

**The DuPage
Community Foundation**

**Financial Statements
and
Independent Auditor's Report
For the Year Ended
June 30, 2008**

Wolf & Company LLP
Certified Public Accountants

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5-8



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
The DuPage Community Foundation
Wheaton, Illinois

We have audited the accompanying statement of financial position of THE DUPAGE COMMUNITY FOUNDATION as of June 30, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2007 financial statements, and in our report dated October 4, 2007, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 audit provides 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 The DuPage Community Foundation as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Oak Brook, Illinois
October 22, 2008

Wolf & Company LLP

THE DUPAGE COMMUNITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	2008	2007
Cash and cash equivalents	\$ 1,966,009	\$ 2,140,218
Prepaid expenses and other	10,547	27,948
Unconditional promises to give	128,095	404,168
Investments	21,904,205	22,255,092
Re-insurance contract	328,685	357,737
Property and equipment, net	491,812	7,740
Total assets	\$24,829,353	\$25,192,903

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and accrued expenses	\$ 19,855	\$ 5,410
Grants payable	10,000	20,000
Agency funds	5,469,773	5,180,960
Annuity payable	328,685	357,737
Total liabilities	5,828,313	5,564,107

Net assets:

Unrestricted:

General endowment	2,237,049	2,371,204
Administrative endowment	275,412	289,981
Operating	832,260	347,837
	3,344,721	3,009,022

Temporarily restricted	1,457,925	2,504,057
Permanently restricted	14,198,394	14,115,717

Total net assets	19,001,040	19,628,796
Total liabilities and net assets	\$24,829,353	\$25,192,903

See accompanying notes to the financial statements.

THE DUPAGE COMMUNITY FOUNDATION
STATEMENTS OF ACTIVITIES

	<u>Unrestricted*</u>	<u>Temporarily Restricted*</u>	<u>Permanently Restricted*</u>	<u>For the Year Ended June 30,</u>	
				<u>2008</u>	<u>2007</u>
Support and revenue:					
Gifts, bequests, and grants	\$ 1,001,568	\$ 44,344	\$ 1,200,347	\$ 2,246,259	\$ 2,007,503
Interest and dividend income	113,161	492,091	-	605,252	564,423
Net investment gains (losses)	(232,182)	(1,212,562)	-	(1,444,744)	2,037,597
Fees	54,756	-	-	54,756	43,830
Net assets released from restrictions	<u>1,487,666</u>	<u>(454,435)</u>	<u>(1,033,231)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,424,969</u>	<u>(1,130,562)</u>	<u>167,116</u>	<u>1,461,523</u>	<u>4,653,353</u>
Expenses:					
Grants awarded	1,322,937	-	-	1,322,937	1,085,879
Grant-making activities	302,771	-	-	302,771	267,462
Management and general	232,763	-	-	232,763	174,512
Fund raising	<u>230,808</u>	<u>-</u>	<u>-</u>	<u>230,808</u>	<u>208,452</u>
Total expenses	<u>2,089,279</u>	<u>-</u>	<u>-</u>	<u>2,089,279</u>	<u>1,736,305</u>
Increase (decrease) in net assets	335,690	(1,130,562)	167,116	(627,756)	2,917,048
Net assets, beginning of year	<u>3,009,031</u>	<u>2,588,487</u>	<u>14,031,278</u>	<u>19,628,796</u>	<u>16,711,748</u>
Net assets, end of year	<u>\$ 3,344,721</u>	<u>\$ 1,457,925</u>	<u>\$14,198,394</u>	<u>\$19,001,040</u>	<u>\$19,628,796</u>

*See Note 5.

See accompanying notes to the financial statements.

THE DUPAGE COMMUNITY FOUNDATION
STATEMENTS OF CASH FLOWS

	For the Year Ended	
	June 30,	
	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (627,756)	\$ 2,917,048
Adjustments to reconcile increase (decrease) in net assets to net #		
Net investment (gains) losses	1,444,744	(2,037,597)
Depreciation	12,124	2,294
(Increase) decrease in:		
Unconditional promises to give	276,073	180,754
Prepaid expenses and other	17,401	(9,426)
Increase (decrease) in:		
Accounts payable and accrued expenses	14,445	2,390
Grants payable	(10,000)	20,000
Agency funds	<u>288,813</u>	<u>1,582,762</u>
Net cash provided by operating activities	<u>1,415,844</u>	<u>2,658,225</u>
Cash flows from investing activities:		
Purchase of property and equipment	(496,196)	-
Increase in investments - net of investment gains and losses	<u>(1,093,857)</u>	<u>(2,334,888)</u>
Net cash used in investing activities	<u>(1,590,053)</u>	<u>(2,334,888)</u>
Net increas #	(174,209)	323,337
Cash and cash equivalents:		
Beginning of year	<u>2,140,218</u>	<u>1,816,881</u>
End of year	<u>\$ 1,966,009</u>	<u>\$ 2,140,218</u>

See accompanying notes to the financial statements.

THE DUPAGE COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Nature of the Organization - The DuPage Community Foundation (Foundation) is a grant-making foundation created in 1986 to benefit the people of DuPage County, Illinois. The Foundation receives contributions and bequests into endowment funds. The earnings on these funds are used, according to donors' wishes, for the Foundation's grant-making and community leadership activities.

Basis of Accounting - The financial statements of The DuPage Community Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation - Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Income Tax Status - The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Investments - Investments are carried at the quoted market value of the securities. Donated investments are reflected as contributions at their market values at the date the donor relinquishes control.

Depreciation - Property and equipment are stated at cost or, if donated, at the approximate fair market value at the date of donation. The capitalization policy is set at \$1,000. Depreciation is provided over the estimated useful lives of the assets on a straight-line basis as follows:

Buildings and improvements	40 years
Furnishings and equipment	5-7 years
Computer software	3 years

Donated Services - Certain professional services have been donated during the year. The value of the donated services is not reflected in the accompanying financial statements since no objective basis was available to measure the value of such donations.

THE DUPAGE COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Cont.)

Accounting Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Promises to Give - Unconditional promises to give are recognized as revenues in the period the promises are received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Restricted and Unrestricted Revenue and Support - Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Agency Funds - Amounts received that do not meet the definition of support or revenue are presented as agency fund liabilities in the accompanying statement of financial position.

Grants Authorized But Unpaid - Grants authorized but unpaid at year end, if any, are reported as liabilities. Grants authorized but unpaid at June 30, 2008 and June 30, 2007 were \$10,000 and \$20,000, respectively.

Comparative Information - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2007, from which the summarized information was derived.

2. Promises to Give

Unconditional promises to give are summarized as follows:

	June 30,	
	2008	2007
Receivable in less than one year	\$ 90,000	\$ 200,000
Receivable in one to five years	<u>40,000</u>	<u>220,000</u>
Total unconditional promises to give	130,000	420,000
Less discounts to present value	<u>(1,905)</u>	<u>(15,832)</u>
Net unconditional promises to give	<u>\$ 128,095</u>	<u>\$ 404,168</u>

Promises to give receivable in more than one year are discounted at 5%.

THE DUPAGE COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

3. Investments

Investments are summarized as follows:

	June 30,	
	2008	2007
Marketable equity securities	\$ 7,148,104	\$ 10,326,743
Mutual funds	9,065,182	6,727,722
U.S. government and agency securities	2,282,179	2,772,315
Corporate debt securities	2,573,295	1,853,557
Life insurance surrender value	509,212	496,655
Other	326,233	78,100
	\$ 21,904,205	\$ 22,255,092

4. Property and Equipment

Property and equipment is summarized as follows:

	June 30,	
	2008	2007
Land	\$ 95,000	\$ -
Building and improvements	379,696	-
Computer hardware and software	37,273	30,339
Furniture and equipment	28,943	14,376
Total property and equipment	540,912	44,715
Accumulated depreciation	(49,100)	(36,975)
Property and equipment, net	\$ 491,812	\$ 7,740

5. Restrictions on Net Assets

Permanently restricted net assets consist of principal contributions which are restricted by donors and are to be held by the Foundation as permanent endowment funds. Temporarily restricted net assets consist of net earnings from permanently restricted net assets and are available for grants for a variety of purposes including arts, basic human needs, children and youth, environmental, health and scholarships. In certain cases, grants may be awarded or expenses paid from principal balances, resulting in a release of permanently restricted funds. Unrestricted net assets consist of donations received by the Foundation which have not been restricted by the donor and are available for operations and grantmaking as deemed by the Board of Trustees.

THE DUPAGE COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

6. Operating Lease

Due to the purchase of office space, the Foundation has exercised a cancellation option on its operating lease agreement, which was to expire on February 29, 2009. The cancellation option required a three-month base rent lump-sum payment plus any unamortized build out costs. All termination costs, net of security deposit, have been reported as rent expense. Rent expense for June 30, 2008 and 2007 was \$43,955 and \$34,350, respectively.

7. Annuity Agreements

On December 22, 2004, the Foundation entered into a charitable gift annuity agreement with a donor. The donor agreed to provide a gift to the fund, in exchange for a lifetime annuity to be paid to the donor. The present value of the annuity payments expected to be made has been shown as a liability in the statements of financial position. The gift, net of the annuity liability and expenses related to the donation, was reported as a contribution in the statement of activities in the fiscal year ended June 30, 2005.

As required by state law, the Foundation entered into an agreement with an insurance company to fund payment of the annuity to this donor. The value of this annuity agreement is reflected as a re-insurance contract in the statements of financial position. It is expected that the re-insurance contract will offset the annuity liability, resulting in no net impact on the statement of activities in future periods. At June 30, 2008, the asset and liability arising from this agreement are reported at \$328,685.