

SCOTT COUNTY COMMUNITY FOUNDATION, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2009 AND 2008

SCOTT COUNTY COMMUNITY FOUNDATION, INC.

TABLE OF CONTENTS SEPTEMBER 30, 2009 AND 2008

	Page
Report of Independent Auditors	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	5
Notes to Financial Statements	6



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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Scott County Community Foundation, Inc.
Scottsburg, Indiana

We have audited the accompanying statements of financial position of the Scott County Community Foundation, Inc. as of September 30, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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 of America. Those standards require that we plan and perform the audits 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 financial statements referred to above present fairly, in all material respects, the financial position of the Scott County Community Foundation, Inc. as of September 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, the Scott County Community Foundation, Inc. adopted new standards related to accounting for endowments in 2009 by restating its 2008 financial statements included therein.

Blue & Co., LLC

December 8, 2009

SCOTT COUNTY COMMUNITY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2009 AND 2008

	ASSETS	
	2009	2008 As Restated
Cash and cash equivalents	\$ 11,683	\$ 36,610
Certificates of deposit	209,567	53,129
Investments	4,851,036	4,605,871
Contributions receivable	162,282	2,870
Property and equipment, net	172,533	188,570
Restricted investments	219,829	190,788
	<u>\$ 5,626,930</u>	<u>\$ 5,077,838</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	\$ 2,395	\$ 4,618
Custodial funds	<u>219,829</u>	<u>190,788</u>
Total liabilities	222,224	195,406
Net assets		
Unrestricted:		
Operating	207,951	271,277
Board designated	<u>238,133</u>	<u>238,532</u>
Total unrestricted net assets	446,084	509,809
Temporarily restricted	4,702,372	4,116,373
Permanently restricted	<u>256,250</u>	<u>256,250</u>
Total net assets	<u>5,404,706</u>	<u>4,882,432</u>
	<u>\$ 5,626,930</u>	<u>\$ 5,077,838</u>

See accompanying notes to financial statements.

SCOTT COUNTY COMMUNITY FOUNDATION, INC.

STATEMENTS OF ACTIVITIES YEAR ENDED SEPTEMBER 30, 2009 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2008)

	2009			2008 As Restated	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Support and revenues					
Contributions	\$ 28,301	\$ 621,127	\$ -0-	\$ 649,428	\$ 198,229
Grant income	6,000	-0-	-0-	6,000	6,000
Investment return, net	13,706	145,580	-0-	159,286	(900,476)
Administrative fees	63,088	-0-	-0-	63,088	90,070
Miscellaneous income	2,478	-0-	-0-	2,478	2,703
Net assets released from restrictions	<u>180,708</u>	<u>(180,708)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total support and revenues	294,281	585,999	-0-	880,280	(603,474)
Expenses					
Administrative fees	60,417	-0-	-0-	60,417	86,695
Scholarships and grants	127,680	-0-	-0-	127,680	234,603
Salaries	87,818	-0-	-0-	87,818	101,737
Payroll taxes	7,586	-0-	-0-	7,586	7,437
Employee benefits	1,344	-0-	-0-	1,344	6,939
Annual report	628	-0-	-0-	628	1,479
Books and subscriptions	43	-0-	-0-	43	196
Conferences and meetings	3,244	-0-	-0-	3,244	3,796
Depreciation	15,499	-0-	-0-	15,499	15,675
Dues	1,207	-0-	-0-	1,207	507
Endowment development	4,939	-0-	-0-	4,939	31,956
Equipment rental and maintenance	9,384	-0-	-0-	9,384	13,624
Insurance	5,129	-0-	-0-	5,129	4,389
Utilities	1,582	-0-	-0-	1,582	1,168
Loss on sale of assets	188	-0-	-0-	188	888
Office expense	6,535	-0-	-0-	6,535	7,313
Postage and shipping	1,677	-0-	-0-	1,677	2,238
Professional development	100	-0-	-0-	100	861
Professional services	20,419	-0-	-0-	20,419	20,593
Telephone	1,810	-0-	-0-	1,810	1,879
Travel	<u>777</u>	<u>-0-</u>	<u>-0-</u>	<u>777</u>	<u>3,261</u>
Total expenses	<u>358,006</u>	<u>-0-</u>	<u>-0-</u>	<u>358,006</u>	<u>547,234</u>
Change in net assets	(63,725)	585,999	-0-	522,274	(1,150,708)
Net assets, beginning of year	<u>509,809</u>	<u>4,116,373</u>	<u>256,250</u>	<u>4,882,432</u>	<u>6,033,140</u>
Net assets, end of year	<u>\$ 446,084</u>	<u>\$ 4,702,372</u>	<u>\$ 256,250</u>	<u>\$ 5,404,706</u>	<u>\$ 4,882,432</u>

See accompanying notes to financial statements.

SCOTT COUNTY COMMUNITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES YEAR ENDED SEPTEMBER 30, 2008 (AS RESTATED)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues				
Contributions	\$ 34,423	\$ 163,806	\$ -0-	\$ 198,229
Grant income	6,000	-0-	-0-	6,000
Investment return, net	(46,711)	(853,765)	-0-	(900,476)
Administrative fees	90,070	-0-	-0-	90,070
Miscellaneous income	2,703	-0-	-0-	2,703
Net assets released from restrictions	<u>301,727</u>	<u>(301,727)</u>	<u>-0-</u>	<u>-0-</u>
Total support and revenues	388,212	(991,686)	-0-	(603,474)
Expenses				
Administrative fees	86,695	-0-	-0-	86,695
Scholarships and grants	234,603	-0-	-0-	234,603
Salaries	101,737	-0-	-0-	101,737
Payroll taxes	7,437	-0-	-0-	7,437
Employee benefits	6,939	-0-	-0-	6,939
Annual report	1,479	-0-	-0-	1,479
Books and subscriptions	196	-0-	-0-	196
Conferences and meetings	3,796	-0-	-0-	3,796
Depreciation	15,675	-0-	-0-	15,675
Dues	507	-0-	-0-	507
Endowment development	31,956	-0-	-0-	31,956
Equipment rental and maintenance	13,624	-0-	-0-	13,624
Insurance	4,389	-0-	-0-	4,389
Utilities	1,168	-0-	-0-	1,168
Loss on sale of assets	888	-0-	-0-	888
Office expense	7,313	-0-	-0-	7,313
Postage and shipping	2,238	-0-	-0-	2,238
Professional development	861	-0-	-0-	861
Professional services	20,593	-0-	-0-	20,593
Telephone	1,879	-0-	-0-	1,879
Travel	<u>3,261</u>	<u>-0-</u>	<u>-0-</u>	<u>3,261</u>
Total expenses	<u>547,234</u>	<u>-0-</u>	<u>-0-</u>	<u>547,234</u>
Change in net assets	<u>\$ (159,022)</u>	<u>\$ (991,686)</u>	<u>\$ -0-</u>	<u>\$ (1,150,708)</u>
Net assets, beginning of year				
As previously reported	\$ 5,684,141	\$ 28,024	\$ 256,250	\$ 5,968,415
Effect of restatement	<u>(5,015,310)</u>	<u>5,080,035</u>	<u>-0-</u>	<u>64,725</u>
As restated	668,831	5,108,059	256,250	6,033,140
Change in net assets	<u>(159,022)</u>	<u>(991,686)</u>	<u>-0-</u>	<u>(1,150,708)</u>
Net assets, end of year	<u>\$ 509,809</u>	<u>\$ 4,116,373</u>	<u>\$ 256,250</u>	<u>\$ 4,882,432</u>

See accompanying notes to financial statements.

SCOTT COUNTY COMMUNITY FOUNDATION, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	2009	2008 As Restated
Operating activities		
Change in net assets	\$ 522,274	\$ (1,150,708)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	15,499	15,675
Loss on sale of assets	188	888
Realized losses on investments	321,820	106,165
Unrealized losses (gains) on investments	(349,693)	883,933
Change in discount of contributions receivable	15,227	-0-
Changes in assets and liabilities:		
Contributions receivable	(174,639)	2,620
Restricted investments	(29,041)	32,307
Accounts payable and accrued expenses	(2,223)	(2,425)
Custodial funds	29,041	(32,307)
Net cash flows from operating activities	348,453	(143,852)
Investing activities		
Purchase of property and equipment	-0-	(7,741)
Proceeds from sale of assets	350	-0-
Purchases of certificates of deposit	(209,567)	(53,129)
Maturities of certificates of deposit	53,129	90,005
Net change in investments	(217,292)	95,015
Net cash flows from investing activities	(373,380)	124,150
Net change in cash and cash equivalents	(24,927)	(19,702)
Cash and cash equivalents, beginning of year	36,610	56,312
Cash and cash equivalents, end of year	\$ 11,683	\$ 36,610

See accompanying notes to financial statements.

SCOTT COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2009 AND 2008

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Scott County Community Foundation, Inc. ("SCCF") was incorporated in 1996, to be a leader in attracting, managing and focusing the philanthropic resources which meet community needs and enrich the quality of life of Scott County citizens for all generations.

Following are the significant accounting policies of SCCF:

Management's Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported support, revenues and expenses. Actual results could vary from the estimates that were used.

Basis of Presentation

Net assets, support, investment return, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of SCCF are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions and primarily made up of SCCF's operating fund. SCCF maintains unrestricted funds as follows:

Operating – used to fund current operations of SCCF

Board Designated Funds – used to fund future operations of SCCF as designated by the Board

Temporarily restricted net assets – Net assets not yet appropriated for expenditure by SCCF's Board of Directors in accordance with their spending policy or that have donor-imposed restrictions relating to a stipulated purpose or a specified time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished or amounts have been allocated for expenditure by the Board of Directors, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

SCOTT COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2009 AND 2008

Permanently restricted net assets – Net assets subject to donor-imposed restrictions that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of SCCF. Included in this classification are endowment funds that are subject to the restrictions of gift instruments requiring that the principal be maintained in perpetuity and invested for the purpose of producing present and future income.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of money market investments and exclude amounts held by SCCF's fund managers and included in investments.

Investments and Investment Return

SCCF carries its investments at fair value for financial reporting purposes. Changes in unrealized appreciation or depreciation of investments are reflected in the Statement of Activities in the periods in which such changes occur.

Interest and dividend income and net unrealized and realized gains and losses on investments are recognized as unrestricted or temporarily restricted based upon the existence or absence of donor-imposed restrictions or the related fund classification in accordance with SCCF's spending policy.

Restricted Investments

Restricted investments include monies received from organizations that have named themselves as the beneficiary of the income from funds they established and to which they have contributed. These amounts are also included in custodial funds at September 30, 2009 and 2008.

Property and Equipment

Property and equipment, including expenditures that substantially increase the useful lives of existing assets, are recorded at cost except for donations, which are recorded at the fair value at the date of the donation. Costs of ordinary maintenance and repairs are expensed as incurred.

The property and equipment of SCCF are being depreciated over their estimated useful lives ranging from three to thirty-nine years using the straight-line method.

SCOTT COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2009 AND 2008

Support, Revenues and Expense Recognition

Contributions, which include unconditional promises to give (contributions receivable), are recognized as revenues in the period the contribution is received or the promise is made.

Support and revenues are reported as increases in either unrestricted or temporarily restricted net assets in accordance with the classification of the fund as it relates to SCCF's spending policy. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in either unrestricted or temporarily restricted net assets in accordance with the classification of the fund as it relates to SCCF's spending policy.

All other revenues are recorded when earned.

Administrative Fees

Administrative fees are expensed from the funds to support the operations of the Foundation. Administrative fees from all funds are reflected as revenue on the Statements of Activities. The administrative fees from custodial funds (agency endowments) are not included as expenses on the Statements of Activities because they are included in the change in custodial funds.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the notes to financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Administrative Fees

Administrative fees are expensed from the funds to support the operations of SCCF.

Income Taxes

SCCF is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal taxes on related income pursuant to Section 501(a) of the Code.

Accounting For Uncertainty In Income Taxes

The Financial Accounting Standards Board ("FASB") has issued new standards which clarify accounting principles generally accepted in the United States of America for recognition, measurement, presentation, and disclosure relating to uncertain tax positions. These standards apply to business enterprises, not-for-profit

SCOTT COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2009 AND 2008

entities, and pass-through entities, such as S corporations and limited liability companies. As permitted by the standards, SCCF has elected to defer the application of the standards until issuance of its September 30, 2010 financial statements. For financial statements covering periods prior to the year ending September 30, 2010, SCCF evaluates uncertain tax positions in accordance with existing accounting principles generally accepted in the United States of America and makes such accruals and disclosures as might be required thereunder.

Subsequent Events

SCCF has evaluated events or transactions occurring subsequent to the Statement of Financial Position date for recognition and disclosure in the accompanying financial statements through the date the financial statements are available to be issued, which is December 8, 2009.

2. ADOPTION OF ACCOUNTING STANDARD

In 2008, the FASB issued new standards related to accounting for endowments which affect non-profit organizations that have board designated or donor restricted endowments. SCCF has adopted these standards as of October 1, 2008 and has restated its financial statements as of and for the year ended September 30, 2008 as prescribed in the implementation guidance of these standards. The reclassification of net assets from unrestricted to temporarily restricted at October 1, 2008 was \$5,015,310.

In conjunction with the adoption of these new standards, SCCF also modified its interpretation of the classification of certain funds previously classified as custodial funds. SCCF also restated its 2008 financial statements for this matter decreasing the previously reported change in net assets by \$1,352 and increasing the opening temporarily restricted net assets at October 1, 2008 by \$64,725.

SCOTT COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2009 AND 2008

3. CERTIFICATES OF DEPOSIT

Certificates of deposit consist of the following at September 30, 2009 and 2008:

2009			2008		
Amount	Maturity	Interest Rate	Amount	Maturity	Interest Rate
\$ 84,844	10/24/09	3.16%	\$ 52,705	1/29/09	3.49%
3,000	3/17/10	1.30%	<u>424</u>	1/29/09	3.49%
5,000	3/24/10	2.15%			
2,053	4/18/10	1.24%			
53,708	5/3/10	2.70%			
24,328	6/23/10	2.70%			
4,134	12/17/10	4.25%			
7,500	6/23/11	2.17%			
7,500	3/24/12	2.55%			
2,500	6/23/12	2.37%			
<u>15,000</u>	6/23/13	2.52%			
<u>\$ 209,567</u>			<u>\$ 53,129</u>		

4. INVESTMENTS

Investments (including restricted investments) are reported at fair value and consist of the following:

	2009	2008
Domestic equity mutual funds	\$ 2,667,229	\$ 1,922,663
Foreign equity mutual funds	658,650	883,136
Domestic fixed income mutual funds	1,668,319	1,846,910
Money market funds	<u>76,667</u>	<u>143,950</u>
	<u>\$ 5,070,865</u>	<u>\$ 4,796,659</u>

SCOTT COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2009 AND 2008

The following schedule summarizes the investment return, excluding the investment return related to the restricted investments which is a part of the change in custodial funds, and its classification in the Statements of Activities for the years ended September 30, 2009 and 2008:

	2009	2008 As Restated
Interest and dividend income	\$ 145,147	\$ 176,356
Realized losses on investments	(321,820)	(112,128)
Unrealized gains (losses) on investments	349,693	(936,072)
Investment fees	(13,734)	(28,632)
	<u>\$ 159,286</u>	<u>\$ (900,476)</u>

5. RISKS AND UNCERTAINTIES

SCCF holds investments (Note 4). Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

6. CONTRIBUTIONS RECEIVABLE

The Foundation is the recipient of a gift in the form of note receivables. The Foundation is to receive 50% of future payments on a vehicle loan agreement and real estate contract in the amount of \$161,832. The receivables were calculated using a discount factor of 5%. If the payments are in default, the Foundation will receive 50% ownership in the property. The Foundation has other contributions receivable as well. Future payments are as follows:

	2009	2008
Contributions receivable	\$ 177,509	\$ 2,870
Less unamortized discount	(15,227)	-0-
Net contributions receivable	<u>\$ 162,282</u>	<u>\$ 2,870</u>

SCOTT COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2009 AND 2008

Amounts due in:		
Less than one year	\$ 11,783	\$ 2,870
One to five years	165,726	-0-
	\$ 177,509	\$ 2,870

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

Effective October 1, 2008, SCCF adopted new accounting standards related to fair value measurements, which provide a comprehensive framework for measuring fair value and expand required disclosures concerning fair value measurements. Specifically, the standards set forth a definition of fair value and establish a hierarchy prioritizing the inputs to valuation techniques, giving the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable value inputs. The adoption of the standards did not have a material impact on SCCF's financial statements

The standards define levels within the hierarchy of inputs as follows:

- Level 1 – Unadjusted quoted prices for identical assets and liabilities in active markets
- Level 2 – Quoted prices for similar assets and liabilities in active markets (other than those included in Level 1) which are observable for the asset or liability, either directly or indirectly
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable

The following table sets forth financial assets measured at fair value in the Statements of Financial Position and the respective levels to which the fair value measurements are classified within the fair value hierarchy on a recurring basis at September 30, 2009 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Assets:			
Certificates of deposit	\$ 209,567	\$ -0-	\$ 209,567
Investments	4,851,036	4,851,036	-0-
Restricted investments	219,829	219,829	-0-

SCOTT COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2009 AND 2008

The fair value of certificates of deposit approximates their cost. Fair values for investments and restricted investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

8. PROPERTY AND EQUIPMENT

A summary of property and equipment at September 30, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Property and equipment	\$ 241,022	\$ 241,810
Less accumulated depreciation	<u>(68,489)</u>	<u>(53,240)</u>
	<u>\$ 172,533</u>	<u>\$ 188,570</u>

9. CUSTODIAL FUNDS

Custodial funds represent funds placed on deposit with the SCCF by other 501(c)(3) organizations based on their individual board resolutions. The SCCF accounts for these transfers as a liability in accordance with applicable standards. Income is added to these funds periodically in accordance with the SCCF's investment allocation policies. Contributions by, investment interest credits for, and distributions to those organizations are reflected as adjustments to the liability account and are not reflected on the Statements of Activities. Following is a progression of custodial funds during 2009 and 2008:

	<u>2009</u>	<u>2008</u> <u>As Restated</u>
Beginning balance	\$ 190,788	\$ 223,732
Contributions	25,874	28,510
Investment return, net	12,373	(43,962)
Administrative fees	(2,651)	(3,375)
Grant payments	<u>(6,555)</u>	<u>(14,117)</u>
Ending balance	<u>\$ 219,829</u>	<u>\$ 190,788</u>

SCOTT COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2009 AND 2008

10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes at September 30, 2009 and 2008:

	<u>2009</u>	<u>2008 As Restated</u>
Designated purpose restrictions related to Sustaining Resource Development	\$ 4,383	\$ 11,575
Time restrictions related to contributions receivable	150,499	-0-
Endowment funds not yet appropriated for expenditure	<u>4,547,490</u>	<u>4,104,798</u>
	<u>\$ 4,702,372</u>	<u>\$ 4,116,373</u>

11. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets include designated purpose restrictions related to promoting charitable activities in Scott and Jefferson County and total \$256,250 at September 30, 2009 and 2008.

12. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions or based on SCCF's spending policy during the years ended September 30, 2009 and 2008 as follows:

	<u>2009</u>	<u>2008 As Restated</u>
Designated purpose restrictions related to Sustaining Resource Development	\$ 7,192	\$ 16,449
Endowment funds appropriated for expenditure	<u>173,516</u>	<u>285,278</u>
	<u>\$ 180,708</u>	<u>\$ 301,727</u>

SCOTT COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2009 AND 2008

13. ENDOWMENT

The majority of SCCF's funds consist of endowed funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring endowment funds to be classified as temporarily restricted net assets until those amounts are appropriated for expenditure by SCCF in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, SCCF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

- (1) The duration and preservation of the fund
- (2) The purposes of SCCF and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of SCCF
- (7) The investment policies of SCCF

SCCF has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for granting purposes while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that SCCF must use for a donor-specified purpose as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce long-term growth of capital without undue exposure to risk. SCCF expects its endowment funds, over time, to provide an average rate of return of approximately 5 percent annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, SCCF relies on a total return strategy in which investment decisions shall be made with the intent of maximizing the long-term total return of the portfolio through market value changes (realized and unrealized) and through earned income (dividends and interest).

SCCF has a policy of appropriating for distribution each year 5 percent of its endowment funds' average fair value over the prior 12 quarters, or a lesser percentage as voted upon annually by the Board of Directors. In establishing this policy, SCCF considered the long-term expected return on its endowment.

SCOTT COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2009 AND 2008

Endowed funds by net asset type at September 30, 2009 and 2008 were as follows:

	2009		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Board Designated Funds	\$ 238,133	\$ -0-	\$ -0-
Donor Restricted Funds	<u>-0-</u>	<u>4,702,372</u>	<u>256,250</u>
	<u>\$ 238,133</u>	<u>\$ 4,702,372</u>	<u>\$ 256,250</u>
	2008		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Board Designated Funds	\$ 238,532	\$ -0-	\$ -0-
Donor Restricted Funds	<u>-0-</u>	<u>4,116,373</u>	<u>256,250</u>
	<u>\$ 238,532</u>	<u>\$ 4,116,373</u>	<u>\$ 256,250</u>

Changes in endowed funds for the years ending September 30, 2009 and 2008 were as follows:

	2009		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year	\$ 238,532	\$ 4,116,373	\$ 256,250
Contributions and other revenues	-0-	621,127	-0-
Investment return, net	6,005	145,580	-0-
Release of designated purpose restrictions	-0-	(7,192)	-0-
Appropriation of endowment assets for expenditure	<u>(6,404)</u>	<u>(173,516)</u>	<u>-0-</u>
Endowment net assets, end of year	<u>\$ 238,133</u>	<u>\$ 4,702,372</u>	<u>\$ 256,250</u>

SCOTT COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2009 AND 2008

	2008		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year	\$ 309,019	\$ 5,108,059	\$ 256,250
Contributions and other revenues	-0-	163,806	-0-
Investment return, net	(50,068)	(853,765)	-0-
Release of designated purpose restrictions	-0-	(16,449)	-0-
Appropriation of endowment assets for expenditure	(20,419)	(285,278)	-0-
Endowment net assets, end of year	\$ 238,532	\$ 4,116,373	\$ 256,250

14. FUNCTIONAL EXPENSES

SCCF serves as a vehicle for residents of Scott County to donate to various organizations and projects in the county. Expenses related to providing this service for the years ended September 30, 2009 and 2008 are classified as follows:

	2009	2008
Development of Scott County	\$ 215,721	\$ 340,207
Fundraising	54,715	90,225
General and administrative expenses	87,585	116,802
	\$ 358,021	\$ 547,234

15. CONCENTRATIONS OF CREDIT RISK

The Foundation maintains its cash and temporary cash investments at financial institutions. At times, the balance may be in excess of federally insured limits. At September 30, 2009 and 2008, the Foundation did not have a cash balance in excess of federally insured limits.

Marketable securities and money market funds are maintained with one investment firm. Such balances exceed the Securities Investor Protection Corporation insured limits of up to \$500,000.