

Community Foundation of the Great River Bend Corporation and Subsidiary

Consolidated Financial Report

12.31.2008

McGladrey & Pullen
Certified Public Accountants

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Community Foundation of the
Great River Bend Corporation
and Subsidiary
Davenport, Iowa

We have audited the accompanying consolidated statements of financial position of Community Foundation of the Great River Bend Corporation and subsidiary as of December 31, 2008 and 2007, 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 Community Foundation of the Great River Bend Corporation and subsidiary as of December 31, 2008 and 2007, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Davenport, Iowa
April 30, 2009

Community Foundation of the
Great River Bend Corporation
and Subsidiary

Consolidated Statements of Financial Position
December 31, 2008 and 2007

Assets	2008	2007
Cash	\$ 2,133,922	\$ 1,488,525
Accrued interest receivable and other assets	117,371	142,857
Contributions receivable, due within one year	511,108	1,100,000
Investments (Notes 2 and 10)	41,765,274	48,429,518
Loans receivable, net of allowance for uncollectible loans of approximately \$8,000 in 2008 and 2007	234,960	268,930
Contribution receivable from charitable remainder unitrusts	1,008,567	1,311,668
Furniture and equipment, net of accumulated depreciation 2008 \$74,957; 2007 \$54,716	68,461	79,349
	\$ 45,839,663	\$ 52,820,847
Liabilities and Net Assets		
Liabilities:		
Funds held for organizations	\$ 2,757,229	\$ 3,247,440
Accounts payable and accrued expenses	61,032	66,346
Deferred compensation (Note 7)	96,371	90,309
Grants payable	257,187	267,500
Scholarships payable	93,125	68,250
Amounts due under annuity and trust agreements (Note 3)	920,350	1,533,175
	4,185,294	5,273,020
Commitments (Notes 4 and 6)		
Net assets:		
Unrestricted	38,754,953	43,676,563
Temporarily restricted (Note 8)	2,899,416	3,871,264
	41,654,369	47,547,827
	\$ 45,839,663	\$ 52,820,847

See Notes to Consolidated Financial Statements.

Community Foundation of the
Great River Bend Corporation
and Subsidiary

Consolidated Statements of Activities
Years Ended December 31, 2008 and 2007

	2008		
	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions	\$ 8,878,889	\$ -	\$ 8,878,889
Investment income, net of investment expenses 2008 \$266,583; 2007 \$241,771	1,148,745	95,091	1,243,836
Net appreciation (depreciation) in fair value of investments	(11,067,087)	(1,207,119)	(12,274,206)
Other income	43,070	-	43,070
Change in value of split-interest agreements	10,428	165,068	175,496
	<u>(985,955)</u>	<u>(946,960)</u>	<u>(1,932,915)</u>
Net assets released from restrictions (Note 8)	24,888	(24,888)	-
Total support and revenue	<u>(961,067)</u>	<u>(971,848)</u>	<u>(1,932,915)</u>
Grants and expenses:			
Grants	3,017,495	-	3,017,495
Management and development (Note 9)	722,514	-	722,514
Other expenses	220,534	-	220,534
Total grants and expenses	<u>3,960,543</u>	<u>-</u>	<u>3,960,543</u>
Increase (decrease) in net assets	(4,921,610)	(971,848)	(5,893,458)
Net assets:			
Beginning	43,676,563	3,871,264	47,547,827
Ending	<u>\$ 38,754,953</u>	<u>\$ 2,899,416</u>	<u>\$ 41,654,369</u>

See Notes to Consolidated Financial Statements.

See Supplementary Information for Detail.

2007		
Unrestricted	Temporarily Restricted	Total
\$ 8,816,748	\$ -	\$ 8,816,748
1,881,976	187,029	2,069,005
751,348	(43,995)	707,353
10,955	-	10,955
(51,256)	(10,630)	(61,886)
11,409,771	132,404	11,542,175
125,144	(125,144)	-
11,534,915	7,260	11,542,175
2,626,968	-	2,626,968
645,936	-	645,936
141,873	-	141,873
3,414,777	-	3,414,777
8,120,138	7,260	8,127,398
35,556,425	3,864,004	39,420,429
\$ 43,676,563	\$ 3,871,264	\$ 47,547,827

Community Foundation of the
Great River Bend Corporation
and Subsidiary

Consolidated Statements of Cash Flows
Years Ended December 31, 2008 and 2007

	2008	2007
Cash Flows from Operating Activities:		
Increase (decrease) in net assets	\$ (5,893,458)	\$ 8,127,398
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	21,064	18,211
Net (appreciation) depreciation in fair value of investments	12,274,206	(707,353)
Change in value of split-interest agreements	(175,496)	61,886
Donated investments	(1,527,322)	(3,181,473)
Addition to annuity and trust agreement liabilities	122,497	85,784
(Increase) decrease in accrued interest receivable and other assets	25,486	(32,660)
(Increase) decrease in contributions receivable	588,892	(667,000)
Decrease in contribution receivable from charitable remainder unitrusts	-	29,195
Increase (decrease) in accounts payable and accrued expenses	(5,314)	50,782
Increase in deferred compensation	6,062	8,165
Increase (decrease) in grants payable	(10,313)	184,688
Increase in scholarships payable	24,875	1,625
Net cash provided by operating activities	5,451,179	3,979,248
Cash Flows from Investing Activities:		
Net (purchases), sales and maturities of investments	(4,945,569)	(4,261,312)
Payments received on loans receivables	47,970	50,937
Disbursements on loan receivables	(14,000)	(31,200)
Purchase of furniture and equipment	(10,176)	(80,537)
Net cash (used in) investing activities	(4,921,775)	(4,322,112)
Cash Flows from Financing Activities:		
Payment on annuity and trust agreements	(259,962)	(274,602)
Increase in amounts held for other organizations	375,955	1,582,833
Net cash provided by financing activities	115,993	1,308,231
Net increase in cash	645,397	965,367
Cash:		
Beginning	1,488,525	523,158
Ending	\$ 2,133,922	\$ 1,488,525
Supplemental Disclosures of Noncash Financing Activities:		
Net (appreciation) depreciation in fair value of investments held for other organizations	\$ 866,166	\$ (56,708)
Increase (decrease) in amounts held for other organizations	(866,166)	56,708

See Notes to Consolidated Financial Statements.

Community Foundation of the
Great River Bend Corporation
and Subsidiary

Notes to Consolidated Financial Statements

Note 1. Organization and Nature of Activities and Significant Accounting Policies

Organization and nature of activities:

The Community Foundation of the Great River Bend Corporation (Foundation) is a public foundation that is a collection of trusts and funds and a charitable corporation.

The Foundation provides grants to various organizations in the Great River Bend community to help foster and promote educational, scientific, medical, artistic, preservation of art, historical records and relics, and public and charitable activities. It supports many other agencies for the improvement of the moral, mental, social and physical well being of the area.

The Foundation created another tax-exempt entity, CFGRB Realty Holdings, Inc. (Holding Company), in order to administer real estate contributions.

Significant accounting policies:

Principles of consolidation: The consolidated financial statements include the accounts of the Foundation and the Holding Company. All material intercompany balances and transactions have been eliminated in the consolidation.

Accounting 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 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.

Basis of presentation: Assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations or are donor advised but the Foundation has variance power.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.

Permanently restricted net assets: Net assets subject to donor-imposed stipulations that neither expire by the passage of time and/or are otherwise removed by actions of the Foundation. There were no permanently restricted net assets as of December 31, 2008 and 2007.

Community Foundation of the
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Notes to Consolidated Financial Statements

Note 1. Organization and Nature of Activities and Significant Accounting Policies (Continued)

Revenue recognition: Contributions are recognized as revenue when they are received or unconditionally pledged. Contributions of split-interest agreements are recorded at their fair value when received. Contributions from estates are recognized in the same manner once the will has been probated.

Most gifts received are reported as unrestricted revenue and net assets because the governing instruments of the Foundation, agreed to by the donor, provide for the Board of Directors of the Foundation to exercise its variance power to modify the donor restriction if such restriction becomes unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community. Funds received under various charitable remainder unitrust agreements, which require the Foundation to follow the provisions of the trust agreements until termination, are classified as temporarily restricted net assets. The Charitable Giving Fund contributions are available for immediate distribution to donor recommended local, regional or national organizations qualified as tax-exempt charitable organizations subject to the approval of the Foundation. Since the Foundation has variance power, the Charitable Giving Fund contributions are also classified as unrestricted.

Cash: Cash includes all cash, except for money market accounts held by investment managers.

Donated services: The value of donated services is not reflected in the consolidated financial statements, as no objective basis is available to measure the value of these services. However, a number of volunteers have donated their time and have incurred non-reimbursed expenses for the Foundation's program services.

Contributions receivable from charitable remainder unitrusts: The Foundation is the irrevocable beneficiary of charitable remainder trusts where the Foundation does not act as trustee. In these cases, the Foundation records as an asset the present value of the future benefits to be received from the trusts. The contribution receivable is adjusted annually to fair values and any gain or loss is reflected in the consolidated statements of activities, temporarily restricted funds as a change in value of split-interest agreements.

Investments: Debt securities and stocks are carried at fair value. Other types of investments are carried at estimated realizable values. Also see Note 10.

The Foundation records donated securities at their fair market value at the date of donation. Realized and unrealized investment gains and losses are determined by comparison of specific costs of acquisition to proceeds at the time of disposal or market value at the date of financial statement. These gains and losses and other investment income are reflected in the consolidated statements of activities.

Loans receivable: Loans receivable are stated at the amount of unpaid principal less an allowance for uncollectible loans. Management determines the allowance for uncollectible loans by identifying troubled loans. Loans are written off when deemed uncollectible. Recoveries of loans previously written off are recorded when received. These are loans to students and do not require repayment until the student graduates from or is no longer enrolled in an institution of higher education.

Furniture and equipment: These assets are stated at cost less accumulated depreciation. Depreciation is computed by the straight-line method over an estimated useful life of five years.

Community Foundation of the
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Notes to Consolidated Financial Statements

Note 1. Organization and Nature of Activities and Significant Accounting Policies (Continued)

Funds held for organizations: The Foundation invests funds for unrelated organizations that have sole discretion over the use of these assets. All financial activity related to these funds is recorded as adjustments to the funds held for organizations liability and is omitted from the consolidated statements of activities.

Grants and scholarships payable: Grants and scholarships are expensed when they are approved by the Foundation's Board of Directors.

Amounts due under annuity and trust agreements: A liability is recorded for the amount due to the income beneficiary of charitable gift annuities and charitable remainder trusts when the Foundation acts as trustee. The liability is based on the present value of the estimated future payments to be distributed during the beneficiary's expected life. Annual adjustments to the liability reflect revaluation of the present value of the estimated future payments to the beneficiary and are recognized in the consolidated statements of activities, unrestricted funds, as a change in value of split-interest agreements.

Affiliates: The Foundation has 11 affiliates which are governed by volunteer boards throughout Iowa and Illinois that are committees of the Foundation's Board of Directors. These affiliate boards solicit gifts from donors in their area, advise donors in achieving their charitable objectives, make grants to qualified entities, assist other not-for-profit organizations in establishing endowments and encourage continued support of their community. Administration and oversight of the affiliates are performed by the Foundation. The net assets of these affiliates totaled approximately \$6,005,000 and \$4,032,000 as of December 31, 2008 and 2007, respectively.

Income tax status: The Foundation and the Holding Company are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Fair value measurements: Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements* (SFAS 157) was effective for the Foundation on January 1, 2008. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements. SFAS 157 also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Under SFAS 157, fair value measurements are disclosed by level within that hierarchy. In accordance with Financial Accounting Standards Board Staff Position (FSP) No. 157-2, *Effective Date of FASB Statement No. 157*, the Foundation has delayed application of SFAS 157 for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value on a nonrecurring basis until January 1, 2009. See Note 10 for additional information.

Pending pronouncement: In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109*. This Interpretation clarifies the accounting and financial statement reporting for uncertainty in income taxes recognized by prescribing a recognition threshold and measurement attribute for a tax position taken or expected to be taken in a tax return. The Interpretation was originally effective for fiscal years beginning after December 15, 2006; however, in December 2008, FASB deferred the effective date to annual financial statements for fiscal years beginning after December 15, 2008 for nonpublic companies. The Foundation is currently evaluating the impact that the adoption of this Interpretation will have on its consolidated financial statements.

Community Foundation of the
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Notes to Consolidated Financial Statements

Note 2. Investments

Investments at fair value as of December 31, 2008 and 2007 are as follows:

	2008	2007
Money market funds and commercial paper	\$ 7,841,017	\$ 8,237,659
Debt securities:		
U.S. government securities	1,777,358	2,324,062
Corporate bonds	5,365,668	4,043,758
Fixed income funds	4,498,508	4,616,584
	<u>11,641,534</u>	<u>10,984,404</u>
Stocks:		
Common stocks	7,311,928	11,072,114
Equity funds	14,638,035	17,741,405
	<u>21,949,963</u>	<u>28,813,519</u>
Other investments, cash surrender value of life insurance and land	332,760	393,936
	<u>\$ 41,765,274</u>	<u>\$ 48,429,518</u>

The investments of the Foundation are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the consolidated financial statements.

The Foundation is the trustee for three charitable remainder unitrusts whereby the Foundation is required to pay certain amounts to the income beneficiary for their lifetime. At the termination of the agreements, the Foundation will receive the corpus of these funds. These investments are segregated from pooled investments of the Foundation and are included in the previous amounts as follows:

	2008	2007
Money market funds	\$ 19,166	\$ 45,873
Debt securities	316,258	489,597
Stocks	974,658	1,816,314
	<u>\$ 1,310,082</u>	<u>\$ 2,351,784</u>

Community Foundation of the
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Notes to Consolidated Financial Statements

Note 3. Amounts Due under Annuity and Trust Agreements

The Foundation has received funds and is trustee of assets under gift annuity and charitable remainder trust agreements. Under the terms of these agreements, the Foundation shall pay the annuitants and trust beneficiaries an amount each year for the rest of their lives. The present value of these future payments as of December 31, 2008 and 2007, using discount rates ranging from 5% to 11%, as provided in the Internal Revenue Service guidelines and actuarial tables, is \$920,350 and \$1,533,175, respectively.

Note 4. Lease Commitment and Rent Expense

The Foundation had a month to month lease agreement which ended in April 2007. In March 2007, the Foundation signed a lease for a new office space starting April 1, 2007 through December 31, 2012, with an option to renew through December 31, 2016. The Foundation will receive additional space as payments increase. Rent payments and the lease commitment are required as follows:

	Rent Per Month	Lease Commitment
Year ending December 31:		
2009	\$ 4,675	\$ 56,100
2010	5,259	63,108
2011	5,843	70,116
2012	5,843	70,116
		<u>\$ 259,440</u>

Total rent expense for the years ended December 31, 2008 and 2007 was \$47,632 and \$53,432, respectively.

Note 5. Intentions to Give

The Foundation has received indications of gifts in the form of bequests which are revocable during the donor's lifetime. Due to the uncertain nature of these intentions, the Foundation has not recognized an asset or contribution revenue for these gifts. The estimated total gross expectancies amounted to approximately \$58,000,000 and \$31,000,000 as of December 31, 2008 and 2007, respectively.

Note 6. Employee Benefits

Effective January 1, 2002, the Foundation implemented a Savings Incentive Match Plan for employees of the Foundation. This plan is available to all employees who are expected in the current year to receive or have in prior calendar years received \$5,000 in compensation. The plan provides a match by the Foundation of up to 3% of the employee's compensation. The Foundation's matching contribution for the years ended December 31, 2008 and 2007 was \$11,630 and \$9,404, respectively.

Community Foundation of the
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Notes to Consolidated Financial Statements

Note 7. Deferred Compensation Agreements

The Foundation has entered into deferred compensation agreements with two officers of the Foundation, which provide benefits payable at age 59, or upon early retirement due to sickness or other disability, or upon early retirement with the consent of the Foundation. Under certain circumstances, benefits are payable to person or persons designated by individual upon their death. The deferred compensation charged to expense totaled \$6,561 and \$8,610 for the years ended December 31, 2008 and 2007, respectively. These officers can elect to contribute additional portions of their salary to these agreements. For the years ended December 31, 2008 and 2007, one officer elected prior to the beginning of the year to defer additional amounts of current compensation into the plan. One officer has retired and has elected to start taking payments from this agreement in 2015.

Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2008 and 2007 consist of:

	2008	2007
Charitable remainder unitrusts	\$ 1,768,819	\$ 2,446,335
Nabstedt Educational Fund, student loans	570,993	697,068
Rotary Memorial Scholarship - Loan Program, student loans	559,604	727,861
	\$ 2,899,416	\$ 3,871,264

The sources of net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors for the years ended December 31, 2008 and 2007 were as follows:

	2008	2007
Expiration of time restrictions	\$ -	\$ 93,121
Foundation administrative fees	22,319	29,977
Other	2,569	2,046
	\$ 24,888	\$ 125,144

Note 9. Activities Undertaken to Cultivate Potential Donors

The Foundation's primary focus is education on philanthropy; therefore, direct activities to cultivate potential donors are very limited. Management and development expenses on the consolidated statements of activities for the years ended December 31, 2008 and 2007 include expenses of approximately \$44,550 and \$40,400, respectively, for activities undertaken to cultivate potential donors to contribute money, services, other assets or time.

Community Foundation of the
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Notes to Consolidated Financial Statements

Note 10. Fair Value Measurements

As discussed in Note 1, on January 1, 2008, SFAS 157 was effective for the Foundation. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

SFAS 157 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. SFAS 157 requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, SFAS 157 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

A description of the valuation methodologies used for significant assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below:

Investments: Where quoted prices are available in an active market, securities are classified within level 1 of the valuation hierarchy. Level 1 securities would include highly liquid government bonds and exchange traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flow. Level 2 securities would include U.S. agency securities, mortgage-backed agency securities and certain corporate, asset backed and other securities. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within level 3 of the valuation hierarchy.

Contributions receivable from charitable remainder unitrusts: The value of contributions receivable from charitable remainder unitrusts is derived by computing the present value of the future benefit based on the underlying investments of the unitrusts. The value of those investments is determined in the same manner as investments described above. Present value calculations are based on current IRS rates and life expectancies.

Community Foundation of the
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Notes to Consolidated Financial Statements

Note 10. Fair Value Measurements (Continued)

Significant assets and liabilities recorded at fair value on a recurring basis:

The following table summarizes significant assets measured at fair value on a recurring basis as of December 31, 2008, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Fair Value Measurements as of December 31, 2008 Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments:				
Money market funds and commercial paper	\$ 7,841,017	\$ 7,841,017	\$ -	\$ -
Debt securities:				
U.S. government securities	1,777,358	-	1,777,358	-
Corporate bonds	5,365,668	-	5,365,668	-
Fixed income funds	4,498,508	2,856,904	1,641,604	-
	11,641,534	2,856,904	8,784,630	-
Stocks:				
Common stocks	7,311,928	7,311,928	-	-
Equity funds	14,638,035	14,638,035	-	-
	21,949,963	21,949,963	-	-
	\$ 41,432,514	\$ 32,647,884	\$ 8,784,630	\$ -
Contributions receivable from charitable remainder unitrusts	\$ 1,008,657	\$ -	\$ 1,008,657	\$ -

Note 11. Investment Funds

The Foundation's investment funds consist of over 500 individual funds established for a variety of purposes; however, most of these funds are considered unrestricted as they were made subject to the Foundation's bylaws which give the Foundation's Board of Directors variance power over spending of the funds which includes the ability to spend principal. The Foundation's portfolio includes donor-restricted funds, time-restricted funds in the form of charitable remainder trusts, and unrestricted funds. As required by accounting principles generally accepted in the United States of America, net assets are classified and reported based on the existence or absence of donor-imposed restrictions.

Community Foundation of the
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Notes to Consolidated Financial Statements

Note 11. Investment Funds (Continued)

Investment policy:

Investment related objectives for the Foundation are a moderate level of risk with diversification of assets within the parameters of the mix of assets defined in the Foundation's Investment Policy. Because the Portfolio is expected to endure into perpetuity, and because inflation can have an impact on its performance objective, the long-term risk of not investing in growth securities outweighs the short-term volatility risk. As a result, the majority of assets will be invested in equity or equity-like securities. Fixed income securities will be used to lower the short-term volatility of the portfolio and to provide income stability, especially during periods of weak or negative equity markets. Cash is not a strategic asset of the portfolio, but is residual to the investment process and used to meet short-term liquidity needs. Other asset classes are included to provide diversification (e.g. international equities) and incremental return (e.g. small cap equities).

Spending policy objectives for funds covered by the total return concept and asset allocation recommendations set forth above are:

- The primary objective is to preserve the real value (inflation adjusted) of current assets and future gifts. The rate of growth on funds as a result of investment performance should maintain or increase its purchasing power over time.
- The next objective is to provide a consistent flow of funds in support of Foundation expenditures including both administrative and grant-making activities.
- The spending policy will be monitored with the objective that all funds maintain or increase the real value of the principal over the long term.

The Foundation seeks to attain investment results over a full market cycle. It is anticipated that all investment objectives will be attained in each year and recognizes that over various time periods investment managers may produce significant over or under performance relative to the broad markets. For this reason, long-term investment returns are measured over a 3-year rolling average.

Policy for appropriation of assets for expenditure:

The Foundation's spending policy for grants is based on a calculation of 4.5% of the average balance of the fund for the last 16 rolling quarters.

Interpretation of relevant law:

The Board of Directors of the Foundation has interpreted that the Foundation is not subject to the State of Iowa's Uniform Prudent Management of Institutional Funds Act since the Foundation's bylaws provide for variance power including spending from principal. The Foundation has no permanently restricted net assets.

Community Foundation of the
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Notes to Consolidated Financial Statements

Note 11. Investment Funds (Continued)

Net asset composition by type of fund as of December 31, 2008:

	Unrestricted	Temporarily Restricted	Total
Donor-restricted funds	\$ -	\$ 1,130,597	\$ 1,130,597
Time-restricted funds	-	1,768,819	1,768,819
Undesignated funds	38,754,953	-	38,754,953
Total	\$ 38,754,953	\$ 2,899,416	\$ 41,654,369

Net asset composition by type of fund as of December 31, 2007:

	Unrestricted	Temporarily Restricted	Total
Donor-restricted funds	\$ -	\$ 1,424,929	\$ 1,424,929
Time-restricted funds	-	2,446,335	2,446,335
Undesignated funds	43,676,563	-	43,676,563
Total	\$ 43,676,563	\$ 3,871,264	\$ 47,547,827

Changes in net assets for the years ended December 31, 2008 and 2007:

	Unrestricted	Temporarily Restricted	Total
Net assets, December 31, 2006	\$ 35,556,425	\$ 3,864,004	\$ 39,420,429
Investment return:			
Investment income	1,881,976	187,029	2,069,005
Net depreciation (realized and unrealized)	751,348	(43,995)	707,353
Total investment return	2,633,324	143,034	2,776,358
Contributions	8,816,748	-	8,816,748
Appropriation of assets for expenditures	(3,289,633)	(125,144)	(3,414,777)
Other changes	(40,301)	(10,630)	(50,931)
Net assets, December 31, 2007	43,676,563	3,871,264	47,547,827
Investment return:			
Investment income	1,148,745	95,091	1,243,836
Net depreciation (realized and unrealized)	(11,067,087)	(1,207,119)	(12,274,206)
Total investment return	(9,918,342)	(1,112,028)	(11,030,370)
Contributions	8,878,889	-	8,878,889
Appropriation of assets for expenditures	(3,935,655)	(24,888)	(3,960,543)
Other changes	53,498	165,068	218,566
Net assets, December 31, 2008	\$ 38,754,953	\$ 2,899,416	\$ 41,654,369