The DuPage Community Foundation

Financial Statements
and
Independent Auditor's Report
For the Year Ended
June 30, 2009

Wolf & Company LLP
Certified Public Accountants

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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, 2009, 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 2008 financial statements, and in our report dated October 22, 2008, 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, 2009, 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 27, 2009

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THE DUPAGE COMMUNITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30, 2009	June 30, 2008
Cash and cash equivalents	$ 3,608,532	$ 1,966,009
Prepaid expenses and other	14,854	10,547
Unconditional promises to give (Note 2)	146,667	128,095
Contribution receivable - charitable lead trust (Note 8)	202,736	-
Investments (Note 3)	19,185,534	21,904,205
Re-insurance contract (Note 7)	299,633	328,685
Property and equipment, net (Note 4)	503,182	491,812
Total assets	$23,961,138	$24,829,353

LIABILITIES AND NET ASSETS

	2009	2008
Liabilities:		
Accounts payable and accrued expenses	$ 21,531	$ 19,855
Grants payable	-	10,000
Agency funds	5,163,729	5,469,773
Annuity payable (Note 7)	299,633	328,685
Total liabilities	5,484,893	5,828,313
Net assets:		
Unrestricted:		
General endowment	4,073,246	5,092,574
Operating	848,977	832,260
	4,922,223	5,924,834
Temporarily restricted	1,541,469	2,860,422
Permanently restricted	12,012,553	10,215,784
Total net assets	18,476,245	19,001,040
Total liabilities and net assets	$23,961,138	$24,829,353

See accompanying notes to the financial statements.

THE DUPAGE COMMUNITY FOUNDATION
STATEMENTS OF ACTIVITIES

	Unrestricted*	Temporarily Restricted*	Permanently Restricted*	For the Year Ended June 30, 2009	2008
Support and revenue:					
Gifts, bequests, and grants	$ 547,291	$ 1,266,861	$ 3,291,081	$ 5,105,233	$ 2,246,259
Interest and dividend income	178,707	389,729	-	568,436	605,252
Net investment losses	(939,326)	(2,272,994)	-	(3,212,320)	(1,444,744)
Fees	54,165	-	-	54,165	54,756
Net assets released from restrictions	2,196,861	(702,549)	(1,494,312)	-	-
Total support and revenue	2,037,698	(1,318,953)	1,796,769	2,515,514	1,461,523
Expenses:					
Grants awarded	2,234,518	-	-	2,234,518	1,322,937
Grant-making activities	390,413	-	-	390,413	302,771
Management and general	160,404	-	-	160,404	232,763
Fund raising	254,974	-	-	254,974	230,808
Total expenses	3,040,309	-	-	3,040,309	2,089,279
Increase (decrease) in net assets	(1,002,611)	(1,318,953)	1,796,769	(524,795)	(627,756)
Net assets, beginning of year	5,924,834	2,860,422	10,215,784	19,001,040	19,628,796
Net assets, end of year	$ 4,922,223	$ 1,541,469	$12,012,553	$18,476,245	$19,001,040

*See Note 5.

See accompanying notes to the financial statements.

THE DUPAGE COMMUNITY FOUNDATION
STATEMENTS OF CASH FLOWS

	For the Year Ended June 30, 2009	For the Year Ended June 30, 2008
Cash flows from operating activities:		
Decrease in net assets	$ (524,795)	$ (627,756)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Net investment losses	3,212,320	1,444,744
Depreciation	21,399	12,124
Loss on disposal of assets	1,194	-
(Increase) decrease in:		
Unconditional promises to give	(18,572)	276,073
Contribution receivable	(202,736)	-
Prepaid expenses and other	(4,307)	17,401
Increase (decrease) in:		
Accounts payable and accrued expenses	1,676	14,445
Grants payable	(10,000)	(10,000)
Agency funds	(306,044)	288,813
Net cash provided by operating activities	2,170,135	1,415,844
Cash flows from investing activities:		
Purchase of property and equipment	(33,963)	(496,196)
Decrease in investments - net of investment gains and losses	(493,649)	(1,093,857)
Net cash used in investing activities	(527,612)	(1,590,053)
Net increase (decrease) in cash and cash equivalents	1,642,523	(174,209)
Cash and cash equivalents:		
Beginning of year	1,966,009	2,140,218
End of year	$ 3,608,532	$ 1,966,009

See accompanying notes to the 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
Furniture 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.

Fair Value Measurements - In September 2006, the Financial Accounting Standards Board issued Statement No. 157 (SFAS No. 157), *Fair Value Measurements.* SFAS No. 157 was issued to establish a single definition of fair value and a framework for measuring fair value in generally accepted accounting principles that is intended to result in increased consistency and comparability. The statement also expands disclosures about fair value measurements. SFAS No. 157 applies whenever other authoritative literature requires or permits fair value measurements, but does not expand the use

1. Summary of Significant Accounting Policies (Cont.)

Fair Value Measurements (Cont.) -

of fair value. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007; however, implementation has been deferred until fiscal years beginning after November 15, 2008 for all nonfinancial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually).

The Foundation has adopted the provisions of this statement as it relates to its financial assets and liabilities. The foundation is in the process of determining the impact of adopting this standard as it relates to nonfinancial assets and liabilities.

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, 2009 and June 30, 2008 were $0 and $10,000, respectively.

Concentrations - The Foundation routinely maintains balances in financial institutions in excess of the federally insured amounts.

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, 2008, from which the summarized information was derived.

Reclassifications - Certain amounts in the 2009 financial statements have been reclassified to agree with the 2008 presentation with no effect on net assets.

2. Promises to Give

Unconditional promises to give are summarized as follows:

	June 30, 2009	June 30, 2008
Receivable in less than one year	$ 80,000	$ 90,000
Receivable in one to five years	70,000	40,000
	150,000	130,000
Less discounts to present value	(3,333)	(1,905)
Net unconditional promises to give	$ 146,667	$ 128,095

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

3. Investments

Investments are summarized as follows:

	June 30, 2009	June 30, 2008
Marketable equity securities	$ 12,150,118	$ 15,292,413
Fixed income securities	5,278,161	5,776,347
Life insurance surrender value	469,317	509,212
Hedge funds	203,232	161,101
Real estate funds	399,712	114,303
Commodities funds	684,994	50,829
	$ 19,185,534	$ 21,904,205

4. Property and Equipment

Property and equipment is summarized as follows:

	June 30, 2009	June 30, 2008
Land	$ 95,000	$ 95,000
Building and improvements	379,696	379,696
Computer hardware and software	43,166	37,273
Furniture and equipment	43,568	28,943
	561,430	540,912
Accumulated depreciation	(58,248)	(49,100)
Property and equipment, net	$ 503,182	$ 491,812

5. Restrictions on Net Assets

Net assets consist of unrestricted operating and board-designated funds as well as temporarily and permanently restricted donor funds.

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 contributions received for donors with purpose or time restrictions and net earnings from permanently restricted net assets that 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 grant-making as deemed by the Board of Trustees.

6. Endowment Funds

The DuPage Community Foundation's (Foundation) endowment consists of approximately 215 individual funds established for a variety of purposes. Endowments include both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Management of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 Foundation, and (7) the Foundation's investment policy.

Investment Return Objectives, Risk Parameters and Strategies. The Foundation has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of

6. Endowment Funds (Cont.)

Investment Return Objectives, Risk Parameters and Strategies (cont.)

return that has sufficient liquidity to make an annual distribution of between 4 and 5%, while growing the funds if possible. Therefore, the Foundation expects its endowment assets, over time, to produce an average rate of return, net of fees, of approximately 8% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy. Long-term expectations may be expressed by the following equation currently:

Expected Average Annual Total Return Net of Fees ≥ Grants + Inflation + Administrative Fees Currently, (8-9% ≥ 4-5% + 3% + 1%)

The Foundation will use the moving average method to plan year-to-year grants in order to reduce annual variations in the amounts distributed from the aggregate portfolio. The amount will be determined based on a 12-averaged-quarter moving average of portfolio market value. (That is, the moving average will be determined in the last quarter of the calendar year based on the three previous audited fiscal years before the calendar year in which the funds are to be spent.) For funds less than three years old, the market value will be the average of all averaged quarters to date. This policy creates more consistent and predictable granting by the Foundation over the long term.

Endowment net asset composition by type of fund as of June 30, 2009 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Endowment funds:				
Donor-restricted	$ -	$ 1,541,469	$ 12,012,553	$ 13,554,022
Board-designated	4,073,246	-	-	4,073,246
Total funds	$ 4,073,246	$ 1,541,469	$ 12,012,553	$ 17,627,268

Changes in endowment net assets for the year ended June 30, 2009 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Beginning of year	$ 5,092,574	$ 2,860,422	$ 10,215,784	$ 18,168,780
Contributions	112,390	1,266,861	3,291,081	4,670,332
Interest and dividend income	152,910	389,729	-	542,639
Net investment losses	(934,000)	(2,272,994)	-	(3,206,994)
Amounts appropriated for expenditure	(350,628)	(702,549)	(1,494,312)	(2,547,489)
End of year	$ 4,073,246	$ 1,541,469	$ 12,012,553	$ 17,627,268

7. Charitable Gift Annuity

In 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, 2009, the asset and liability arising from this agreement are reported at $299,633.

8. Charitable Lead Trust

During fiscal year 2009, a donor established a trust with a local foundation naming the DuPage Community Foundation as one of the lead beneficiaries of a charitable lead annuity trust. Under terms of the split-interest agreement, the Foundation is to receive 45% of a unitrust amount equal to 4% of the net fair market value of the assets of the trust valued as of the first business day of each taxable year for the trust, for a period of 22 years. After that time, the trust is to terminate, and remaining trust assets are to be distributed to others. The receivable for the split-interest agreement is carried at fair value, which the Foundation has estimated based on the present value of its expected future cash inflows. Based on the duration of the trust and a 5% discount rate, the fair value of the Foundation's interest in the trust was estimated to be $206,138, which was recorded as a temporarily restricted contribution and as contribution receivable - charitable lead trust. The Foundation received $3,402 from the trust in 2009, which was recorded as a reduction in the receivable and a corresponding reclassification from temporarily restricted to unrestricted net assets. On an annual basis, the Foundation will revalue the contribution receivable based on annual asset valuation and current market conditions.

9. Fair Value Measurement

SFAS No. 157 defines fair value as the exchange price that would be received by the Foundation for an asset or paid by the Foundation to transfer a liability (an exit price), in an orderly transaction between market participants on the measurement date in the Foundation's principal or most advantageous market for the asset or liability. SFAS No. 157 also establishes a fair value hierarchy which requires the Foundation to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted market prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted market prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect the Foundation's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

9. Fair Value Measurement (Cont.)

Investment securities are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices for similar assets, if available. If quoted prices are not available, fair values are measured using matrix pricing models, or other model-based valuation techniques requiring observable inputs other than quoted prices such as yield curves, prepayment speeds, and default rates. Recurring Level 1 securities would include U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets. Recurring Level 2 securities include U.S. government agency securities, U.S. government sponsored agency securities, mortgage-backed securities, collateralized mortgage obligations and municipal bonds. Where Level 1 and Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Fair values of assets measured on a recurring basis at June 30, 2009 are as follows:

		Fair Value Measurements at June 30, 2009 Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable equity securities	$ 12,150,118	$ 12,150,118	$ -	$ -
Fixed income securities	5,278,161	5,227,136	51,025	-
Life insurance surrender value	469,317	-	469,317	-
Hedge funds	203,232	203,232	-	-
Real estate funds	399,712	333,695	-	66,017
Commodities funds	684,994	684,994	-	-
Total	$ 19,185,534	$ 18,599,175	$ 520,342	$ 66,017

Changes in fair value of assets measured on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2009 are as follows:

	Real Estate Limited Partnership
July 1, 2008	$ 80,449
Purchases, issuances and settlements, net	(15,076)
Investment income, net	644
June 30, 2009	$ 66,017

10. Conditional Promise to Give

During fiscal year 2009, The DuPage Community Foundation received a conditional promise of $2 million due in $250,000 increments. Each grant is contingent upon the Foundation's ability to raise matching dollars by September 2011. Since this grant represents a conditional promise to give, it is not recorded as revenue until donor conditions are met.

11. Reclassification of Net Assets

Upon review of the Foundation's net asset classifications, management discovered that a number of funds that had been previously classified as permanently restricted should have been classified as unrestricted or temporarily restricted. The Foundation made the following reclassifications to the June 30, 2008 net asset balances:

	As Originally Reported	Reclassifications	As Restated
Unrestricted:			
General Endowment	$ 2,237,049	$ 2,855,525	$ 5,092,574
Administrative Endowment	275,412	(275,412)	-
Operating	832,260	-	832,260
	3,344,721	2,580,113	5,924,834
Temporarily restricted	1,457,925	1,402,497	2,860,422
Permanently restricted	14,198,394	(3,982,610)	10,215,784
	$ 19,001,040	$ -	$ 19,001,040