

**The DuPage  
Community Foundation**

**Financial Statements  
and  
Independent Auditor's Report  
For the Year Ended  
June 30, 2011**

**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, 2011, 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 2010 financial statements, and in our report dated October 8, 2010, 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, 2011, 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.

Oakbrook Terrace, Illinois  
October 7, 2011

*Wolf & Company LLP*

THE DUPAGE COMMUNITY FOUNDATION  
STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 2,004,905	\$ 2,476,992
Prepaid expenses and other	18,389	14,950
Unconditional promises to give (Note 2)	-	30,000
Contribution receivable - charitable lead trust (Note 9)	231,754	204,783
Bequest receivable	1,100,000	1,100,000
Investments (Note 3)	33,172,946	26,404,775
Re-insurance contract (Note 8)	241,529	270,581
Property and equipment, net (Note 4)	<u>462,045</u>	<u>481,784</u>
 Total assets	 <u>\$ 37,231,568</u>	 <u>\$ 30,983,865</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 36,739	\$ 69,794
Agency funds (Note 11)	8,233,413	6,547,161
Annuity payable (Note 8)	<u>241,529</u>	<u>270,581</u>
 Total liabilities	 <u>8,511,681</u>	 <u>6,887,536</u>
Net assets:		
Unrestricted	5,088,211	4,112,444
Temporarily restricted	4,496,138	2,694,809
Permanently restricted	<u>19,135,538</u>	<u>17,289,076</u>
 Total net assets	 <u>28,719,887</u>	 <u>24,096,329</u>
 Total liabilities and net assets	 <u>\$ 37,231,568</u>	 <u>\$ 30,983,865</u>

See accompanying notes to the financial statements.

THE DUPAGE COMMUNITY FOUNDATION  
STATEMENTS OF ACTIVITIES

				For the Year Ended June 30,	
	Unrestricted*	Temporarily Restricted*	Permanently Restricted*	2011	2010
Support and revenue:					
Gifts, bequests, and grants	\$ 277,497	\$ 368,769	\$ 1,937,454	\$ 2,583,720	\$ 5,004,348
Interest and dividend income	155,582	557,878	-	713,460	500,136
Net investment gains	850,248	2,718,219	-	3,568,467	1,914,849
Fees	76,695	-	-	76,695	60,280
Net assets released from restrictions	<u>1,934,529</u>	<u>(1,843,537)</u>	<u>(90,992)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>3,294,551</u>	<u>1,801,329</u>	<u>1,846,462</u>	<u>6,942,342</u>	<u>7,479,613</u>
Expenses:					
Grants awarded	1,441,019	-	-	1,441,019	1,038,781
Grant-making activities	428,977	-	-	428,977	389,690
Management and general	198,074	-	-	198,074	190,289
Fund raising	<u>250,714</u>	<u>-</u>	<u>-</u>	<u>250,714</u>	<u>240,769</u>
Total expenses	<u>2,318,784</u>	<u>-</u>	<u>-</u>	<u>2,318,784</u>	<u>1,859,529</u>
Increase in net assets	975,767	1,801,329	1,846,462	4,623,558	5,620,084
Net assets, beginning of year, as restated (Note 13)	<u>4,112,444</u>	<u>2,694,809</u>	<u>17,289,076</u>	<u>24,096,329</u>	<u>18,476,245</u>
Net assets, end of year	<u>\$ 5,088,211</u>	<u>\$ 4,496,138</u>	<u>\$ 19,135,538</u>	<u>\$ 28,719,887</u>	<u>\$ 24,096,329</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,	
	2011	2010
Cash flows from operating activities:		
Increase in net assets	\$ 4,623,558	\$ 5,620,084
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net investment gains	(3,568,467)	(1,914,849)
Depreciation	19,739	21,398
(Increase) decrease in:		
Unconditional promises to give	30,000	116,667
Contribution receivable	(26,971)	(2,047)
Bequest receivable	-	(1,100,000)
Prepaid expenses and other	(3,439)	(96)
Increase (decrease) in:		
Accounts payable and accrued expenses	(33,055)	48,263
Agency funds	<u>1,686,252</u>	<u>1,383,432</u>
Net cash provided by operating activities	2,727,617	4,172,852
Cash used in investing activities:		
Increase in investments - net of investment gains and losses	<u>(3,199,704)</u>	<u>(5,304,392)</u>
Net decrease in cash and cash equivalents	(472,087)	(1,131,540)
Cash and cash equivalents:		
Beginning of year	<u>2,476,992</u>	<u>3,608,532</u>
End of year	<u>\$ 2,004,905</u>	<u>\$ 2,476,992</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 Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation - 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 Taxes - 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). The Foundation recognizes the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The Foundation is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for the years before the 2007 tax year.

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 January 2010, the Financial Accounting Standards Board issued guidance in Accounting Standards Codification No 820, *Fair Value Measurements and Disclosures*, amending the disclosure requirements related to recurring and nonrecurring fair value measurements. The guidance requires new disclosures on the transfers of assets and liabilities between fair value measurement hierarchy levels, including the reasons for and the timing of the transfers. The new accounting guidance also clarifies existing disclosure requirements regarding the level of disaggregation of fair value measurements and disclosure of significant inputs and valuation

THE DUPAGE COMMUNITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Cont.)

Fair Value Measurements (cont.) -

techniques utilized. The Foundation adopted these disclosure requirements in 2011. Additionally, beginning in fiscal year 2012, the guidance requires separate presentation of purchases, sales, issuances, and settlements in the Level 3 reconciliation table. The Foundation intends on adopting these disclosure requirements in fiscal year 2012.

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. The Foundation considers all promises to give to be fully collectible. Accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to the change in net assets when that determination is made.

Accounts Receivable - The Foundation considers all accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to the change in net assets when that determination is made.

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 - Funds established by an unrelated not-for-profit organization using its own funds and for its own benefit are classified by the Foundation as a liability, rather than as a net asset. The Foundation refers to such funds as agency funds. The Foundation maintains variance power and legal ownership of agency funds and as such continues to report the funds as assets of the Foundation. The changes in such agency funds are summarized in Note 11 "Agency Funds."

Grants Authorized But Unpaid - Grants authorized but unpaid at year end, if any, are reported as liabilities. There were no authorized but unpaid grants at June 30, 2011 and June 30, 2010.

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, 2010, from which the summarized information was derived.



THE DUPAGE COMMUNITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

2. Promises to Give

Unconditional promises to give are summarized as follows:

	June 30,	
	2011	2010
Receivable in less than one year	\$ -	\$ 30,000
Receivable in one to five years	-	-
	-	30,000
Less discounts to present value	-	-
Net unconditional promises to give	<u>\$ -</u>	<u>\$ 30,000</u>

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

3. Investments

Investments are summarized as follows:

	June 30,	
	2011	2010
Marketable equity securities:		
Emerging markets	\$ 1,898,076	\$ 1,426,340
International region	4,185,737	2,808,084
United States:		
Mutual funds	11,410,709	7,825,898
Common stocks	1,432,565	1,102,690
Preferred stocks	-	700,449
Fixed income securities	8,453,202	8,299,189
Life insurance surrender value	501,484	486,535
Hedge funds	1,810,180	1,302,901
Real estate funds	1,021,078	745,383
Private equity	530,380	538,695
Commodities funds	1,929,535	1,168,611
	<u>\$ 33,172,946</u>	<u>\$ 26,404,775</u>

THE DUPAGE COMMUNITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

4. Property and Equipment

Property and equipment is summarized as follows:

	June 30,	
	2011	2010
Land	\$ 95,000	\$ 95,000
Building and improvements	379,696	379,696
Computer hardware and software	43,166	43,166
Furniture and equipment	43,568	43,568
	561,430	561,430
Accumulated depreciation	(99,385)	(79,646)
Property and equipment, net	<u>\$ 462,045</u>	<u>\$ 481,784</u>

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 from 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 Foundation's endowment consists of approximately 175 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

THE DUPAGE COMMUNITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

6. Endowment Funds (Cont.)

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 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:

$$\begin{array}{l} \text{Expected Average Annual Total Return Net of Fees} \geq \text{Grants} + \text{Inflation} + \text{Administrative} \\ \text{Fees Currently, } (8-9\% \geq 4-5\% + 3\% + 1\%) \end{array}$$

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.

THE DUPAGE COMMUNITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

6. Endowment Funds (Cont.)

Endowment net asset composition by type of fund as of June 30, 2011 and 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
<u>June 30, 2011</u>				
Endowment funds:				
Donor-restricted	\$ (1,073,227) *	\$ 4,496,138	\$ 19,135,538	\$ 22,558,449
Board-designated	<u>5,554,064</u>	<u>-</u>	<u>-</u>	<u>5,554,064</u>
Total funds	<u>\$ 4,480,837</u>	<u>\$ 4,496,138</u>	<u>\$ 19,135,538</u>	<u>\$ 28,112,513</u>

June 30, 2010

Endowment funds:				
Donor-restricted	\$ (1,523,332) *	\$ 2,694,809	\$ 17,289,076	\$ 18,460,553
Board-designated	<u>4,895,804</u>	<u>-</u>	<u>-</u>	<u>4,895,804</u>
Total funds	<u>\$ 3,372,472</u>	<u>\$ 2,694,809</u>	<u>\$ 17,289,076</u>	<u>\$ 23,356,357</u>

\* Represents amount by which the endowment assets are less than the donor's basis.

Changes in endowment net assets for the years ended June 30, 2011 and 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
July 1, 2009	\$ 1,671,498	\$ 1,916,200	\$ 14,071,564	\$ 17,659,262
Contributions	45,937	362,365	4,270,613	4,678,915
Reclassification	573,407	(5,742)	(567,665)	-
Interest and dividend income	125,444	369,580	-	495,024
Net investment gains	1,341,124	573,919	-	1,915,043
Amounts appropriated for expenditure	<u>(384,938)</u>	<u>(521,513)</u>	<u>(485,436)</u>	<u>(1,391,887)</u>
June 30, 2010	3,372,472	2,694,809	17,289,076	23,356,357
Contributions	277,497	368,769	1,937,454	2,583,720
Interest and dividend income	155,582	557,878	-	713,460
Net investment gains	850,248	2,718,219	-	3,568,467
Amounts appropriated for expenditure	<u>(174,962)</u>	<u>(1,843,537)</u>	<u>(90,992)</u>	<u>(2,109,491)</u>
June 30, 2011	<u>\$ 4,480,837</u>	<u>\$ 4,496,138</u>	<u>\$ 19,135,538</u>	<u>\$ 28,112,513</u>

THE DUPAGE COMMUNITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

7. Unrestricted Net Assets

Unrestricted net assets are available for the following purposes as of June 30:

	<u>2011</u>	<u>2010</u>
Operating	\$ 607,374	\$ 739,972
General endowment	5,554,064	4,895,804
Accumulated endowment	<u>(1,073,227)</u>	<u>(1,523,332)</u>
	<u>\$ 5,088,211</u>	<u>\$ 4,112,444</u>

From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. Permanently restricted endowment assets are less than the donor's basis by \$1,073,227 and \$1,523,332 as of June 30, 2011 and 2010, respectively. These deficiencies resulted from unfavorable market fluctuations as well as continued appropriation for expenditures that were deemed prudent by the Board under the currently adopted spending policy.

8. 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, 2011 and 2010, the asset and liability arising from this agreement are reported at \$241,529 and \$270,581, respectively.

9. Charitable Lead Trust

During fiscal year 2009, a donor established a trust with a local foundation naming the 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 in 2009 as a temporarily restricted contribution and as contribution receivable - charitable lead trust. The Foundation received \$15,276 and \$13,966 from the

THE DUPAGE COMMUNITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

9. Charitable Lead Trust (Cont.)

trust in 2011 and 2010 respectively, 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.

10. Fair Value Measurement

Generally accepted accounting principles provide a uniform framework for the definition, measurement and disclosure of fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Such accounting guidance also establishes a fair value hierarchy which requires an entity 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 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 an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The asset'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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2011 and 2010.

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.

THE DUPAGE COMMUNITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

10. Fair Value Measurement (Cont.)

Fair values of assets measured on a recurring basis at June 30, 2011 and 2010 are as follows:

		Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2011</u>	<u>Fair Value</u>			
Marketable equity securities:				
Emerging markets	\$ 1,898,076	\$ 1,806,181	\$ 91,895	\$ -
International region	4,185,737	1,726,884	2,458,853	-
United States:				
Mutual funds	11,410,709	6,647,167	4,763,542	-
Common stocks	1,432,565	1,432,565	-	-
Fixed income securities	8,453,202	1,553,842	6,899,360	-
Life insurance surrender value	501,484	-	-	501,484
Hedge funds	1,810,180	340,934	218,705	1,250,541
Real estate funds	1,021,078	955,344	825	64,909
Private equity	530,380	-	-	530,380
Commodities funds	1,929,535	635	1,928,900	-
Total	<u>\$ 33,172,946</u>	<u>\$ 14,463,552</u>	<u>\$ 16,362,080</u>	<u>\$ 2,347,314</u>
<u>June 30, 2010</u>				
Marketable equity securities				
Emerging markets	\$ 1,426,340	\$ 1,358,417	\$ 67,923	\$ -
International region	2,808,084	1,136,415	1,671,669	-
United States:				
Mutual funds	7,825,898	4,665,158	3,160,740	-
Common stocks	1,102,690	1,102,690	-	-
Preferred stocks	700,449	700,449	-	-
Fixed income securities	8,299,189	1,302,914	6,996,275	-
Life insurance surrender value	486,535	-	-	486,535
Hedge funds	1,302,901	239,380	67,982	995,539
Real estate funds	745,383	671,847	8,627	64,909
Private equity	538,695	-	-	538,695
Commodities funds	1,168,611	-	1,103,463	65,148
Total	<u>\$ 26,404,775</u>	<u>\$ 11,177,270</u>	<u>\$ 13,076,679</u>	<u>\$ 2,150,826</u>

THE DUPAGE COMMUNITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

10. Fair Value Measurement (Cont.)

Changes in fair value of assets measured on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2011 and 2010 are as follows:

	Life Insurance Surrender Value	Hedge Fund	Real Estate Limited Partnership
June 30, 2009	\$ 469,317	\$ -	\$ 66,017
Purchases, issuances and settlements, net	-	990,000	(1,503)
Investment income, net	<u>17,218</u>	<u>5,539</u>	<u>395</u>
June 30, 2010	486,535	995,539	64,909
Purchases, issuances and settlements, net	-	199,622	-
Investment income, net	<u>14,949</u>	<u>55,380</u>	<u>-</u>
June 30, 2011	<u>\$ 501,484</u>	<u>\$ 1,250,541</u>	<u>\$ 64,909</u>

  

	Private Equity	Commodity Fund	Total
June 30, 2009	\$ -	\$ -	\$ 535,334
Purchases, issuances and settlements, net	498,852	67,586	1,554,935
Investment income, net	<u>39,843</u>	<u>(2,438)</u>	<u>60,557</u>
June 30, 2010	538,695	65,148	2,150,826
Purchases, issuances and settlements, net	(52,641)	(65,148)	81,833
Investment income, net	<u>44,326</u>	<u>-</u>	<u>114,655</u>
June 30, 2011	<u>\$ 530,380</u>	<u>\$ -</u>	<u>\$ 2,347,314</u>

The fair value of assets measured on a nonrecurring basis at June 30, 2011 and 2010 consists of a contribution receivable in a charitable lead trust of \$231,754 and \$204,783, respectively. Fair value for the contribution receivable from a beneficial interest in a charitable lead trust (Level 3) is determined by calculating the present value of the future distributions expected to be received, based on the duration of the trust and a 5% discount rate. There have been no changes in valuation techniques and related inputs.



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10. Fair Value Measurement (Cont.)

Changes in fair value of the contribution receivable for the years ended June 30, 2011 and 2010 are as follows:

June 30, 2009	
Purchases, issuances and settlements, net	\$ 202,736
Investment income, net	(13,966)
	<u>16,013</u>
June 30, 2010	204,783
Purchases, issuances and settlements, net	(15,276)
Investment income, net	<u>42,247</u>
June 30, 2011	<u>\$ 231,754</u>

11. Agency Funds

The financial effects of transactions related to agency funds are recorded as changes in the agency funds liability on the statements of financial position and are not included in the statements of activities. The changes are summarized as follows:

	June 30,	
	2011	2010
Additions:		
Contributions	\$ 605,085	\$ 838,976
Investment income	215,278	150,309
Net unrealized and realized gains	<u>1,179,515</u>	<u>552,576</u>
Total additions	<u>1,999,878</u>	<u>1,541,861</u>
Deductions:		
Distributions - grants	207,453	72,927
Investment expenses	<u>106,173</u>	<u>85,502</u>
Total deductions	<u>313,626</u>	<u>158,429</u>
Change in balance	1,686,252	1,383,432
Agency funds, beginning of year	<u>6,547,161</u>	<u>5,163,729</u>
Agency funds, end of year	<u>\$ 8,233,413</u>	<u>\$ 6,547,161</u>

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12. Conditional Promises to Give

During fiscal year 2009, the 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. See Note 14.

13. Reclassification of Net Assets

Per donor intent, endowment funds were reclassified from unrestricted and temporarily to permanently restricted. The Foundation made the following reclassifications to the June 30, 2010 net asset balances:

	As Originally Reported	<u>Reclassifications</u>	<u>As Restated</u>
Unrestricted:			
Operating	\$ 739,972	\$ -	\$ 739,972
General endowment	<u>3,418,938</u>	<u>(46,466)</u>	<u>3,372,472</u>
	4,158,910	(46,466)	4,112,444
Temporarily restricted	2,700,551	(5,742)	2,694,809
Permanently restricted	<u>17,236,868</u>	<u>52,208</u>	<u>17,289,076</u>
	<u>\$ 24,096,329</u>	<u>\$ -</u>	<u>\$ 24,096,329</u>

14. Subsequent Events

Subsequent to June 30, 2011, the stock market experienced a significant decline in value. As of August 31, 2011, the Standard & Poor's average declined 7.36% since June 30, 2011, and the Barclay's Aggregate index was up 3.07%. The Foundation will continue to monitor its investments as it has successfully done in the past, but has no immediate plans to change its investment portfolio.

A \$1,000,000 endowment was received subsequent to year end. A matching grant of \$1,000,000 was also awarded. See Note 12.

The Foundation has evaluated subsequent events through October 7, 2011, the date which the financial statements were available to be issued.