

**Evanston Community
Foundation**

**Financial Statements
and
Independent Auditor's Report
For the Years Ended
December 31, 2010 and 2009**

Wolf & Company LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Evanston Community Foundation
Evanston, Illinois

We have audited the accompanying statements of financial position of EVANSTON COMMUNITY FOUNDATION (a nonprofit organization) as of December 31, 2010 and 2009, and the related statements of activities, functional expenses 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Evanston Community Foundation 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.

Oakbrook Terrace, Illinois
July 25, 2011

Wolf & Company LLP

EVANSTON COMMUNITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION

	December 31,	
	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 1,102,658	\$ 893,242
Accounts receivable		
Pledges receivable	139,200	129,099
Contributions receivable	9,033	12,502
Investment income receivable	21,209	18,513
Other receivables	8,734	2,497
Investments, at fair value	12,907,147	10,074,289
Prepaid expenses	4,971	4,971
Other assets	3,331	3,331
Office furniture and equipment, net	<u>10,441</u>	<u>13,405</u>
Total assets	<u>\$ 14,206,724</u>	<u>\$ 11,151,849</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 55,850	\$ 43,047
Deferred revenue	14,070	10,800
Grants payable	25,335	29,152
Charitable gift annuities payable	22,391	24,391
Funds held as agency endowments	<u>1,463,147</u>	<u>263,667</u>
Total liabilities	<u>1,580,793</u>	<u>371,057</u>
NET ASSETS		
Unrestricted	5,266,727	4,139,176
Temporarily restricted	7,330,012	6,612,424
Permanently restricted	<u>29,192</u>	<u>29,192</u>
Total net assets	<u>12,625,931</u>	<u>10,780,792</u>
Total liabilities and net assets	<u>\$ 14,206,724</u>	<u>\$ 11,151,849</u>

See accompanying notes to the financial statements.

EVANSTON COMMUNITY FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES				
Support revenue				
Board-designated endowment and field of interest contributions	\$ 27,530	\$ 585,156	\$ -	\$ 612,686
Operating contributions	599,318	36,363	-	635,681
Other fund contributions	<u>333,775</u>	<u>773,222</u>	-	<u>1,106,997</u>
	<u>960,623</u>	<u>1,394,741</u>	-	<u>2,355,364</u>
Program revenue				
Tuition and fees plus event revenue - net	<u>81,024</u>	<u>-</u>	<u>-</u>	<u>81,024</u>
Investment income (loss)				
Interest and dividends	339,563	-	-	339,563
Realized gains (losses) on investments, net	(11,963)	-	-	(11,963)
Unrealized gains (losses) on investments, net	1,218,146	-	-	1,218,146
Funds held as agency endowments	(153,822)	-	-	(153,822)
Allocations to field of interest and "other" funds, net	<u>(725,198)</u>	<u>725,198</u>	-	<u>-</u>
	<u>666,726</u>	<u>725,198</u>	-	<u>1,391,924</u>
Net assets released from restrictions	<u>1,402,351</u>	<u>(1,402,351)</u>	-	<u>-</u>
Total revenues	<u>3,110,724</u>	<u>717,588</u>	-	<u>3,828,312</u>
EXPENSES				
Program services	<u>1,720,855</u>	<u>-</u>	<u>-</u>	<u>1,720,855</u>
Supporting services				
Management and general	141,071	-	-	141,071
Fund raising	<u>121,247</u>	<u>-</u>	<u>-</u>	<u>121,247</u>
	<u>262,318</u>	<u>-</u>	<u>-</u>	<u>262,318</u>
Total expenses	<u>1,983,173</u>	<u>-</u>	<u>-</u>	<u>1,983,173</u>
INCREASE IN NET ASSETS	1,127,551	717,588	-	1,845,139
Net assets, beginning of year	<u>4,139,176</u>	<u>6,612,424</u>	<u>29,192</u>	<u>10,780,792</u>
NET ASSETS, END OF YEAR	<u>\$ 5,266,727</u>	<u>\$ 7,330,012</u>	<u>\$ 29,192</u>	<u>\$12,625,931</u>

See accompanying notes to the financial statements.

EVANSTON COMMUNITY FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES				
Support revenue				
Board-designated endowment and field of interest contributions	\$ 12,020	\$ 161,377	\$ -	\$ 173,397
Operating contributions	604,434	59,621	-	664,055
Other fund contributions	<u>522,332</u>	<u>291,450</u>	<u>-</u>	<u>813,782</u>
	<u>1,138,786</u>	<u>512,448</u>	<u>-</u>	<u>1,651,234</u>
Program revenue				
Tuition and fees plus event revenue - net	<u>71,947</u>	<u>-</u>	<u>-</u>	<u>71,947</u>
Investment income (loss)				
Interest and dividends	246,036	-	-	246,036
Realized gains (losses) on investments, net	(68,512)	-	-	(68,512)
Unrealized gains (losses) on investments, net	1,587,420	-	-	1,587,420
Funds held as agency endowments	(24,774)	-	-	(24,774)
Allocations to field of interest and "other" funds, net	<u>(1,029,927)</u>	<u>1,029,927</u>	<u>-</u>	<u>-</u>
	<u>710,243</u>	<u>1,029,927</u>	<u>-</u>	<u>1,740,170</u>
Net assets released from restrictions	<u>961,274</u>	<u>(961,274)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>2,882,250</u>	<u>581,101</u>	<u>-</u>	<u>3,463,351</u>
EXPENSES				
Program services	<u>1,708,537</u>	<u>-</u>	<u>-</u>	<u>1,708,537</u>
Supporting services				
Management and general	157,997	-	-	157,997
Fund raising	<u>128,532</u>	<u>-</u>	<u>-</u>	<u>128,532</u>
	<u>286,529</u>	<u>-</u>	<u>-</u>	<u>286,529</u>
Total expenses	<u>1,995,066</u>	<u>-</u>	<u>-</u>	<u>1,995,066</u>
INCREASE IN NET ASSETS	887,184	581,101	-	1,468,285
Net assets, beginning of year	<u>3,251,992</u>	<u>6,031,323</u>	<u>29,192</u>	<u>9,312,507</u>
NET ASSETS, END OF YEAR	<u>\$ 4,139,176</u>	<u>\$ 6,612,424</u>	<u>\$ 29,192</u>	<u>\$10,780,792</u>

See accompanying notes to the financial statements.

EVANSTON COMMUNITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2010

	Supporting Services				Total
	Program Services	Management and General	Fund Raising	Total	
Personnel					
Salaries	\$ 303,047	\$ 74,824	\$ 44,843	\$ 119,667	\$ 422,714
Payroll taxes and benefits	85,877	25,615	12,924	38,539	124,416
Staff and board expenses	<u>9,338</u>	<u>3,085</u>	<u>2,345</u>	<u>5,430</u>	<u>14,768</u>
Total personnel	398,262	103,524	60,112	163,636	561,898
Annual report and newsletters	40,143	-	7,576	7,576	47,719
Class and meeting expense	15,251	-	11	11	15,262
Communications	8,185	1,253	18,974	20,227	28,412
Donor advised spending	110,316	-	-	-	110,316
Dues and subscriptions	3,414	840	605	1,445	4,859
Grants awarded	436,383	-	-	-	436,383
Fiscal sponsorship grants and expenses	587,582	-	-	-	587,582
Investment expenses	7,102	-	-	-	7,102
Office supplies and expense	7,686	8,509	5,172	13,681	21,367
Postage	901	4,328	12,778	17,106	18,007
Printing	6,247	3,082	9,804	12,886	19,133
Professional fees	47,966	12,488	1,218	13,706	61,672
Occupancy expenses	<u>46,635</u>	<u>6,015</u>	<u>4,247</u>	<u>10,262</u>	<u>56,897</u>
Total expenses before depreciation and interest	1,716,073	140,039	120,497	260,536	1,976,609
Depreciation	<u>4,782</u>	<u>1,032</u>	<u>750</u>	<u>1,782</u>	<u>6,564</u>
Total functional expenses	<u>\$ 1,720,855</u>	<u>\$ 141,071</u>	<u>\$ 121,247</u>	<u>\$ 262,318</u>	<u>\$ 1,983,173</u>

See accompanying notes to the financial statements.

EVANSTON COMMUNITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2009

	Supporting Services				Total
	Program Services	Management and General	Fund Raising	Total	
Personnel					
Salaries	\$ 261,627	\$ 86,897	\$ 47,441	\$ 134,338	\$ 395,965
Payroll taxes and benefits	68,294	25,174	13,234	38,408	106,702
Staff and board expenses	<u>5,621</u>	<u>2,526</u>	<u>1,945</u>	<u>4,471</u>	<u>10,092</u>
Total personnel	335,542	114,597	62,620	177,217	512,759
Annual report and newsletters	39,988	-	7,788	7,788	47,776
Class and meeting expense	11,068	749	911	1,660	12,728
Communications	10,989	-	27,236	27,236	38,225
Donor advised spending	104,062	-	-	-	104,062
Dues and subscriptions	5,360	1,229	3,112	4,341	9,701
Grants awarded	567,387	-	-	-	567,387
Fiscal sponsorship grants and expenses	511,805	-	-	-	511,805
Investment expenses	6,040	-	-	-	6,040
Office supplies and expense	10,976	10,251	6,523	16,774	27,750
Postage	4,438	5,776	6,384	12,160	16,598
Printing	4,247	6,661	4,884	11,545	15,792
Professional fees	60,844	10,672	1,243	11,915	72,759
Occupancy expenses	<u>31,966</u>	<u>6,942</u>	<u>6,753</u>	<u>13,695</u>	<u>45,661</u>
Total expenses before depreciation and interest	1,704,712	156,877	127,454	284,331	1,989,043
Depreciation	<u>3,825</u>	<u>1,120</u>	<u>1,078</u>	<u>2,198</u>	<u>6,023</u>
Total functional expenses	<u>\$ 1,708,537</u>	<u>\$ 157,997</u>	<u>\$ 128,532</u>	<u>\$ 286,529</u>	<u>\$ 1,995,066</u>

See accompanying notes to the financial statements.

EVANSTON COMMUNITY FOUNDATION
STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,	
	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 1,845,139	\$ 1,468,285
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Net investment gains	(1,206,182)	(1,518,908)
Depreciation	6,564	6,023
Stock gifts donated to investment account	(135,769)	(55,166)
(Increase) decrease in:		
Pledges receivable	(10,101)	15,611
Contributions receivable	3,469	8,115
Investment income receivable	(2,696)	5,993
Other receivables	(6,237)	2,072
Prepaid expenses and other	-	1,667
Increase (decrease) in:		
Accounts payable and accrued expenses	12,803	9,110
Deferred revenue	3,270	(6,240)
Grants payable	(3,817)	12,072
Agency funds	1,199,480	153,591
Charitable gift annuities payable	(2,000)	12,187
	<u>1,703,923</u>	<u>114,412</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(3,600)	(7,616)
Sale of investments	609,471	612,992
Purchase of investments	<u>(2,100,378)</u>	<u>(2,391,744)</u>
Net cash used in investing activities	<u>(1,494,507)</u>	<u>(1,786,368)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	209,416	(1,671,956)
Cash and cash equivalents		
Beginning of year	<u>893,242</u>	<u>2,565,198</u>
End of year	<u>\$ 1,102,658</u>	<u>\$ 893,242</u>

See accompanying notes to the financial statements.

EVANSTON COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION ACTIVITIES

Evanston Community Foundation, Inc. (the “Foundation”) is an Illinois not-for-profit organization. The Foundation’s mission is to help Evanston thrive as a vibrant, inclusive and just community by building, connecting and distributing resources and knowledge through local organizations for the public good.

The Foundation –

- Builds endowments for current and future opportunities
- Fosters private philanthropy
- Focuses the impact of collective giving
- Allocates grants
- Provides community leadership training

The Foundation strengthens the community’s nonprofit organizations and serves its donors through innovative grantmaking and partnerships with other philanthropic organizations and individuals. The Foundation evaluates the effectiveness of its grantmaking through periodic interactions with grantees.

Communityworks is currently the Foundation’s major program. The Communityworks strategic initiative, “Every Child Ready for Kindergarten, Every Youth Ready for Work” was launched in 2006. More than \$150,000 in grants and services were provided through this initiative in both 2010 and 2009. Other programs and activities include Leadership Evanston, workshops and courses to increase the effectiveness of the community’s nonprofit organizations, and consultation with individual donors. Through the intersection of these activities, the Foundation fosters collaborative community leadership.

The Foundation’s primary funding sources are contributions, grants, and investment earnings.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

BASIS OF PRESENTATION

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

FUND ACCOUNTING

For internal purposes and in order to comply with restrictions donors place on contributions or designations made by the Board, the principles of fund accounting are used. The Foundation has established separate funds for significant contributions intended for specific use, either as directed by the donor or as determined by the Board. At the inception of a fund, the Foundation and the donor execute an agreement defining the spending policy and providing for the allocation of investment returns and accounting and investment expenses. In addition, fund agreements provide for assessment of an annual donor service fee.

EVANSTON COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NET ASSET CLASSIFICATIONS

Net assets are classified according to the Foundation's governing documents and, depending on the specific terms of fund agreements with the donor, may be recorded as permanently restricted, temporarily restricted or unrestricted.

Unrestricted net assets are those assets that are not subject to donor-imposed stipulations plus those resources for which temporary, donor-imposed stipulations have been satisfied. Unrestricted net assets may also be designated for specific purposes by action of the Foundation's Board of Directors (the "Board").

Donor Advised Funds are established by the Board with contributions received from individual donors and are governed by agreements that allow the donors to recommend distributions to designated 501(c)(3) charitable organizations. Although donors retain the right to request distributions to specified organizations or organizations to be named in the future, the Board is not obligated to comply with the donor distribution request and therefore these funds are also considered unrestricted.

Temporarily restricted net assets are those assets subject to donor-imposed stipulations. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets include gifts and bequests which donors have specified must be maintained in perpetuity. Donors may specify that the related income may increase the corpus, be expended for such purpose as specified by the donor, or if none specified, then for general purposes as directed by the Foundation's management and Board of Directors.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in banks and money market funds.

RECEIVABLES

Receivables consist of pledges, contributions and accrued investment income, and are reported at net realizable value, which is the amount management expects to collect from balances outstanding at year-end. Unconditional promises to give or pledges that are expected to be collected within one year are recorded at net realizable value at the date of receipt. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using interest rates determined to be applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Management considers receivables to be fully collectible at December 31, 2010 and 2009. Accordingly, no allowance for doubtful accounts is required.

EVANSTON COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENTS AND SPENDING POLICY

The Foundation has an Investment and Spending Policy to preserve, in perpetuity, the purchasing power of its assets while providing a growing stream of income to fund grants and programs, and to support its operations (see Note 6). Investments consist of marketable securities that are stated at fair market value based on quoted market prices. Investment income is recorded on the accrual basis; purchases and sales of investment securities are reflected on a trade-date basis. Unrealized gains or losses on such securities are based on the change in market value of the assets from the beginning to the end of the fiscal year. Realized gains or losses are based on the change in market value of the assets from the date acquired to the date of sale.

The Foundation's articles of incorporation and fund agreements provide for distributions from the funds of the Foundation in accordance with the Investment and Spending Policy. The policy provides for spending a maximum of 6% and a minimum of 3.5% of the three-year moving average of the fund market value. The Board determines the percentage to be used for the spending objective as part of the budget process. The policy also provides for the Foundation to spend funds which do not affect the board-designated endowment funds, such as contributions for current grantmaking, programs or administrative expenses; income from fees and tuition; grants from donor advised funds; distributions from agency funds; charitable gift annuity payments; and other amounts determined by the Board to be allocated to the budget.

OFFICE FURNITURE AND EQUIPMENT

Office furniture and equipment are recorded at cost and depreciated over their estimated useful lives on a straight-line basis. Major renewals and betterments of \$500 or more which extend the useful life of an asset are capitalized, while routine maintenance and repairs are expensed as incurred. The estimated useful lives for determining depreciation of the various classes of assets are as follows:

Computers, software and website	3 years
Office equipment	3-5 years
Furniture	7 years

CONTRIBUTIONS

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

RECOGNITION OF SUPPORT AND REVENUE

Contributions from the general public or private foundation grants are recognized as support revenue. All contributions and private grants are considered available for unrestricted use unless specifically restricted by the donor or by laws and regulations.

Contributions primarily consist of cash and securities received from donors. Securities and other assets received as contributions are recorded at fair market value at the date of gift.

Tuition, fees, and events are recognized during the period they are earned and are reflected net of scholarships of \$3,620 in 2010 and \$2,800 in 2009.

EVANSTON COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CONTRIBUTED GOODS AND SERVICES

The Foundation occasionally receives donated goods for its meetings and programs. In 2010 and 2009, the Foundation received and recorded in-kind donations of goods with a value of \$10,487 and \$7,165, respectively. In addition, a substantial number of unpaid volunteers and members of the Foundation's Board of Directors make significant contributions of their time to the Foundation and its programs. The value of these services is not reflected in these financial statements since they do not meet the criteria for recognition.

GRANT EXPENSE

Grants made are recorded in the year that the funds are authorized by the Board of Directors. Funds authorized but not disbursed are reported in the statements of financial position as grants payable.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Expenses are charged directly to programs, management and general or fundraising categories based upon specific identification where possible. Other costs have been allocated to the programs and supporting services based on appropriate methods determined by management. These costs include, among others, salaries and related taxes and benefits, insurance, occupancy costs, telephone, supplies and professional fees.

FAIR VALUE MEASUREMENTS

In January 2010, the Financial Accounting Standards Board issued guidance amending the disclosure requirements related to recurring and nonrecurring fair value measurements. The guidance requires new disclosures on the transfers of assets and liabilities between fair value measurement hierarchy levels, including the reasons for and the timing of the transfers. The new accounting guidance also clarifies existing disclosure requirements regarding the level of disaggregation of fair value measurements and disclosure of significant inputs and valuation techniques utilized. The Foundation adopted these disclosure requirements in 2010. Additionally, beginning in 2011, the guidance requires separate presentation of purchases, sales, issuances, and settlements in the Level 3 reconciliation table. The Foundation intends on adopting these disclosure requirements in 2011.

NOTE 3 – TAX STATUS

The Foundation is an organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and similar provisions of the state tax law. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Foundation recognizes the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The Foundation has no on-going federal or state income tax audits. However, its tax returns for 2007 and subsequent years remain open to examination.

EVANSTON COMMUNITY FOUNDATION
 NOTES TO FINANCIAL STATEMENTS

NOTE 4 – CONCENTRATIONS

In 2010, 45% of total support revenues were provided by four donors. In 2009, five donors provided 53% of total support revenues.

The Foundation maintains its cash in bank deposit and money market accounts which, at times, may exceed the federally insured limit. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

The invested assets of the Foundation are held in a custodial account within the trust department of a major financial institution that maintains private insurance in an amount exceeding the Foundation’s assets to cover any potential fiduciary loss. 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 values of investments will occur in the near-term and that such changes could materially affect the Foundation and the amounts reported in the statements of activities and changes in net assets. The Foundation has a diversified investment portfolio designed to maximize investment return and minimize market risk.

NOTE 5 – PLEDGES RECEIVABLE

Pledges receivable at December 31 consist of:

	<u>2010</u>	<u>2009</u>
Less than one year	\$ 136,303	\$ 113,264
One to five years	<u>2,960</u>	<u>17,098</u>
	139,263	130,362
Less: discount to net present value	<u>63</u>	<u>1,263</u>
Net pledges receivable	<u>\$ 139,200</u>	<u>\$ 129,099</u>

NOTE 6 - INVESTMENTS

The Foundation’s objective is to achieve over time an annual total return that exceeds budgeted spending plus an amount equal to the increase in the Consumer Price Index during the preceding year. The current spending policy is to distribute an amount equal to 5% of a moving three year average of the Foundation’s endowed fund balances. The Foundation’s Board of Directors approves the spending policy each year, within the range of 3.5% to 6%.

EVANSTON COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – INVESTMENTS (Continued)

The investment policy has guidelines regarding both percentage allocations to asset classes as well as to holdings within asset classes. The Foundation's Board has adopted the following asset allocation strategy to achieve its investment objective. The 2010 and 2009 portfolios were within policy guidelines.

	Overall Asset Allocation	Intra Asset-Class Allocation		
		Domestic Markets	Foreign and Emerging Markets	Other Categories
Equities	45-65%	min. 30%	max. 20%	
Fixed income	15-35%	min. 15%	max. 10%	
Other*	0-20%			max of 10% in any of 4 subcategories*

*Other may include investments in real estate, commodity indexes, hedge funds, or private equity.

NOTE 7 – FAIR VALUE MEASUREMENTS

Generally accepted accounting principles provide a uniform framework for the definition, measurement and disclosure of fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Such accounting guidance also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: 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. Therefore, the fair values of common stock, corporate bonds, mutual funds and U.S. government securities are based on quoted market prices, when available.

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;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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.

The Foundation's financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. The fair value of the certificate of deposit is based on original cost.

EVANSTON COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – FAIR VALUE MEASUREMENTS (Continued)

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. There were no Level 3 assets as of December 31, 2010 and 2009.

The assets' 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.

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.

Fair values of assets measured on a recurring basis at December 31, 2010 and 2009 are as follows:

	Fair Value	Fair Value Measurements at Reporting Date Using	
		Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)
December 31, 2010			
Equity mutual funds			
Domestic	\$ 5,980,557	\$ 5,280,181	\$ 700,376
International	2,616,133	2,220,637	395,496
Fixed income mutual funds			
Domestic	1,856,204	1,856,204	-
International	825,930	825,930	-
U.S. treasury obligations	1,113,873	1,113,873	-
Other	514,450	514,450	-
Total	<u>\$ 12,907,147</u>	<u>\$ 11,811,275</u>	<u>\$ 1,095,872</u>
December 31, 2009			
Common stock and stock funds	\$ 5,565,378	\$ 4,644,509	\$ 920,869
U.S. treasury notes and other government bonds	1,069,251	1,069,251	-
Certificate of deposit	70,000	-	70,000
Bond funds	2,313,887	2,313,887	-
Other investments	1,055,773	1,055,773	-
Total	<u>\$ 10,074,289</u>	<u>\$ 9,083,420</u>	<u>\$ 990,869</u>

EVANSTON COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – OFFICE FURNITURE AND EQUIPMENT

	<u>2010</u>	<u>2009</u>
Computers, software and website	\$ 78,731	\$ 85,158
Office equipment	13,237	13,437
Furniture	<u>16,368</u>	<u>16,368</u>
	108,336	114,963
Less: accumulated depreciation	<u>97,895</u>	<u>101,558</u>
	<u>\$ 10,441</u>	<u>\$ 13,405</u>

Depreciation expense was \$6,564 in 2010 and \$6,023 in 2009. During 2010, the Foundation retired obsolete computers and related items with an original cost and accumulated depreciation of \$10,227.

NOTE 9 – FUNDS HELD AS AGENCY ENDOWMENTS

Funds held as agency endowments represent assets of other non-profit organizations that have been conveyed to the Foundation to establish funds for the benefit of the organizations. The assets become a part of the Foundation's investment portfolio, and receive an allocation of investment returns, as well as investment and accounting expenses. These funds are also assessed an administrative fee. The Foundation may receive contributions to these funds from the general public, and the organizations receive periodic distributions from the funds.

In accordance with generally accepted accounting principles, these assets are reported in the statements of financial position as a liability entitled *Funds held as agency endowments*. Accordingly, such assets received by the Foundation are not included in the statements of activities as contributions to the Foundation.

NOTE 10 – NET ASSETS

Accounting policies related to Net Assets are presented in Note 2. Information regarding the three categories of net assets are as follows:

Unrestricted net assets at December 31 consist of:

	<u>2010</u>	<u>2009</u>
Endowed Funds		
Board-designated Endowment Fund for Evanston	\$ 2,923,214	\$ 2,188,692
Board-designated Foundation and Leadership		
Endowment Funds	<u>1,301,530</u>	<u>1,170,914</u>
Total Endowed Funds	<u>4,224,744</u>	<u>3,359,606</u>
Unendowed Funds		
General Operating Fund	21,792	30,400
Donor Advised Funds	<u>1,020,191</u>	<u>749,170</u>
Total Unendowed Funds	<u>1,041,983</u>	<u>779,570</u>
	<u>\$ 5,266,727</u>	<u>\$ 4,139,176</u>

EVANSTON COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 10 – NET ASSETS (Continued)

The Board-designated Endowment Fund for Evanston, and the Foundation and Leadership Endowment Funds have been earmarked by the Board to grow in perpetuity while generating annual spending allowances to support Foundation operations, grantmaking and programs. The General Operating Fund was established in 2000 for funding the Foundation’s day-to-day operations.

In 2010, the Board approved, as requested, spending from unrestricted Donor Advised Funds in the amount of \$153,123, with \$110,316 paid to other charitable organizations, and a total of \$42,807 transferred to other funds of the Foundation. In 2009, the Board approved, as requested, spending from unrestricted Donor Advised Funds in the amount of \$151,187, with \$104,062 paid to other charitable organizations and \$47,125 transferred to other funds of the Foundation. Donor Advised Funds may also be temporarily restricted as to purpose.

Temporarily restricted net assets at December 31 consist of:

	<u>2010</u>	<u>2009</u>
Endowed, Temporarily Restricted Funds		
Board-directed field of interest funds		
Acorn Fund	\$ 30,198	\$ 28,168
All Our Sons Fund	196,092	183,141
Arts in Community Fund	162,470	142,213
Balkcom Family Fund	20,330	18,972
Communityworks Fund	4,920,148	4,026,020
Cultural Diversity Fund	26,696	25,946
Evanston United Way Endowment Fund (Note 12)	-	527,440
Leonard Fisher Fund for Nursing Education	38,883	32,894
Green Communities Fund	38,377	35,871
Leadership Fund	311,154	266,614
Lydia Martin Memorial Fund for Children and the Arts	48,515	45,200
Lorraine Hairston Morton Fund for Youth	29,377	27,468
Sweers Fund for Children and the Arts	19,303	17,978
Faith Vilas Fund for Youth	76,708	72,563
Women and Girls Fund	294,924	273,017
	<u>6,213,174</u>	<u>5,723,505</u>
Donor-designated funds		
Beatty Family Scholarship Fund	81,115	75,939
William K. Beatty Medical History Scholarship Fund	60,512	54,409
Virginia L. and William Beatty Volunteer Service Award Fund	48,661	45,025
Chicago Youth Scholarship Fund	356,750	333,646
Chuck Remen Memorial Fund	19,869	17,865
Citizens Lighthouse Community Land Trust Fund	16,070	14,932
Foster Reading Center Fund	90,021	83,575
Heiberger Memorial Garden Fund	24,023	21,431
Rayna and Marvin Miller Fund for Interfaith Housing Center	37,134	14,687
Bruce E. Mitchell Short Story Fund	13,863	-
Normal W. Thomas Jr. Scholarship Fund	16,948	15,283
Rose and Andy Thomas Jr. Scholarship Fund	24,663	22,511
	<u>789,629</u>	<u>699,303</u>
Subtotal - Endowed, Temporarily Restricted Funds	<u>7,002,803</u>	<u>6,422,808</u>

EVANSTON COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 10 – NET ASSETS (Continued)

	<u>2010</u>	<u>2009</u>
Donor advised funds, restricted as to purpose, unendowed		
Friends of the Arts Fund	31,699	28,502
Jon Kimmel Memorial Fund	<u>28,222</u>	<u>24,584</u>
	<u>59,921</u>	<u>53,086</u>
Other temporarily restricted funds, unendowed		
Charitable Gift Annuities	30,872	25,195
Climate Action Fund	9,072	12,713
Communityworks Impact Fund	8,873	8,872
Evanston 150 Project	75,559	-
Illinois Early Childhood Fellowship (Note 13)	94,330	29,671
Women and Girls Special Initiative Fund	3,359	3,484
Gifts Temporarily Restricted for Period after December 31	<u>45,223</u>	<u>56,595</u>
	<u>267,288</u>	<u>136,530</u>
 Total temporarily restricted net assets	 <u>\$ 7,330,012</u>	 <u>\$ 6,612,424</u>

Permanently restricted net assets consist solely of the Anderson Fund.

NOTE 11 – ENDOWMENT FUNDS

The composition of endowment funds by type of fund as of December 31, 2010 and 2009 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
December 31, 2010				
Board-designated endowments	\$ 4,224,744	\$ -	\$ -	\$ 4,224,744
Board-directed field of interest endowment funds	-	6,213,174	-	6,213,174
Donor-designated endowment funds	<u>-</u>	<u>789,629</u>	<u>29,192</u>	<u>818,821</u>
	<u>\$ 4,224,744</u>	<u>\$ 7,002,803</u>	<u>\$ 29,192</u>	<u>\$ 11,256,739</u>
December 31, 2009				
Board-designated endowments	\$ 3,359,606	\$ -	\$ -	\$ 3,359,606
Board-directed field of interest endowment funds	-	5,723,505	-	5,723,505
Donor-designated endowment funds	<u>-</u>	<u>699,303</u>	<u>29,192</u>	<u>728,495</u>
	<u>\$ 3,359,606</u>	<u>\$ 6,422,808</u>	<u>\$ 29,192</u>	<u>\$ 9,811,606</u>

EVANSTON COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 11 – ENDOWMENT FUNDS (Continued)

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Endowment net assets, January 1, 2009	\$ 2,904,344	\$ 5,518,582	\$ 29,192	\$ 8,452,118
Contributions	12,020	152,773	-	164,793
Transfers	16,695	(23,543)	(4,911)	(11,759)
Investment income	50,083	95,806	448	146,337
Net realized gains	497,669	926,449	4,463	1,428,581
Amounts released for expenditure	<u>(121,205)</u>	<u>(247,259)</u>	<u>-</u>	<u>(368,464)</u>
Endowment net assets, December 31, 2009	3,359,606	6,422,808	29,192	9,811,606
Contributions	27,530	625,903	-	653,433
Transfers	541,470	(523,822)	(3,526)	14,122
Investment income	248,481	424,314	1,952	674,747
Net realized gains	207,534	287,090	1,574	496,198
Amounts released for expenditure	<u>(159,877)</u>	<u>(233,490)</u>	<u>-</u>	<u>(393,367)</u>
Endowment net assets, December 31, 2010	<u>\$ 4,224,744</u>	<u>\$ 7,002,803</u>	<u>\$ 29,192</u>	<u>\$ 11,256,739</u>

NOTE 12 – EVANSTON UNITED WAY FUND

During 2010, in accordance with the 2005 agreement governing the Evanston United Way Fund, the Foundation exercised its responsibility to convert the fund from its field of interest classification to unrestricted endowment. This action fulfills the donor's direction that these funds be used to meet needs within the community of Evanston.

NOTE 13 – FISCAL SPONSORSHIP

In 2008, the Foundation agreed to serve as the fiscal sponsor for the Illinois Early Childhood Fellowship (Fellowship). The Fellowship is a new initiative developed and is funded by a consortium of six Chicago area funders to build leadership capacity in the field of early childhood care and education. As of June 6, 2011, the Foundation's fiscal sponsorship agreement with the Fellowship has been extended through June 30, 2012.

EVANSTON COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 14 - LEASE

In December 2003, the Foundation relocated and entered into a sixty-five month lease agreement for office space in Evanston, Illinois, which expired on April 30, 2009. In November 2008, the lease was amended, extending the expiration date to April 30, 2012. The amended lease provides for minimum rental payments of \$4,577 per month plus annual escalation, subject to additional rent for taxes and operating expenses.

Rent expense was \$55,890 in 2010 and \$44,922 in 2009. Future minimum base rental payments are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2011	\$ 54,649
2012	<u>19,422</u>
	<u>\$ 74,071</u>

NOTE 15 – RETIREMENT AND PENSION PLAN

The Foundation has a non-contributory 403(b) plan in place for eligible employees. Employees are eligible to participate on the first of the month following employment. Effective January 1, 2009 the plan was amended to conform to new regulatory requirements.

NOTE 16 – CONDITIONAL PROMISES TO GIVE

In February 2008, the Foundation received a \$2,000,000 grant from the Grand Victoria Foundation to support its “Every Child Ready for Kindergarten, Every Youth Ready for Work” initiative. The grant monies were allocated \$1,000,000 for the temporarily restricted Communityworks Fund and \$1,000,000 for the Board-designated Foundation Endowment Fund. In December 2008, the Foundation received \$1,000,000 in matching funds from the Grand Victoria Foundation for the Communityworks Fund. The Foundation may receive up to \$1,000,000 in additional matching funds from Grand Victoria Foundation for new contributions collected through September 30, 2011. In February 2010, the Foundation received matching funds of \$253,568 from the Grand Victoria Foundation; a second tranche of \$251,587 in matching funds was received on June 24, 2011; \$494,845 of matching funds remain available through September 2011.

NOTE 17 - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through July 25, 2011, the date which the financial statements were available to be issued.