

Combined Financial Statements

**COMMUNITY FOUNDATION OF GREATER FORT WAYNE INC.  
AND AFFILIATED SUPPORTING ORGANIZATIONS**

*Years ended December 31, 2009 and 2008  
with Report of Independent Auditors*

Community Foundation of Greater Fort Wayne Inc.  
and Affiliated Supporting Organizations

Combined Financial Statements

Years ended December 31, 2009 and 2008

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## Report of Independent Auditors

The Board of Directors  
Community Foundation of Greater Fort Wayne Inc.  
and Affiliated Supporting Organizations

We have audited the accompanying combined statements of financial position of the Community Foundation of Greater Fort Wayne Inc. and Affiliated Supporting Organizations (Foundation) as of December 31, 2009 and 2008, and the related combined statements of activities and changes in net assets and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Community Foundation of Greater Fort Wayne Inc. and Affiliated Supporting Organizations at December 31, 2009 and 2008 and the combined results of their operations, changes in their net assets, and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

*Haines, Isenbarger & Skiba, LLC*

April 7, 2010

Community Foundation of Greater Fort Wayne Inc.  
and Affiliated Supporting Organizations

Combined Statements of Financial Position

|   | December 31   |               |
|---|---------------|---------------|
|   | 2009          | 2008          |
| <b>Assets</b>   |               |               |
| Current assets:                                       |               |               |
| Cash and cash equivalents                             | \$ 89,517     | \$ 196,454    |
| Investments, at fair value                            | 89,334,931    | 63,219,976    |
| Contributions receivable                              | 101,000       | 130,000       |
| Accrued investment income and other                   | 11,738        | 23,162        |
| Total current assets                                  | 89,537,186    | 63,569,592    |
| Land, building, and equipment:                        |               |               |
| Land  | 280,000       | 280,000       |
| Building  | 1,827,113     | 1,827,113     |
| Equipment   | 117,434       | 117,434       |
|   | 2,224,547     | 2,224,547     |
| Less accumulated depreciation                         | 99,623        | 28,760        |
|   | 2,124,924     | 2,195,787     |
| Other assets:   |               |               |
| Cash value of life insurance policies                 | 1,190,543     | 1,175,240     |
| Beneficial interest in trusts                         | 7,036,412     | 4,089,539     |
| Long-term contributions receivable                    | 20,000        | 80,000        |
| Real estate and other assets                          | 295,754       | 295,754       |
|   | 8,542,709     | 5,640,533     |
| Total assets  | \$100,204,819 | \$ 71,405,912 |
| <b>Liabilities and net assets</b>                     |               |               |
| Current liabilities:                                  |               |               |
| Current portion of grants and scholarships payable    | \$ 3,119,500  | \$ 1,256,471  |
| Current portion of annuities payable                  | 39,037        | 37,743        |
| Current portion of long-term debt                     | 20,372        | 17,209        |
| Accounts payable and accrued expenses                 | 27,658        | 323,086       |
| Funds held for agencies                               | 4,400,882     | 3,565,199     |
| Total current liabilities                             | 7,607,449     | 5,199,708     |
| Grants and scholarships payable, less current portion | 826,827       | 1,086,377     |
| Annuities payable, less current portion               | 217,906       | 226,694       |
| Long-term debt, less current portion                  | 660,123       | 681,492       |
| Total liabilities                                     | 9,312,305     | 7,194,271     |
| Net assets:   |               |               |
| Unrestricted  | 74,051,042    | 61,960,202    |
| Temporarily restricted                                | 12,399,841    | 23,920        |
| Permanently restricted                                | 4,441,631     | 2,227,519     |
| Total net assets                                      | 90,892,514    | 64,211,641    |
| Total liabilities and net assets                      | \$100,204,819 | \$ 71,405,912 |

See accompanying notes to combined financial statements.

Net assets at end of year A1  
and Affiliated Supporting Organizations

Combined Statements of Activities and Changes in Net Assets

|  | Year ended December 31 |                        |                        |                      |                      |                        |                        |                      |
|--|------------------------|------------------------|------------------------|----------------------|----------------------|------------------------|------------------------|----------------------|
|  | 2009                   |                        |                        |                      | 2008                 |                        |                        |                      |
|  | Unrestricted           | Temporarily Restricted | Permanently Restricted | Total                | Unrestricted         | Temporarily Restricted | Permanently Restricted | Total                |
| <b>Support, revenues, and gains (losses)</b>   |                        |                        |                        |                      |                      |                        |                        |                      |
| Contributions  | \$ 3,200,891           | \$ 20,000,000          | \$ -                   | \$ 23,200,891        | \$ 1,822,697         | \$ 121,944             | \$ -                   | \$ 1,944,641         |
| Less contributions received for agencies   | 107,590                | -                      | -                      | 107,590              | 207,040              | -                      | -                      | 207,040              |
| Less interfund contributions   | 87,698                 | -                      | -                      | 87,698               | 55,211               | -                      | -                      | 55,211               |
| Net contributions  | <u>3,005,603</u>       | <u>20,000,000</u>      | <u>-</u>               | <u>23,005,603</u>    | <u>1,560,446</u>     | <u>121,944</u>         | <u>-</u>               | <u>1,682,390</u>     |
| Interest and dividends   | 2,309,067              | 100,027                | -                      | 2,409,094            | 2,703,443            | 2,800                  | -                      | 2,706,243            |
| Realized and unrealized gain (loss) on investments, net  | 11,178,629             | (44,352)               | -                      | 11,134,277           | (24,695,560)         | (15)                   | -                      | (24,695,575)         |
| Gain (loss) on beneficial interest in trusts and<br>change in value of real estate interests and annuities | 107,209                | -                      | 2,228,027              | 2,335,236            | (220,122)            | -                      | (2,212,291)            | (2,432,413)          |
| Other  | 69,448                 | 35                     | -                      | 69,483               | 27,301               | 18,189                 | -                      | 45,490               |
| Total support, revenues, and gains (losses)<br>before net assets released from restrictions                | <u>16,669,956</u>      | <u>20,055,710</u>      | <u>2,228,027</u>       | <u>38,953,693</u>    | <u>(20,624,492)</u>  | <u>142,918</u>         | <u>(2,212,291)</u>     | <u>(22,693,865)</u>  |
| Net assets released from restrictions for operations   | 7,679,789              | (7,679,789)            | -                      | -                    | 144,457              | (144,457)              | -                      | -                    |
| Total support, revenues, and gains (losses)  | <u>24,349,745</u>      | <u>12,375,921</u>      | <u>2,228,027</u>       | <u>38,953,693</u>    | <u>(20,480,035)</u>  | <u>(1,539)</u>         | <u>(2,212,291)</u>     | <u>(22,693,865)</u>  |
| <b>Expenses</b>  |                        |                        |                        |                      |                      |                        |                        |                      |
| Grants and scholarships:   |                        |                        |                        |                      |                      |                        |                        |                      |
| Arts and culture   | 239,785                | -                      | -                      | 239,785              | 300,739              | -                      | -                      | 300,739              |
| Community development  | 2,220,533              | -                      | -                      | 2,220,533            | 919,766              | -                      | -                      | 919,766              |
| Education  | 7,106,686              | -                      | -                      | 7,106,686            | 1,179,201            | -                      | -                      | 1,179,201            |
| Health and human services  | 1,608,156              | -                      | -                      | 1,608,156            | 2,805,830            | -                      | -                      | 2,805,830            |
| Other charitable purpose   | 218,615                | -                      | -                      | 218,615              | 412,951              | -                      | -                      | 412,951              |
|  | <u>11,393,775</u>      | <u>-</u>               | <u>-</u>               | <u>11,393,775</u>    | <u>5,618,487</u>     | <u>-</u>               | <u>-</u>               | <u>5,618,487</u>     |
| Less grants made from agencies   | 111,090                | -                      | -                      | 111,090              | 250,860              | -                      | -                      | 250,860              |
| Less interfund grants and scholarships   | 87,698                 | -                      | -                      | 87,698               | 55,211               | -                      | -                      | 55,211               |
| Net grants and scholarships  | <u>11,194,987</u>      | <u>-</u>               | <u>-</u>               | <u>11,194,987</u>    | <u>5,312,416</u>     | <u>-</u>               | <u>-</u>               | <u>5,312,416</u>     |
| <b>Fees and expenses</b>   |                        |                        |                        |                      |                      |                        |                        |                      |
| Operating expenses   | 841,768                | -                      | -                      | 841,768              | 943,516              | -                      | -                      | 943,516              |
| Investment management and custodian fees   | 189,295                | -                      | -                      | 189,295              | 258,446              | -                      | -                      | 258,446              |
| Interest expense   | 44,215                 | -                      | -                      | 44,215               | 38,549               | -                      | -                      | 38,549               |
| Other expenses   | 2,555                  | -                      | -                      | 2,555                | 386,047              | -                      | -                      | 386,047              |
| Total fees and expenses  | <u>1,077,833</u>       | <u>-</u>               | <u>-</u>               | <u>1,077,833</u>     | <u>1,626,558</u>     | <u>-</u>               | <u>-</u>               | <u>1,626,558</u>     |
| Total expenses   | <u>12,272,820</u>      | <u>-</u>               | <u>-</u>               | <u>12,272,820</u>    | <u>6,938,974</u>     | <u>-</u>               | <u>-</u>               | <u>6,938,974</u>     |
| Increase (decrease) in net assets before other changes   | 12,076,925             | 12,375,921             | 2,228,027              | 26,680,873           | (27,419,009)         | (1,539)                | (2,212,291)            | (29,632,839)         |
| Net assets released from restrictions<br>used for land, building, and equipment                            | -                      | -                      | -                      | -                    | 1,066,397            | (1,066,397)            | -                      | -                    |
| Transfer   | 13,915                 | -                      | (13,915)               | -                    | 64,638               | (64,638)               | -                      | -                    |
| Increase (decrease) in net assets  | <u>12,090,840</u>      | <u>12,375,921</u>      | <u>2,214,112</u>       | <u>26,680,873</u>    | <u>(26,287,974)</u>  | <u>(1,132,574)</u>     | <u>(2,212,291)</u>     | <u>(29,632,839)</u>  |
| Net assets at beginning of year  | 61,960,202             | 23,920                 | 2,227,519              | 64,211,641           | 88,248,176           | 1,156,494              | 4,439,810              | 93,844,480           |
| Net assets at end of year  | <u>\$ 74,051,042</u>   | <u>\$ 12,399,841</u>   | <u>\$ 4,441,631</u>    | <u>\$ 90,892,514</u> | <u>\$ 61,960,202</u> | <u>\$ 23,920</u>       | <u>\$ 2,227,519</u>    | <u>\$ 64,211,641</u> |

See accompanying notes to combined financial statements.

Community Foundation of Greater Fort Wayne Inc.  
and Affiliated Supporting Organizations

Combined Statements of Cash Flows

|  | <b>Year ended December 31</b> |                |
|--|-------------------------------|----------------|
|  | <b>2009</b>                   | <b>2008</b>    |
| <b>Operating activities</b>  |                               |                |
| Increase (decrease) in net assets  | <b>\$ 26,680,873</b>          | \$(29,632,839) |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities: |                               |                |
| Realized and unrealized loss (gain) on investments, net  | <b>(11,134,277)</b>           | 24,695,575     |
| Noncash gifts received   | <b>(896,359)</b>              | (358,961)      |
| Depreciation   | <b>70,863</b>                 | 27,440         |
| Loss (gain) on beneficial interest in trusts and change in value of real estate interests and annuities            | <b>(2,335,236)</b>            | 2,639,163      |
| Changes in operating assets and liabilities:   |                               |                |
| Contributions receivable   | <b>89,000</b>                 | 95,000         |
| Beneficial interest in trusts  | <b>138,363</b>                | (59,871)       |
| Accrued investment income and other  | <b>11,424</b>                 | 11,939         |
| Grants and scholarships payable  | <b>1,603,479</b>              | 466,747        |
| Annuities payable  | <b>(7,494)</b>                | (63,391)       |
| Accounts payable and accrued expenses  | <b>(295,428)</b>              | 256,375        |
| Funds held for agencies  | <b>835,683</b>                | (1,452,957)    |
| Net cash provided by (used in) operating activities  | <b>14,760,891</b>             | (3,375,780)    |
| <b>Investing activities</b>  |                               |                |
| Purchases of investments   | <b>(46,115,091)</b>           | (27,612,675)   |
| Proceeds from sale and maturities of investments   | <b>31,280,772</b>             | 30,698,402     |
| Purchases of building and equipment  | -                             | (1,168,946)    |
| Distribution from sale of real estate and other assets   | -                             | 875,000        |
| Increase in cash value of life insurance   | <b>(15,303)</b>               | (22,000)       |
| Net cash provided by (used in) investing activities  | <b>(14,849,622)</b>           | 2,769,781      |
| <b>Financing activities</b>  |                               |                |
| Proceeds from line of credit borrowings which converted to a mortgage note payable                                 | -                             | 295,073        |
| Payments on mortgage note payable  | <b>(18,206)</b>               | (1,299)        |
| Net cash provided by (used in) financing activities  | <b>(18,206)</b>               | 293,774        |
| Decrease in cash and cash equivalents  | <b>(106,937)</b>              | (312,225)      |
| Cash and cash equivalents at beginning of year   | <b>196,454</b>                | 508,679        |
| Cash and cash equivalents at end of year   | <b>\$ 89,517</b>              | \$ 196,454     |

See accompanying notes to combined financial statements.

Community Foundation of Greater Fort Wayne Inc.  
and Affiliated Supporting Organizations

Notes to Combined Financial Statements

December 31, 2009

**1. Organization and Summary of Significant Accounting Policies**

**Organization**

The mission of the Community Foundation of Greater Fort Wayne Inc. and affiliated supporting organizations (collectively, the Foundation) is:

*“to build public giving partnerships that effectively connect donors with nonprofit organizations and community projects to produce a brighter future for all people in Allen County.”*

The Community Foundation of Greater Fort Wayne Inc. works toward this mission in the following ways:

- As a **grantmaker**, ensuring effective grants that meet donors’ charitable interests and address the community’s changing needs.
- As a **steward**, providing professional investment and financial services that preserve and enlarge a community pool of charitable funds.
- As a **resource developer**, attracting permanent assets that supply flexible community resources for today and the future.
- As a **philanthropic advisor**, offering information and advice that helps donors and nonprofit agencies achieve their objectives and improve the community.
- As a **community leader**, stimulating community dialogue and decision-making that help define common goals and solve crucial problems.

The Community Foundation of Greater Fort Wayne Inc. operates as an administrator of funds set up exclusively for religious, charitable, scientific, testing for public safety, literary and educational purposes, and for the prevention of cruelty to children and animals, primarily in Allen County, Indiana, unless otherwise designated by a donor.

The Community Foundation of Greater Fort Wayne Inc. is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies for the 50% charitable contribution deduction limitation. The Community Foundation of Greater Fort Wayne Inc. has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

Community Foundation of Greater Fort Wayne Inc.  
and Affiliated Supporting Organizations

Notes to Combined Financial Statements (continued)

**1. Organization and Summary of Significant Accounting Policies (continued)**

**Basis of Presentation**

The accompanying combined financial statements have been prepared on the accrual basis of accounting.

**Principles of Combination**

The combined financial statements include the Community Foundation of Greater Fort Wayne Inc. and its affiliated supporting organizations, the Fort Wayne Central Improvement Foundation, Inc. and Community Partnerships, Inc. All significant inter-organization transactions and balances have been eliminated in combination.

*Fort Wayne Central Improvement Foundation, Inc.*

The Fort Wayne Central Improvement Foundation, Inc. (FWCIF), a supporting organization, was reorganized in 1995. It was reorganized to receive and manage real estate donations for future benefit of the Community Foundation of Greater Fort Wayne Inc. FWCIF had net assets at December 31, 2009 and 2008 of \$1,580,743 and \$1,471,710, respectively.

*Community Partnerships, Inc.*

In 1995, Community Partnerships, Inc. (CPI), a supporting organization, was incorporated for the purposes of supporting charitable community projects, which bring together a variety of funding partners. The Community Foundation of Greater Fort Wayne Inc. has the authority to appoint a majority of members of the CPI Board of Directors. CPI had net assets at December 31, 2009 and 2008 of \$12,400,318 and \$24,382, respectively.

The aforementioned affiliated supporting organizations were established as supporting organizations to the Community Foundation of Greater Fort Wayne Inc. as described in Section 509(a)(3) of the Internal Revenue Code.

Community Foundation of Greater Fort Wayne Inc.  
and Affiliated Supporting Organizations

Notes to Combined Financial Statements (continued)

**1. Organization and Summary of Significant Accounting Policies (continued)**

**Cash and Cash Equivalents**

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents, except those short-term investments managed as part of long-term investment strategies. The Foundation maintains cash accounts at a local bank. From time to time during the year, the Foundation's cash accounts exceeded federally insured limits due to the transfer of funds to pay for grants awarded. As of December 31, 2009, the Foundation had no accounts that exceeded such coverage.

**Investments and Investment Income**

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See *Note 3* for discussion of fair value measurements.

Purchases and sales are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Realized and unrealized investment gains or losses are determined by comparison of asset cost, using the specific identification method, to net proceeds received at the time of sale and changes in the difference between market values and cost, respectively. These amounts are reported in the combined statements of activities and changes in net assets as realized and unrealized gain (loss) on investments.

The Foundation maintains a significant and diverse investment portfolio, without concentration of risk by type, industry, or geographic area, which is managed by professional investment managers in compliance with the investment policy established by the Board of Directors. Investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect account balances.

Community Foundation of Greater Fort Wayne Inc.  
and Affiliated Supporting Organizations

Notes to Combined Financial Statements (continued)

**1. Organization and Summary of Significant Accounting Policies (continued)**

**Funds Held for Agencies**

The Foundation holds certain funds for other organizations as agencies and recognizes the related liability in the combined statements of financial position. Funds held for agencies were \$4,400,882 and \$3,565,199 at December 31, 2009 and 2008, respectively.

**Net Assets**

Net assets are allocated to and accounted for based upon the donor's intended purpose. Unrestricted net assets have no donor-imposed restrictions placed upon them. In addition, the Foundation has received certain net assets for specific purposes, and these amounts are reported as temporarily or permanently restricted net assets. Temporarily restricted net assets include amounts whose use is limited by donor imposed stipulations that can be met and removed by actions of the Foundation pursuant to those stipulations, occurrence of a stated event, or passage of a specified time period. When donor imposed stipulations are met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. Permanently restricted net assets include amounts whose use is limited by donor-imposed restrictions which stipulate that resources be maintained permanently, but permits the Foundation to expend part or all of the income derived from the donated assets for either unrestricted or temporarily restricted purposes. Resources arising from the results of operations or assets set aside by the Board of Directors are not considered to be donor restricted.

In August 2008, the Financial Accounting Standards Board (FASB) released Staff Position FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (FAS 117-1) now FASB Accounting Standards Codification (ASC) Topic 958 (ASC 958), which requires certain net asset classification changes for institutional endowment funds under Uniform Prudent Management of Institutional Funds Act (UPMIFA). Effective July 1, 2007, the Indiana General Assembly amended the Uniform Management of Institutional Funds of Colleges and Universities, (UMIFA) by adopting provisions of UPMIFA.

Based on the advice of legal counsel and review of donor documentation by management, the Board of Directors believes that the majority of the funds held by the Foundation are not institutional endowment funds under UPMIFA because the terms of the funds do not specifically restrict the ability of the Foundation to spend the whole fund.

Community Foundation of Greater Fort Wayne Inc.  
and Affiliated Supporting Organizations

Notes to Combined Financial Statements (continued)

**1. Organization and Summary of Significant Accounting Policies (continued)**

**Net Assets (continued)**

The Foundation may hold donor restricted endowment funds where the gift instrument clearly stipulates that the Foundation is not to spend the principal or some other portion of the gift, in which case such gift instrument will supersede the Foundation's ability to spend the whole fund. ASC 958 requires the classification of a portion of a donor restricted endowment fund of perpetual duration to be classified as permanently restricted.

Management continues to evaluate ASC 958 and has determined that it does not have a significant impact on the net asset classifications in the statements of financial position and statements of activities and changes in net assets of the Foundation.

**Contributions and Contributions Receivable**

Contributions, including gifts, grants, bequests, pledges, and other unconditional promises, without restrictions or stipulations are recorded as support in the period received. Contributions are reported as temporarily restricted or permanently restricted support if they are received with donor imposed stipulations that limit their use.

Conditional promises or pledges are recognized when the conditions on which they depend are substantially met.

Contributions of assets other than cash are recorded at their fair market value.

Unconditional promises or pledges are recorded at net realizable value. The Foundation provides an allowance for uncollectible pledges which is based on historical collection experience and management's estimate of the losses that will be incurred in the collection of all pledges receivable. As of December 31, 2009 and 2008, no allowance for uncollectible pledges was deemed necessary.

**Land, Building, and Equipment**

Land, building, and equipment are stated at cost or if donated, at fair value at the date of the donation, except for land, building, and equipment that have been impaired. For impaired assets, the carrying amount is reduced to the estimated fair market value. There were no impaired assets at December 31, 2009. Items with a cost or value of \$500 or more for computers and software and \$1,000 or more for other capital expenditures are capitalized.

Community Foundation of Greater Fort Wayne Inc.  
and Affiliated Supporting Organizations

Notes to Combined Financial Statements (continued)

**1. Organization and Summary of Significant Accounting Policies (continued)**

**Land, Building, and Equipment (continued)**

Depreciation is computed by the straight-line method over the following estimated useful lives:

|           |           |
|-----------|-----------|
| Building  | 40 years  |
| Equipment | 3-5 years |

Expenditures for normal repairs and maintenance are expensed when incurred.

**Legacies, Bequests, and Beneficial Interest in Trusts**

The Foundation is a beneficiary under various wills, the total realizable value of which is not presently determinable. Such amounts are recorded as contributions when clear title is established and the proceeds are clearly measurable.

The Foundation is also the income or principal beneficiary under various term and perpetual trusts, the corpus of which are not controlled or administered by the management of the Foundation. In the absence of donor-imposed conditions, the Foundation recognizes its beneficial interest in a trust as a contribution in the period in which it receives notice that the trust agreement conveys an unconditional right to receive benefits.

Although the Foundation has no control over the administration or investment of the funds held in these term and perpetual trusts, the present value of the estimated expected future cash flows from the trusts is recognized as an asset in the accompanying combined financial statements. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is recorded as additional contribution revenue.

**Grants and Scholarships**

Grants and scholarships are considered incurred and recorded as payable upon their approval by the Board of Directors and communication to designated grantees.

Community Foundation of Greater Fort Wayne Inc.  
and Affiliated Supporting Organizations

Notes to Combined Financial Statements (continued)

**1. Organization and Summary of Significant Accounting Policies (continued)**

**Fair Value of Financial Instruments**

The carrying amounts reported in the Foundation's statement of financial position of the financial instruments, including cash and cash equivalents, receivables and payables approximate their fair values at December 31, 2009 primarily due to the short-term nature of these instruments. The carrying amount reported in the Foundation's statement of financial position for long-term debt at December 31, 2009 approximates its fair value based on the current interest rate environment and the terms of the instrument (see *Note 7*). See Investments, Beneficial Interest in Trusts, and Charitable Gift Annuities Payable in *Notes 1, 2, 4 and 6* for further discussion of the fair value of the Foundation's other financial instruments.

**Use of Estimates**

Preparation of the combined financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts in the combined financial statements and accompanying notes. Actual results could differ from those estimates.

**2. Investments**

Investments consist of the following:

|   | <b>December 31</b>   |                      |
|---|----------------------|----------------------|
|   | <b>2009</b>          | <b>2008</b>          |
| Money market funds                                      | \$ 8,277,500         | \$ 2,851,011         |
| Common stock  | 8,992,110            | 14,824,110           |
| Mutual funds—equity securities                          | 37,337,093           | 20,822,950           |
| Mutual funds—bonds, debentures, and notes               | 21,055,498           | 21,129,107           |
| Mutual funds—public real estate                         | 3,480,775            | 2,514,036            |
| Certificates of deposit                                 | 6,662,285            | 1,076,363            |
| United States Treasury and government agency securities | 3,529,670            | -                    |
| Other   | -                    | 2,399                |
| Total investments, at fair value                        | <u>\$ 89,334,931</u> | <u>\$ 63,219,976</u> |
| Total investments, at historical cost                   | <u>\$ 96,031,943</u> | <u>\$ 83,882,752</u> |

Community Foundation of Greater Fort Wayne Inc.  
and Affiliated Supporting Organizations

Notes to Combined Financial Statements (continued)

**2. Investments (continued)**

The composition of investment return recognized in the combined statements of activities and changes in net assets are as follows:

|   | <b>Year ended December 31</b> |                 |
|---|-------------------------------|-----------------|
|   | <b>2009</b>                   | <b>2008</b>     |
| Investment income (loss):                     |                               |                 |
| Interest and dividends                        | \$ 2,409,094                  | \$ 2,706,243    |
| Net realized loss on investments              | (1,977,823)                   | (2,792,249)     |
| Net unrealized gain (loss) on investments     | 13,112,100                    | (21,903,326)    |
|   | <b>13,543,371</b>             | (21,989,332)    |
| Less investment management and custodial fees | 189,295                       | 258,446         |
| Net investment income (loss)                  | <b>\$ 13,354,076</b>          | \$ (22,247,778) |

**3. Fair Value Measurements**

ASC 820 (formerly Financial Accounting Standards Board Statement No. 157, *Fair Value Measurements*), establishes a framework for measuring fair value. That framework 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation 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; 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.

Community Foundation of Greater Fort Wayne Inc.  
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Notes to Combined Financial Statements (continued)

**3. Fair Value Measurements (continued)**

The asset's 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 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, 2009 and 2008.

*Money market funds:* The money market funds are valued at quoted market prices in an exchange and active market, which represent the net asset values of shares held by the Foundation at year end.

*Common stock:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Mutual funds:* Valued at the net asset value (NAV) of shares held by the Foundation at year-end.

*Certificates of Deposit:* Recorded at cost plus accrued interest (carrying value), which approximates fair value.

*United States Treasury and government agency securities:* Certain United States Treasury and government agency securities are valued at the closing price reported in the active market in which the obligation or bond is traded. Other United States Treasury and government agency securities are valued based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar obligations or bonds, the obligation or bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

*Cash value of life insurance policies:* Valued at the redemption value as determined by the insurance carrier at year-end.

*Beneficial interest in trusts:* The Foundation's proportional interest in the trust assets is valued at the fair market value of the underlying investments as reported by the investment manager at year-end.

Community Foundation of Greater Fort Wayne Inc.  
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Notes to Combined Financial Statements (continued)

**3. Fair Value Measurements (continued)**

*Real estate and other assets:* Quoted market prices are not available for certain investments, including limited partnership investments and real property. These investments are recorded at their estimated fair market value; therefore, the reported value may differ from the value that would have been used had a quoted market price existed. The Foundation believes that the reported amounts for these investments are a reasonable estimate of their fair value at December 31, 2009 and 2008.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2009 and 2008:

|  | <b>Assets at Fair Value at December 31, 2009</b> |                     |                     |                     |
|--|--|---------------------|---------------------|---------------------|
|  | <b>Level 1</b>                                   | <b>Level 2</b>      | <b>Level 3</b>      | <b>Total</b>        |
| Money market funds   | \$ 8,277,500                                     | \$ -                | \$ -                | \$ 8,277,500        |
| Common stock   | 8,992,110  | -                   | -                   | 8,992,110           |
| Mutual funds—equity securities                             | 37,337,093                                       | -                   | -                   | 37,337,093          |
| Mutual funds—bonds,<br>debentures, and notes               | 21,055,498                                       | -                   | -                   | 21,055,498          |
| Mutual funds—global real<br>estate common stock            | -  | 3,480,775           | -                   | 3,480,775           |
| Certificates of deposit                                    | -  | 6,662,285           | -                   | 6,662,285           |
| United States Treasury and<br>government agency securities | -  | 3,529,670           | -                   | 3,529,670           |
| Total investments at fair value                            | <b>75,662,201</b>                                | <b>13,672,730</b>   | <b>-</b>            | <b>89,334,931</b>   |
| Cash value of life<br>insurance policies                   | -  | 1,190,543           | -                   | 1,190,543           |
| Beneficial interest in trusts                              | -  | 3,290,558           | 3,745,854           | 7,036,412           |
| Real estate and other assets                               | -  | -                   | 295,754             | 295,754             |
| Total other assets at fair value                           | <b>-</b>   | <b>4,481,101</b>    | <b>4,041,608</b>    | <b>8,522,709</b>    |
| Assets at fair value                                       | <b>\$75,662,201</b>                              | <b>\$18,153,831</b> | <b>\$ 4,041,608</b> | <b>\$97,857,640</b> |

Community Foundation of Greater Fort Wayne Inc.  
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Notes to Combined Financial Statements (continued)

**3. Fair Value Measurements (continued)**

|   | <b>Assets at Fair Value at December 31, 2008</b> |                     |                     |                      |
|---|--|---------------------|---------------------|----------------------|
|   | <b>Level 1</b>                                   | <b>Level 2</b>      | <b>Level 3</b>      | <b>Total</b>         |
| Money market funds                              | \$ 2,851,011                                     | \$ -                | \$ -                | \$ 2,851,011         |
| Common stock                                    | 14,824,110                                       | -                   | -                   | 14,824,110           |
| Mutual funds—equity securities                  | 20,822,950                                       | -                   | -                   | 20,822,950           |
| Mutual funds—bonds,<br>debentures, and notes    | 21,129,107                                       | -                   | -                   | 21,129,107           |
| Mutual funds—global real<br>estate common stock | -  | 2,514,036           | -                   | 2,514,036            |
| Certificates of deposit                         | -  | 1,076,363           | -                   | 1,076,363            |
| Other   | -  | 2,399               | -                   | 2,399                |
| Total investments at fair value                 | <u>59,627,178</u>                                | <u>3,592,798</u>    | <u>-</u>            | <u>63,219,978</u>    |
| Cash value of life insurance<br>policies        | -  | 1,175,240           | -                   | 1,175,240            |
| Beneficial interest in trusts                   | -  | 2,522,531           | 1,567,008           | 4,089,539            |
| Real estate and other assets                    | -  | -                   | 295,754             | 295,754              |
| Total other assets at fair value                | <u>-</u>   | <u>3,697,771</u>    | <u>1,862,762</u>    | <u>5,560,533</u>     |
| Assets at fair value                            | <u>\$ 59,627,178</u>                             | <u>\$ 7,290,569</u> | <u>\$ 1,862,762</u> | <u>\$ 68,780,509</u> |

For the year ended December 31, 2009, the change in assets classified as Level 3 is as follows:

|  | <b>Beneficial<br/>Interest in<br/>Trusts</b> | <b>Real Estate<br/>and Other<br/>Assets</b> | <b>Total</b>               |
|--|--|---|----------------------------|
| Balance at beginning of year                           | <b>\$ 1,567,008</b>                          | <b>\$ 295,754</b>                           | <b>\$ 1,862,762</b>        |
| Gains relating to assets<br>held at the reporting date | <b>2,186,646</b>                             | <b>-</b>                                    | <b>2,186,646</b>           |
| Payments received                                      | <b>(7,800)</b>                               | <b>-</b>                                    | <b>(7,800)</b>             |
| Balance at end of year                                 | <u><b>\$ 3,745,854</b></u>                   | <u><b>\$ 295,754</b></u>                    | <u><b>\$ 4,041,608</b></u> |

Community Foundation of Greater Fort Wayne Inc.  
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Notes to Combined Financial Statements (continued)

**4. Contributions Receivable**

Contributions receivable are \$121,000 and \$210,000 at December 31, 2009 and 2008, respectively. Contributions receivable at December 31, 2009 become due to the Foundation as set forth below:

|                 |                          |
|-----------------|--------------------------|
| Amounts due in: |                          |
| 2010            | <b>\$ 101,000</b>        |
| 2011            | <b>20,000</b>            |
|                 | <b><u>\$ 121,000</u></b> |

**5. Beneficial Interest in Trusts**

The estimated present value of the Foundation's beneficial interest in trusts are as follows:

|                                     | <b>December 31</b>         |                            |
|-------------------------------------|----------------------------|----------------------------|
|                                     | <b>2009</b>                | <b>2008</b>                |
| Perpetual trusts                    | <b>\$ 4,441,631</b>        | \$ 2,213,370               |
| Charitable lead and exemption trust | <b>332,615</b>             | 389,144                    |
| Charitable remainder annuity trust  | <b>993,065</b>             | 1,080,189                  |
| Charitable remainder unitrust       | <b>382,917</b>             | 300,918                    |
| Supplemental and other trusts       | <b>886,184</b>             | 105,918                    |
|                                     | <b><u>\$ 7,036,412</u></b> | <b><u>\$ 4,089,539</u></b> |

The Foundation has a beneficial interest in a unitrust, a supplemental trust, and perpetual trusts that it does not control or administer. The estimated present value of the beneficial interest in the unitrust, supplemental trust, and perpetual trusts was calculated as of December 31, 2009 and 2008, based on the age of the life beneficiaries using the following key assumptions:

|                 |   |
|-----------------|---|
| Discount rate   | 3.2% at December 31, 2009; 3.4% at December 31, 2008                    |
| Mortality table | Published mortality-rate tables adopted by the Internal Revenue Service |

Community Foundation of Greater Fort Wayne Inc.  
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Notes to Combined Financial Statements (continued)

**5. Beneficial Interest in Trusts (continued)**

The Foundation is also the beneficiary of a charitable lead and exemption trust and charitable remainder annuity trust that it does not control or administer. The Foundation receives periodic fixed payments over the terms of these trusts which expire in 2014 and 2018, respectively.

**6. Grants and Scholarships Payable**

The following summarizes the changes in grants and scholarships payable:

|  | <b>Year ended December 31</b> |                     |
|--|-------------------------------|---------------------|
|  | <b>2009</b>                   | <b>2008</b>         |
| Grants and scholarships payable at beginning of year | <b>\$ 2,342,848</b>           | \$ 1,876,101        |
| Unconditional grants and scholarships expensed       | <b>11,393,775</b>             | 5,618,487           |
| Less payments made                                   | <b>9,790,296</b>              | 5,151,740           |
| Grants and scholarships payable at end of year       | <b><u>\$ 3,946,327</u></b>    | <u>\$ 2,342,848</u> |

Grants and scholarships payable at December 31, 2009 are scheduled to be disbursed as follows:

|            |                            |
|------------|----------------------------|
| 2010       | <b>\$ 3,119,500</b>        |
| 2011       | <b>665,462</b>             |
| 2012       | <b>91,365</b>              |
| 2013       | <b>20,000</b>              |
| 2014       | <b>20,000</b>              |
| Thereafter | <b>30,000</b>              |
|            | <b><u>\$ 3,946,327</u></b> |

**7. Charitable Gift Annuities Payable**

The Foundation has entered into various charitable gift annuities in which the donor contributes assets to the Foundation in exchange for the right to receive a fixed dollar annual return during their lifetime and/or, for joint annuitants, the lifetime of the donor's spouse, whichever is longer. The fair value of the assets contributed over the present value of the liability for future payments has been recognized as a contribution at the date of the gift. The contributed assets are comprised of various equity and fixed income investments, which are included in the

Community Foundation of Greater Fort Wayne Inc.  
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Notes to Combined Financial Statements (continued)

**7. Charitable Gift Annuities Payable**

Foundation's investments. The fair value of these investments and corresponding liabilities (including payments currently due and the present value of the estimated future actuarial liability to annuitants) of the charitable gift annuities are as follows:

|   | <b>December 31</b> |             |
|---|--------------------|-------------|
|   | <b>2009</b>        | <b>2008</b> |
| Investments                             | <b>\$ 439,832</b>  | \$ 382,334  |
| Current portion of annuities payable    | <b>\$ 39,037</b>   | \$ 37,743   |
| Annuities payable, less current portion | <b>217,906</b>     | 226,694     |
|   | <b>\$ 256,943</b>  | \$ 264,437  |

The liability for the charitable gift annuities was calculated as of December 31, 2009 and 2008, based on the age of the donor(s) using the following key assumptions:

|                         |   |
|-------------------------|---|
| Range of annuity rates  | 6.1% - 10.5%  |
| Range of discount rates | 3.6% - 6.2%   |
| Mortality tables        | Published mortality-rate tables adopted by the Internal Revenue Service |

**8. Debt Arrangements**

On September 29, 2008 pursuant to a prearranged commitment with a bank, line of credit arrangement borrowings of \$700,000 were converted to a mortgage note payable with monthly installments of \$5,374, including interest at 6.75%, beginning on November 10, 2008 for a period of 20 years. Pursuant to a debt modification agreement dated June 10, 2009, the Foundation began making monthly principal and interest installments of \$5,029 on July 7, 2009 for a period of three years with a final payment of \$632,283 due on June 10, 2012. The mortgage note payable bears interest at a fixed rate of 5.875% and is secured by land and a building.

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Notes to Combined Financial Statements (continued)

**8. Debt Arrangements (continued)**

Maturities on the mortgage note payable as of December 31, 2009 are as follows:

|      |  |    |            |
|------|--|----|------------|
| 2010 |  | \$ | 20,372     |
| 2011 |  |    | 21,619     |
| 2012 |  |    | 638,504    |
|      |  |    | \$ 680,495 |

Interest expense and interest paid was \$44,215 in 2009 and \$38,549 in 2008.

**9. Net Assets**

Temporarily restricted net assets are to be used for the following purposes:

|   | <b>December 31</b> |             |
|---|--------------------|-------------|
|   | <b>2009</b>        | <b>2008</b> |
| Talent Opportunity Success (TOpS) 2015 Fund   | \$ 12,399,841      | \$ -        |
| Community Alliances to Promote Education Fund | -                  | 23,920      |
|   | \$ 12,399,841      | \$ 23,920   |

Temporarily restricted net assets released from donor restrictions as a result of incurring expenses or costs to satisfy the restricted purpose or by occurrence of other events or time restrictions specified by donors were as follows:

|   | <b>Year ended December 31</b> |              |
|---|-------------------------------|--------------|
|   | <b>2009</b>                   | <b>2008</b>  |
| Purpose restrictions accomplished:            |                               |              |
| Talent Opportunity Success (TOpS) 2015 Fund   | \$ 7,655,869                  | \$ -         |
| Community Alliances to Promote Education Fund | 23,920                        | 56,134       |
| Organizational Effectiveness Fund             | -                             | 21,690       |
| Strategic Resource Development Fund           | -                             | 66,633       |
|   | 7,679,789                     | 144,457      |
| The Building Fund                             | -                             | 1,066,397    |
|   | \$ 7,679,789                  | \$ 1,210,854 |

Community Foundation of Greater Fort Wayne Inc.  
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Notes to Combined Financial Statements (continued)

**9. Net Assets (continued)**

*Talent Opportunity Success (TopS) 2015 Fund*—In 2009, CPI received \$20 million from Lilly Endowment Inc. to accelerate the development of northeast Indiana’s workforce and talent resources. The program, entitled Talent Opportunity Success (TOpS) 2015, develops education, training, and talent initiatives in science, technology, engineering, and mathematics. TOpS 2015 better prepares the region’s workforce to capture the high-quality job opportunities available in the near term and those of the future.

Components of TOpS 2015 include support for the following critical initiatives:

- Retraining at least 1,200 adult workers in northeast Indiana over the next three years;
- Enhancement of the Advanced Manufacturing program at Ivy Tech – Northeast;
- Expansion of the systems engineering and wireless technology programs at Indiana University-Purdue University at Fort Wayne (IPFW);
- Creation of New Tech High Schools within school corporations in northeast Indiana, with an emphasis on science, technology, engineering, and mathematics (STEM) courses.

*Community Alliances to Promote Education Fund*—In prior years, the Foundation was awarded an \$800,000 grant from Lilly Endowment, Inc., a private foundation. The purpose of the grant is to sustain an early childhood literacy program.

*The Building Fund*—The Foundation received contributions of \$1,875,799 in prior years to construct and maintain an office building to be used by the Foundation.

*Organizational Effectiveness Fund*—The Foundation was awarded a grant of \$27,796 to provide support for the design and implementation of an organizational effectiveness project.

*Strategic Resource Development Fund*—The Foundation was awarded grants of \$500,000 in prior years to provide support for the Foundation’s resource development.

Net assets and related activity from perpetual trusts, whereby the Foundation has a beneficial interest in a stream of payments in perpetuity, are recorded as permanently restricted net assets.

Community Foundation of Greater Fort Wayne Inc.  
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Notes to Combined Financial Statements (continued)

**10. Employee Retirement Plan**

The Foundation sponsors a Simple IRA Plan (Plan). All employees are eligible to participate in the Plan, which allows the maximum employee contribution permitted under the Internal Revenue Code. The Foundation is required to match 100% of employee contributions up to 3% of the employee's salary. Expense for the Plan was \$9,185 in 2009 and \$15,651 in 2008.

**11. Facility Lease**

The Foundation leased office facilities pursuant to a noncancelable operating lease which expired in 2008. Rent expense was \$43,310 in 2008.

**12. Functional Classification of Expenses**

Expenses incurred were for:

|  | <b>Year ended December 31</b> |              |
|--|-------------------------------|--------------|
|  | <b>2009</b>                   | <b>2008</b>  |
| Grants, scholarships, and other program services:      |                               |              |
| Grants and scholarships, net                           | <b>\$11,194,987</b>           | \$ 5,312,416 |
| Other program services, including grantmaking expenses | <b>172,210</b>                | 196,896      |
|  | <b>11,367,197</b>             | 5,509,312    |
| Fundraising expenses                                   | <b>250,585</b>                | 320,340      |
| Management and general expenses:                       |                               |              |
| Investment management and custodian fees               | <b>189,295</b>                | 258,446      |
| Interest expense                                       | <b>44,215</b>                 | 38,549       |
| Federal and state unrelated business income taxes      | -                             | 378,586      |
| Other management and general expenses                  | <b>421,528</b>                | 433,741      |
|  | <b>655,038</b>                | 1,109,322    |
|  | <b>\$12,272,820</b>           | \$ 6,938,974 |

The cost of providing the program and other activities have been summarized above on a functional basis. Accordingly, certain costs have been classified based on direct expenditures and allocations among the program and supporting services benefited.

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Notes to Combined Financial Statements (continued)

**13. Subsequent Events**

Management has evaluated subsequent events through April 7, 2010, the date on which the financial statements were available to be issued.