

LAGRANGE COUNTY COMMUNITY FOUNDATION, INC.
AND AFFILIATE,
LCCF SUPPORT ORGANIZATION, INC.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010 and 2009

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Report of Independent Certified Public Accountants

Board of Directors
LaGrange County Community Foundation, Inc. and Affiliate

We have audited the accompanying consolidated statements of financial position of the LaGrange County Community Foundation, Inc. and Affiliate as of December 31, 2010 and 2009, and the related consolidated statements of activities 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 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the LaGrange County Community Foundation, Inc. and Affiliate as of December 31, 2010 and 2009, 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.

Estep Burkey Simmons, LLC

Muncie, Indiana
October 24, 2011

LaGrange County Community Foundation, Inc. and Affiliate
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
 December 31,

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 949,698	\$ 809,473
Interest and dividends receivable	6,981	7,268
Pledges receivable	-	416
Prepaid expenses	3,731	3,804
Investments	8,308,623	7,751,198
Investment - charitable remainder trust	90,779	-
Property and equipment		
Office furniture and equipment	89,611	86,268
Leasehold improvements	25,378	25,378
	<u>114,989</u>	<u>111,646</u>
Less accumulated depreciation	101,305	97,941
	<u>13,684</u>	<u>13,705</u>
	<u><u>\$ 9,373,496</u></u>	<u><u>\$ 8,585,864</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 4,281	\$ 2,042
Grants payable	16	100
Accrued payroll	5,413	5,970
Agency funds	45,926	43,175
	<u>55,636</u>	<u>51,287</u>
Total liabilities	55,636	51,287
NET ASSETS		
Unrestricted	3,498,381	3,039,673
Temporarily restricted	515,295	268,480
Permanently restricted	5,304,184	5,226,424
	<u>9,317,860</u>	<u>8,534,577</u>
	<u><u>\$ 9,373,496</u></u>	<u><u>\$ 8,585,864</u></u>

The accompanying notes are an integral part of these statements.

LaGrange County Community Foundation, Inc. and Affiliate

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended December 31,

	2010			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenue and support				
Contributions and pledges	\$ 21,369	\$ 215,157	\$ 77,760	\$ 314,286
Grant income	8,976			8,976
Administrative fees	171,162			171,162
Investment income	82,519	135,398		217,917
Realized gains (losses) on investments	134,567	216,410		350,977
Unrealized gains on investments	166,279	307,174		473,453
Change in value of trust		2,170		2,170
Rental income	2,600			2,600
Fundraising	5,487			5,487
	<u>592,959</u>	<u>876,309</u>	<u>77,760</u>	<u>1,547,028</u>
Net assets released from restrictions				
Restrictions satisfied by purpose restrictions	629,494	(629,494)		
Expenses				
Program Services				
Grants	227,127			227,127
Program related expenses	168,728			168,728
Supporting Services				
Operating expenses	95,744			95,744
Administrative fees	170,363			170,363
Bank trustee fees	69,148			69,148
Fundraising expenses	32,635			32,635
	<u>763,745</u>	<u> </u>	<u> </u>	<u>763,745</u>
INCREASE (DECREASE) IN NET ASSETS	458,708	246,815	77,760	783,283
Net assets at beginning of year	<u>3,039,673</u>	<u>268,480</u>	<u>5,226,424</u>	<u>8,534,577</u>
Net assets at end of year	<u>\$ 3,498,381</u>	<u>\$ 515,295</u>	<u>\$ 5,304,184</u>	<u>\$ 9,317,860</u>

The accompanying notes are an integral part of these statements.

2009			
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 23,108	\$ 145,692	\$ 53,783	\$ 222,583
88,283			88,283
133,505	97,764		231,269
(174,301)	(272,333)		(446,634)
727,783	1,187,802		1,915,585
2,400			2,400
4,674			4,674
<hr/>	<hr/>	<hr/>	<hr/>
805,452	1,158,925	53,783	2,018,160
2,466,419	(2,466,419)		
326,214			326,214
142,230			142,230
251,446			251,446
87,336			87,336
51,152			51,152
27,521			27,521
<hr/>	<hr/>	<hr/>	<hr/>
885,899			885,899
2,385,972	(1,307,494)	53,783	1,132,261
653,701	1,575,974	5,172,641	7,402,316
<hr/>	<hr/>	<hr/>	<hr/>
<u>\$ 3,039,673</u>	<u>\$ 268,480</u>	<u>\$ 5,226,424</u>	<u>\$ 8,534,577</u>

LaGrange County Community Foundation, Inc. and Affiliate

STATEMENTS OF CASH FLOWS

Years Ended December 31,

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Increase in net assets	\$ 783,283	\$ 1,132,261
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation expense	3,364	3,107
Realized (gains) losses	(350,977)	446,634
Unrealized gains	(473,453)	(1,915,585)
Change in charitable remainder trust	(90,779)	
Contributions received for long-term purposes	(77,760)	(53,783)
Decrease in assets:		
Interest and dividends receivable	287	2,905
Pledges receivable	416	2,539
Prepaid expenses	73	999
Increase (decrease) in liabilities:		
Accounts payable	2,239	(1,253)
Grants payable	(84)	5
Accrued expenses	(557)	(539)
Agency funds	2,751	6,725
Total adjustments	<u>(984,480)</u>	<u>(1,508,246)</u>
Net cash used in operating activities	(201,197)	(375,985)
Cash flows from investing activities:		
Proceeds from sale of investments	5,993,804	6,717,010
Purchases of investments	(5,726,799)	(6,364,644)
Cash paid for purchase of equipment	<u>(3,343)</u>	
Net cash provided by investing activities	263,662	352,366
Cash flows from financing activities:		
Contributions received for long-term purposes	<u>77,760</u>	<u>53,783</u>
Net cash provided by financing activities	<u>77,760</u>	<u>53,783</u>
Net increase in cash and cash equivalents	140,225	30,164
Cash and cash equivalents at beginning of year	<u>809,473</u>	<u>779,309</u>
Cash and cash equivalents at end of year	<u>\$ 949,698</u>	<u>\$ 809,473</u>

The accompanying notes are an integral part of these statements.

LaGrange County Community Foundation, Inc. and Affiliate

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities

LaGrange County Community Foundation, Inc. and its affiliate, LCCF Support Organization, Inc. (Foundation) are not-for-profit corporations organized under the laws of the state of Indiana. LaGrange County Community Foundation, Inc. was incorporated as a not-for-profit organization on August 27, 1991. The Foundation is a public foundation located in LaGrange, Indiana, which secures permanent funds for philanthropic purposes. Its mission is to improve the quality of life and the spirit of giving, both now and in the future, by encouraging charitable giving.

LCCF Support Organization, Inc. was formed as a not-for-profit membership organization on November 24, 2004 to provide funding to projects in the communities served by the LaGrange County Community Foundation, Inc. The LaGrange County Community Foundation, Inc. is the sole member of LCCF Support Organization, Inc. LCCF Support Organization, Inc. has no assets or liabilities and had no revenue or expense as of and for the years ending December 31, 2010 and 2009.

2. Financial Statement Presentation

The consolidated financial statements include the accounts of the LaGrange County Community Foundation, Inc. and its affiliated organization, LCCF Support Organization, Inc. Inter-organization balances have been eliminated in the financial statements.

3. Contributions

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

4. Cash and Cash Equivalents

The Foundation maintains its cash in accounts at financial institutions which are insured by agencies of the U.S. Government. The Foundation considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

5. Investments

In accordance with the Not-for-Profit Entities - Investments - Debt and Equity Securities topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), investments are recorded at fair value. The changes in the difference between fair value and cost are reflected in the financial statements as net unrealized gains or losses on investments. Investment income, net realized and unrealized gains or losses are classified as unrestricted, temporarily restricted or permanently restricted revenue or expenses, depending on the existence and/or nature of any donor restrictions.

6. Property, Equipment and Depreciation

Purchased property and equipment is stated at cost. Donated property and equipment is recorded as support and revenue at the estimated fair-market value at the date of gift. Depreciation is computed according to the estimated useful lives of the respective assets, which range from three to forty years, using the straight-line method.

LaGrange County Community Foundation, Inc. and Affiliate

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - Continued

7. Net Assets

The financial statements have been prepared in accordance with FASB ASC 958-205-05. Under the provisions, net assets are classified based upon the existence or absence of donor-imposed restrictions. Net assets are classified as unrestricted, temporarily restricted, or permanently restricted and are detailed as follows:

Unrestricted net assets represent the part of the net assets of the Foundation that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets represent the part of the net assets of the Foundation resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by the passage of time or by actions of the Foundation. Temporarily restricted net assets also include, pursuant to Indiana law, cumulative appreciation and reinvested gains on permanently restricted net assets, which has not been appropriated by the Board of Directors.

Permanently restricted net assets represent the part of the net assets of the Foundation resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

8. Income Taxes

The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision has been made for income taxes. The Foundation is not considered to be a private foundation.

9. Grants and Scholarships

Grants and scholarships, including multi-year awards, are recorded as an expense and a payable when grants are approved and communicated to the grantees. Grants and scholarships expense for the years ended December 31, 2010 and 2009 was \$227,127 and \$326,214.

10. Functional Allocation of Expenses

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

11. Uncertain Tax Positions

The Foundation follows the Income Tax topic of the FASB ASC. The Foundation now recognizes a tax benefit only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. The Foundation has examined this issue and has determined there are no material contingent tax liabilities.

LaGrange County Community Foundation, Inc. and Affiliate

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - Continued

12. Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation. These reclassifications had no effect on the total change in net assets.

13. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - PLEDGES RECEIVABLE

Pledges receivable are due from individuals and businesses in the amount of \$0- and \$416 at December 31, 2010 and 2009, respectively. All pledges are deemed to be fully collectible; therefore, no provision has been made for uncollectible pledges.

NOTE C - INVESTMENTS

The Foundation follows the provisions of the Fair Value Measurements and Disclosures topic of the FASB ASC. FASB ASC-820-10-35-19 defines fair value as 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.

FASB ASC 820-10-35-37 establishes a hierarchy of inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Foundation. Unobservable inputs are inputs that reflect the Foundation's assumptions about the assumptions that market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

LaGrange County Community Foundation, Inc. and Affiliate

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE C - INVESTMENTS - Continued

The following is an analysis of the cost and fair value at December 31, 2010 and 2009 by type of investment. The investments are held in uninsured trust accounts at various financial institutions.

	2010		
	Cost	Unrealized Gains (Losses)	Fair Value
Certificate of deposit	\$ 208,258	\$ 1,480	\$ 209,738
Stocks	4,515,511	1,121,043	5,636,554
Mutual funds	1,969,968	163,031	2,132,999
Corporate bonds	138,123	(1,208)	136,915
Government bonds	167,243	674	167,917
Real estate	24,500		24,500
	<u>\$ 7,023,603</u>	<u>\$ 1,285,020</u>	<u>\$ 8,308,623</u>
	2009		
	Cost	Unrealized Gains	Fair Value
Certificate of deposit	\$ 275,737	\$ 2,500	\$ 278,237
Stocks	5,203,223	730,553	5,933,776
Mutual funds	1,193,475	44,518	1,237,993
Corporate bonds	143,075	490	143,565
Government bonds	132,528	599	133,127
Real estate	24,500		24,500
	<u>\$ 6,972,538</u>	<u>\$ 778,660</u>	<u>\$ 7,751,198</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31, 2010 and 2009.

	2010		
	Unrestricted	Temporarily Restricted	Total
Investment return	\$ 82,519	\$ 135,398	\$ 217,917
Realized gains on investments	134,567	216,410	350,977
Unrealized gains on investments	166,279	307,174	473,453
	<u>\$ 383,365</u>	<u>\$ 658,982</u>	<u>\$ 1,042,347</u>

LaGrange County Community Foundation, Inc. and Affiliate

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE C - INVESTMENTS - Continued

	2009		
	Unrestricted	Temporarily Restricted	Total
Investment return	\$ 133,505	\$ 97,764	\$ 231,269
Realized losses on investments	(174,301)	(272,333)	(446,634)
Unrealized gains on investments	727,783	1,187,802	1,915,585
	<u>\$ 686,987</u>	<u>\$ 1,013,233</u>	<u>\$ 1,700,220</u>

The Foundation's investments are measured at fair value on a recurring basis. At December 31, 2010 and 2009, investments excluding its money market funds and certificates of deposit were measured utilizing the following input levels:

	2010			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Investments	\$8,074,385	\$0	\$ 115,279	\$8,189,664

	2009			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Investments	\$7,448,461	\$0	\$24,500	\$7,472,961

The following table provides further details of the Level 3 fair value investments.

	Level 3	
	2010	2009
Charitable remainder trust		
Beginning balance	\$ -	\$ -
Contribution	88,609	
Valuation change	2,170	
Ending balance	<u>\$ 90,779</u>	<u>\$ -</u>
Land		
Beginning balance	\$ 24,500	\$ 24,500
Valuation change		
Ending balance	<u>\$ 24,500</u>	<u>\$ 24,500</u>

LaGrange County Community Foundation, Inc. and Affiliate

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE D - RISKS AND UNCERTAINTIES

The Foundation holds a variety of investments (Note C). 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.

NOTE E - BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUST

During 1996, a donor established a trust with a local bank naming the Foundation as the beneficiary of a charitable remainder trust. Upon the death of the donor, the assets in the trust pass to the Foundation for a temporarily restricted use. The value of future benefits expected to be received by the Foundation was estimated to be \$90,779 at December 31, 2010, and is recorded as a temporarily restricted asset. The change in value of the split interest agreement for the year ended December 31, 2010 was \$2,170, and is reflected in the statement of activities.

NOTE F - NET ASSETS

At December 31, 2010, the Foundation's endowment consists of 90 donor-restricted permanent endowment funds established to support designated charitable purposes and organizations, and 1 fund designated by the Board of Directors to function as endowments to provide unrestricted support for Foundation programs. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Indiana Prudent Management of Institutional Funds Act (UPMIFA) as requiring the maintenance of the historic dollar value for each endowed fund as defined previously by the Uniform Management of Institutional Funds Act. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those funds 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. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

LaGrange County Community Foundation, Inc. and Affiliate

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE F - NET ASSETS - Continued

Endowment net assets composition by type of fund as of December 31, 2010 and 2009 was as follows:

	2010			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds		\$ 356,663	\$ 5,304,184	\$ 5,660,847
Board-designated endowment funds	\$ 3,329,013			3,329,013
	<u>\$ 3,329,013</u>	<u>\$ 356,663</u>	<u>\$ 5,304,184</u>	<u>\$ 8,989,860</u>
	2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds		\$ 129,352	\$ 5,226,424	\$ 5,355,776
Board-designated endowment funds	\$ 3,046,305			3,046,305
	<u>\$ 3,046,305</u>	<u>\$ 129,352</u>	<u>\$ 5,226,424</u>	<u>\$ 8,402,081</u>

Changes in endowment net assets for the years ended December 31, 2010 and 2009, were as follows:

	2010		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Revenue and support			
Contributions and grant income	\$ 270	\$ 2,425	\$ 77,760
Investment return	385,416	655,935	
Total revenue and support	385,686	658,360	77,760
Appropriation of endowment assets for expenditure	102,978	431,049	
Change in endowment net assets	282,708	227,311	77,760
Endowment net assets, beginning of year	3,046,305	129,352	5,226,424
Endowment net assets, end of year	<u>\$ 3,329,013</u>	<u>\$ 356,663</u>	<u>\$ 5,304,184</u>

LaGrange County Community Foundation, Inc. and Affiliate

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE F - NET ASSETS - Continued

	2009		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Contributions and grant income	\$ 365	\$ 10,125	\$ 53,783
Investment return	612,397	1,004,538	
Total revenue	612,762	1,014,663	53,783
Appropriation of endowment assets for expenditure	39,389	1,815,111	
Change in endowment net assets	573,373	(800,448)	53,783
Endowment net assets, beginning of year	2,472,932	929,800	5,172,641
Endowment net assets, end of year	<u>\$ 3,046,305</u>	<u>\$ 129,352</u>	<u>\$ 5,226,424</u>

The investment objective of this Portfolio is to preserve the purchasing power of assets entrusted to the Foundation. Investment return should equal 8.5% annualized gross returns and investments should equal a blended index comparable to the actual money managers' blend.

The Foundation has a policy (the spending policy) of appropriating for expenditure each year 4% of its endowment fund's average fair value over a three year rolling average return and December 31 asset value. The payout cannot exceed actual investment results unless the accumulated surplus is sufficient to cover the excess payout.

Occasionally, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor of UPMIFA requires the Foundation to retain as a fund of perpetual duration. As of December 31, 2010, 27 of the 124 endowment funds had deficiencies totaling \$49,896. As of December 31, 2009, 53 of the 119 endowment funds had deficiencies totaling \$555,023. Deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the board of directors.

The Foundation follows the topic Donor-Restricted Endowment Fund under FASB ASC 958. FASB ASC 958 provides guidance on the net asset classification of donor-restricted endowment funds for organizations subject to an enacted version of UPMIFA. In accordance with the Foundation's fund agreements, charitable endowments are classified as permanently restricted net assets. All other Foundation net assets are considered unrestricted or temporarily restricted. Donor restrictions have been imposed on a significant portion of the Foundation's net assets.

LaGrange County Community Foundation, Inc. and Affiliate

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE F - NET ASSETS - Continued

Temporarily restricted net assets are composed of the following types of funds at December 31,

	<u>2010</u>	<u>2009</u>
Designated	\$ 240,388	\$ 173,557
Donor advised	9,860	12,523
Scholarships	109,314	44,600
Field of interest	64,954	37,800
Charitable remainder trust	<u>90,779</u>	<u> </u>
	<u>\$ 515,295</u>	<u>\$ 268,480</u>

Permanently restricted net assets are composed of the following types of funds at December 31,

	<u>2010</u>	<u>2009</u>
Designated	\$ 3,012,461	\$ 2,975,459
Donor advised	399,429	399,429
Scholarships	1,282,474	1,243,656
Field of interest	<u>609,820</u>	<u>607,880</u>
	<u>\$ 5,304,184</u>	<u>\$ 5,226,424</u>

NOTE G - OPERATING LEASE AGREEMENT

The Foundation leases office space and a copier under non-cancelable leases.

On August 27, 2007, the Foundation entered into a ten-year lease running through October 17, 2017 at a monthly rental amount of \$400. This amount is substantially lower than fair market value. The value of the donated facility for the years ended December 31, 2010 and 2009 is approximately \$25,481, and has been recorded as both revenue and expense in the financial statements.

The copier lease expires December 2013 and requires monthly payments of \$469. Lease expense for the years ended December 31, 2010 and 2009 were \$5,645 and \$4,690, respectively.

Future minimum payments on the above leases are as follows.

Year ending December 31, 2011	\$ 10,428
2012	10,428
2013	10,428
2014	4,800
2015	4,800
Thereafter	<u>8,800</u>
	<u>\$ 49,684</u>

LaGrange County Community Foundation, Inc. and Affiliate

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE H - AGENCY FUNDS

In accordance with FASB ASC 958-20-15, the Foundation reports contributions as a liability when the donor has specified an unaffiliated beneficiary and not granted variance power over the gift. The Foundation reports these as Agency Funds on its statement of financial position.

During the years ended December 31, 2010 and 2009, the following activity occurred in the agency funds held by the Foundation.

	<u>2010</u>	<u>2009</u>
Support and revenue		
Investment income	\$ 940	\$ 830
Realized gains (losses) on investments	6,782	(2,170)
Unrealized gains (losses) on investments	<u>(2,716)</u>	<u>9,630</u>
	\$ 5,006	\$ 8,290
Expenses		
Grants expense	713	250
Program expense	395	702
Administrative fees	805	350
Bank trustee fees	<u>342</u>	<u>263</u>
	<u>2,255</u>	<u>1,565</u>
Increase in agency funds	2,751	6,725
Balance at beginning of year	<u>43,175</u>	<u>36,450</u>
Balance at end of year	<u>\$ 45,926</u>	<u>\$ 43,175</u>

NOTE I - ADMINISTRATION MANAGEMENT

The Foundation assesses an administrative charge of 1.0% to 2.0% on endowment and pass-through funds. The amount assessed to the funds is based upon the principle balance of the fund. This amount is used primarily to support the operations of the Foundation.

For the years ended December 31, 2010 and 2009, \$171,162 and \$88,283, respectively, is included as revenue and as an expense. Due to the fact that administrative charges to various funds are considered a significant measure of the operations of community foundations, these fees have not been eliminated in the financial statements.

NOTE J - SUBSEQUENT EVENTS

In accordance with FASB ASC Topic 855, Subsequent Events, the Foundation has evaluated subsequent events through October 24, 2011, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2010, have been incorporated into these financial statements herein.