -0-	\$ 82,297
Mutual funds	10,293,998	10,293,998	-0-
Exchange traded funds	4,857,858	4,857,858	-0-
Liabilities:			
Charitable gift annuities payable	5,192	-0-	5,192
	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

DEARBORN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

6. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2016 and 2015, is as follows:

	2016	2015
Furniture and fixtures	\$ 20,010	\$ 20,010
Equipment and software	91,708	91,708
Leasehold improvements	<u>107,742</u>	<u>107,742</u>
	219,460	219,460
Less accumulated depreciation	<u>(195,811)</u>	<u>(180,759)</u>
	<u>\$ 23,649</u>	<u>\$ 38,701</u>

7. CHARITABLE GIFT ANNUITIES

The Organization has one charitable gift annuity at December 31, 2016, 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, 2016 and 2015, 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 present value of amounts expected to be paid to the third party beneficiaries was \$5,192 and \$5,744 at December 31, 2016 and 2015, 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, 2016 AND 2015

Following is a progression of the liability for funds held as agency endowments and custodial funds during 2016 and 2015:

	2016	2015
Beginning balance	\$ 7,367,568	\$ 7,720,887
Contributions	1,666,190	1,742,126
Interest and dividend income	180,381	229,450
Realized and unrealized gains (losses)	121,511	(483,323)
Investment fees	(22,722)	(24,118)
Administrative fees	(114,112)	(118,035)
Grant payments	<u>(1,595,073)</u>	<u>(1,699,419)</u>
Ending balance	<u>\$ 7,603,743</u>	<u>\$ 7,367,568</u>

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets represent endowment funds not yet appropriated for expenditure of \$9,498,261 and \$9,169,144 at December 31, 2016 and 2015, respectively.

10. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions in the amounts of \$289,167 and \$277,348 based on endowment funds appropriated for expenditure for the years ended December 31, 2016 and 2015, 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 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

DEARBORN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

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 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, 2016 and 2015 were as follows:

	2016		2015	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Board Designated Funds	\$ 95,552	\$ -0-	\$ 92,699	\$ -0-
Donor Restricted Funds	<u>-0-</u>	<u>9,498,261</u>	<u>-0-</u>	<u>9,169,144</u>
	<u>\$ 95,552</u>	<u>\$ 9,498,261</u>	<u>\$ 92,699</u>	<u>\$ 9,169,144</u>

DEARBORN COMMUNITY FOUNDATION, INC.

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Changes in endowment net assets for the years ending December 31, 2016 and 2015 were as follows:

	2016		2015	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Endowment net assets, beginning of year	\$ 92,699	\$ 9,169,144	\$ 100,000	\$ 8,300,024
Contributions and other revenues	-0-	171,232	-0-	1,551,041
Transfer from operating	-0-	-0-	-0-	-0-
Investment return, net	4,300	447,052	(5,813)	(404,573)
Appropriation of endowment assets for expenditure	<u>(1,447)</u>	<u>(289,167)</u>	<u>(1,488)</u>	<u>(277,348)</u>
Endowment net assets, end of year	<u>\$ 95,552</u>	<u>\$ 9,498,261</u>	<u>\$ 92,699</u>	<u>\$ 9,169,144</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, 2016 and 2015, are classified as follows:

	2016	2015
Development of Dearborn County	\$ 409,623	\$ 383,638
Fundraising	135,451	132,059
General and administrative expenses	<u>76,817</u>	<u>74,935</u>
	<u>\$ 621,891</u>	<u>\$ 590,632</u>

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13. RENT

The Organization leases office space with monthly payments of \$900 through July 2018. Rent expense was \$10,800 and \$10,530 for the years ended December 31, 2016 and 2015, respectively. Future minimum lease payments subsequent to December 31, 2016 under this lease are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 10,800
2018	<u>5,400</u>
	<u>\$ 16,200</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.

15. FEDERAL, STATE, COUNTY AND LOCAL FUNDING

In compliance with the Indiana State Board of Account's Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources, federal, state, local, and county funding must be disclosed for the current year. During 2016, the Organization received the following, most of which was recognized as a change in the custodial funds liability:

<u>Grantor</u>	
Local	
City of Aurora	\$ 37,071
City of Lawrenceburg	<u>1,623,533</u>
Total local awards	<u>1,660,604</u>
Total awards	<u>\$ 1,660,604</u>