

# **Community Foundation of the Great River Bend Corporation and Subsidiary**

Consolidated Financial Report  
December 31, 2010

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## 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, 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 Community Foundation of the Great River Bend Corporation and subsidiary as of December 31, 2010 and 2009, 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 29, 2011

**Community Foundation of the  
Great River Bend Corporation  
and Subsidiary**

**Consolidated Statements of Financial Position  
December 31, 2010 and 2009**

| <b>Assets</b>   | <b>2010</b>          | <b>2009</b>          |
|---|----------------------|----------------------|
| Cash  | \$ 3,138,209         | \$ 1,844,523         |
| Accrued interest receivable and other assets  | 128,961              | 112,716              |
| Contributions receivable, due within one year   | 204,419              | 4,378,300            |
| Investments (Notes 2 and 10)  | 66,788,608           | 51,904,047           |
| Loans receivable, net of allowance for uncollectible loans<br>of approximately \$8,000 in 2010 and 2009 | 175,881              | 207,182              |
| Contribution receivable from charitable remainder unitrusts   | 2,405,698            | 2,274,551            |
| Furniture and equipment, net of accumulated<br>depreciation 2010 \$111,298; 2009 \$93,291               | 51,824               | 58,739               |
|   | <b>\$ 72,893,600</b> | <b>\$ 60,780,058</b> |
| <b>Liabilities and Net Assets</b>   |                      |                      |
| <b>Liabilities:</b>   |                      |                      |
| Funds held for organizations  | \$ 7,097,334         | \$ 4,964,553         |
| Accounts payable and accrued expenses   | 49,167               | 67,863               |
| Deferred compensation (Note 7)  | 121,608              | 108,651              |
| Grants payable  | 234,598              | 305,306              |
| Scholarships payable  | 175,875              | 108,375              |
| Amounts due under annuity and trust agreements (Note 3)   | 975,336              | 953,218              |
|   | <b>8,653,918</b>     | <b>6,507,966</b>     |
| Commitments (Notes 4 and 6)   |                      |                      |
| Net assets:   |                      |                      |
| Unrestricted  | 60,139,803           | 50,398,762           |
| Temporarily restricted (Note 8)   | 4,099,879            | 3,873,330            |
|   | <b>64,239,682</b>    | <b>54,272,092</b>    |
|   | <b>\$ 72,893,600</b> | <b>\$ 60,780,058</b> |

See Notes to Consolidated Financial Statements.

**Community Foundation of the  
Great River Bend Corporation  
and Subsidiary**

**Consolidated Statements of Activities  
Years Ended December 31, 2010 and 2009**

|   | 2010                 |                           |                      |
|---|----------------------|---------------------------|----------------------|
|   | Unrestricted         | Temporarily<br>Restricted | Total                |
| Support and revenue:  |                      |                           |                      |
| Contributions   | \$ 9,561,221         | \$ -                      | \$ 9,561,221         |
| Investment income, net of investment expenses<br>2010 \$313,978; 2009 \$248,853 | 972,241              | 39,591                    | 1,011,832            |
| Net appreciation in fair value of investments                                   | 4,824,733            | 239,363                   | 5,064,096            |
| Other income  | 170,631              | -                         | 170,631              |
| Change in value of split-interest agreements                                    | 2,130                | (30,800)                  | (28,670)             |
|   | <u>15,530,956</u>    | <u>248,154</u>            | <u>15,779,110</u>    |
| Net assets released from restrictions (Note 8)                                  | 21,605               | (21,605)                  | -                    |
| <b>Total support and revenue</b>  | <u>15,552,561</u>    | <u>226,549</u>            | <u>15,779,110</u>    |
| Grants and expenses:  |                      |                           |                      |
| Grants  | 4,703,302            | -                         | 4,703,302            |
| Management and development (Note 9)   | 860,477              | -                         | 860,477              |
| Other expenses  | 247,741              | -                         | 247,741              |
| <b>Total grants and expenses</b>  | <u>5,811,520</u>     | <u>-</u>                  | <u>5,811,520</u>     |
| Change in donor restriction   | -                    | -                         | -                    |
| <b>Increase in net assets</b>   | <u>9,741,041</u>     | <u>226,549</u>            | <u>9,967,590</u>     |
| Net assets:   |                      |                           |                      |
| Beginning   | 50,398,762           | 3,873,330                 | 54,272,092           |
| Ending  | <u>\$ 60,139,803</u> | <u>\$ 4,099,879</u>       | <u>\$ 64,239,682</u> |

See Notes to Consolidated Financial Statements.

2009

| Unrestricted         | Temporarily<br>Restricted | Total                |
|----------------------|---------------------------|----------------------|
| \$ 8,621,452         | \$ 1,000,000              | \$ 9,621,452         |
| 868,520              | 41,696                    | 910,216              |
| 6,443,561            | 443,216                   | 6,886,777            |
| 69,865               | -                         | 69,865               |
| 61,048               | 68,500                    | 129,548              |
| <u>16,064,446</u>    | <u>1,553,412</u>          | <u>17,617,858</u>    |
| 19,894               | (19,894)                  | -                    |
| <u>16,084,340</u>    | <u>1,533,518</u>          | <u>17,617,858</u>    |
| 3,935,200            | -                         | 3,935,200            |
| 812,253              | -                         | 812,253              |
| 252,682              | -                         | 252,682              |
| <u>5,000,135</u>     | <u>-</u>                  | <u>5,000,135</u>     |
| 559,604              | (559,604)                 | -                    |
| 11,643,809           | 973,914                   | 12,617,723           |
| 38,754,953           | 2,899,416                 | 41,654,369           |
| <u>\$ 50,398,762</u> | <u>\$ 3,873,330</u>       | <u>\$ 54,272,092</u> |

**Community Foundation of the  
Great River Bend Corporation  
and Subsidiary**

**Consolidated Statements of Cash Flows  
Years Ended December 31, 2010 and 2009**

|  | 2010                | 2009                |
|--|---------------------|---------------------|
| <b>Cash Flows from Operating Activities:</b>   |                     |                     |
| Increase in net assets   | \$ 9,967,590        | \$ 12,617,723       |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities: |                     |                     |
| Depreciation   | 25,952              | 22,520              |
| Net (appreciation) in fair value of investments  | (5,064,096)         | (6,886,777)         |
| Change in value of split-interest agreements   | 28,670              | (129,548)           |
| Donated investments  | (5,850,130)         | (1,623,715)         |
| Addition to annuity and trust agreement liabilities  | 23,401              | 11,983              |
| (Increase) decrease in accrued interest receivable and other assets  | (16,245)            | 4,655               |
| (Increase) decrease in contributions receivable  | 4,173,881           | (4,867,192)         |
| Increase (decrease) in accounts payable and accrued expenses   | (18,696)            | 6,831               |
| Increase in deferred compensation  | 12,957              | 12,280              |
| Increase (decrease) in grants payable  | (70,708)            | 48,119              |
| Increase in scholarships payable   | 67,500              | 15,250              |
| <b>Net cash provided by (used in) operating activities</b>   | <b>3,280,076</b>    | <b>(767,871)</b>    |
| <b>Cash Flows from Investing Activities:</b>   |                     |                     |
| Purchases of investments   | (7,549,120)         | (7,099,192)         |
| Sales and maturities of investments  | 4,237,040           | 6,103,836           |
| Payments received on loans receivables   | 45,301              | 51,260              |
| Disbursements on loan receivables  | (14,000)            | (23,482)            |
| Purchase of furniture and equipment  | (19,037)            | (12,798)            |
| <b>Net cash (used in) investing activities</b>   | <b>(3,299,816)</b>  | <b>(980,376)</b>    |
| <b>Cash Flows from Financing Activities:</b>   |                     |                     |
| Payment on annuity and trust agreements  | (177,242)           | (160,069)           |
| Increase in amounts held for other organizations   | 1,490,668           | 1,618,917           |
| <b>Net cash provided by financing activities</b>   | <b>1,313,426</b>    | <b>1,458,848</b>    |
| <b>Net increase (decrease) in cash</b>   | <b>1,293,686</b>    | <b>(289,399)</b>    |
| <b>Cash:</b>   |                     |                     |
| Beginning  | 1,844,523           | 2,133,922           |
| Ending   | <b>\$ 3,138,209</b> | <b>\$ 1,844,523</b> |
| <b>Supplemental Disclosures of Noncash Financing Activities:</b>   |                     |                     |
| Net (appreciation) in fair value of investments held for other organizations                                       | \$ (642,113)        | \$ (588,407)        |
| Increase in amounts held for other organizations   | 642,113             | 588,407             |

See Notes to Consolidated Financial Statements.

**Community Foundation of the  
Great River Bend Corporation  
and Subsidiary**

**Notes to Consolidated Financial Statements**

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**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, 2010 and 2009.

During the year ended December 31, 2009, a donor requested the elimination of the restriction of their fund resulting in a change in donor restriction of \$559,604.

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.

**Community Foundation of the  
Great River Bend Corporation  
and Subsidiary**

**Notes to Consolidated Financial Statements**

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

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. As of December 31, 2010, the Foundation had a balance in excess of FDIC insured amounts with one financial institution of approximately \$750,000.

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: All investments are carried at fair value, except for other investments. Cash surrender value of life insurance is carried at its estimated realizable value and land and real estate are carried at cost or fair value on date of donation. 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.

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.

**Community Foundation of the  
Great River Bend Corporation  
and Subsidiary**

**Notes to Consolidated Financial Statements**

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

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 \$9,918,000 and \$7,932,000 as of December 31, 2010 and 2009, respectively.

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

The Foundation adopted the provisions of ASC 740-10 (formerly FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*). The Foundation files a Form 990 (Return of Organization Exempt from Income Tax) annually. When these returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the tax position taken or the amount of the position that would ultimately be sustained. Examples of tax positions common to nonprofit organizations include such matters as the following: the tax exempt status of each entity and various positions relative to potential sources of unrelated business taxable income (UBIT). UBIT is reported on Form 990-T, as appropriate. The benefit of tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes that it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any.

Tax positions are not offset or aggregated with other positions. Tax positions that meet the "more likely than not" recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely to be realized on settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for uncertain tax benefits in the accompanying statement of financial position along with any associated interest and penalties that would be payable to the taxing authorities upon examination. As of December 31, 2010 and 2009, there were no uncertain tax benefits identified and recorded as a liability.

Forms 990 and 990-T filed by the Foundation are subject to examination by the Internal Revenue Service (IRS) up to three years from the extended due date of each return. Forms 990 and 990-T filed by the Foundation are no longer subject to examination for the fiscal years ended December 31, 2006 and prior.

**Community Foundation of the  
Great River Bend Corporation  
and Subsidiary**

**Notes to Consolidated Financial Statements**

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

Current accounting pronouncements: In January 2010, the FASB issued ASU 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*. The ASU requires new disclosures on transfers into and out of Level 1 and 2 of the fair value hierarchy and requires separate disclosures about purchases, sales, issuances and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosures relating to the level of disaggregation and inputs and valuation techniques used to measure fair value. The ASU is effective for the Foundation for the year ending December 31, 2010, except for the requirement to provide Level 3 activity of purchases, sales, issuances and settlements on a gross basis, which will be effective for fiscal years beginning after December 15, 2010. The additional disclosures required by this ASU have been provided in the Fair Value Measurements note to these financial statements and the adoption did not have a material impact on the consolidated financial statements overall. The adoption of the remaining provisions of the ASU is also not expected to have a material impact on the consolidated financial statements.

Subsequent events: The Foundation has evaluated subsequent events through April 29, 2011, the date on which the financial statements were available to be issued.

**Note 2. Investments**

Investments as of December 31, 2010 and 2009 are as follows:

|   | 2010                 | 2009                 |
|---|----------------------|----------------------|
| Investments at fair value:              |                      |                      |
| Money market funds and commercial paper | \$ 5,635,021         | \$ 6,871,404         |
| Debt securities:                        |                      |                      |
| U.S. government securities              | 778,802              | 1,131,710            |
| Corporate bonds                         | 6,004,601            | 5,581,136            |
| Fixed income funds                      | 8,720,935            | 4,340,295            |
|   | <u>15,504,338</u>    | <u>11,053,141</u>    |
| Stocks:                                 |                      |                      |
| Common stocks                           | 14,087,817           | 10,750,135           |
| Equity funds                            | 27,859,114           | 21,128,185           |
|   | <u>41,946,931</u>    | <u>31,878,320</u>    |
| Interest in other community foundation  | <u>1,909,837</u>     | <u>1,724,590</u>     |
| Other investments:                      |                      |                      |
| Cash surrender value of life insurance  | 392,481              | 376,592              |
| Land and real estate                    | 1,400,000            | -                    |
|   | <u>\$ 66,788,608</u> | <u>\$ 51,904,047</u> |

**Community Foundation of the  
Great River Bend Corporation  
and Subsidiary**

**Notes to Consolidated Financial Statements**

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**Note 2. Investments (Continued)**

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:

|                    | 2010                | 2009                |
|--------------------|---------------------|---------------------|
| Money market funds | \$ 20,256           | \$ 38,950           |
| Debt securities    | 283,138             | 261,574             |
| Stocks             | 1,365,221           | 1,288,565           |
|                    | <u>\$ 1,668,615</u> | <u>\$ 1,589,089</u> |

**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, 2010 and 2009, using discount rates ranging from 5% to 11%, as provided in the Internal Revenue Service guidelines and actuarial tables, is \$975,336 and \$953,218, respectively.

**Note 4. Lease Commitment and Rent Expense**

The Foundation has a lease for office space that commenced on April 1, 2007 and is valid through December 31, 2012, with an option to renew through December 31, 2016. Rent payments and the lease commitment are required as follows:

|                          | Rent<br>Per Month | Lease<br>Commitment |
|--------------------------|-------------------|---------------------|
| Year ending December 31: |                   |                     |
| 2011                     | \$ 5,843          | \$ 70,116           |
| 2012                     | 5,843             | 70,116              |
|                          |                   | <u>\$ 140,232</u>   |

Total rent expense for the years ended December 31, 2010 and 2009 was \$56,502 and \$47,632 respectively.

**Community Foundation of the  
Great River Bend Corporation  
and Subsidiary**

**Notes to Consolidated Financial Statements**

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**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 \$74,000,000 and \$71,000,000 as of December 31, 2010 and 2009, respectively.

**Note 6. Employee Benefits**

The Foundation provides a Savings Incentive Match Plan for employees. 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, 2010 and 2009 was \$15,054 and \$12,956, respectively.

**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 \$12,957 and \$11,779 for the years ended December 31, 2010 and 2009, respectively. These officers can elect to contribute additional portions of their salary to these agreements. For the years ended December 31, 2010 and 2009, 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, 2010 and 2009 consist of:

|  | 2010                | 2009                |
|--|---------------------|---------------------|
| Charitable remainder unitrusts           | \$ 3,396,335        | \$ 3,221,900        |
| Nabstedt Educational Fund, student loans | 703,544             | 651,430             |
|  | <u>\$ 4,099,879</u> | <u>\$ 3,873,330</u> |

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, 2010 and 2009 were as follows:

|                                | 2010             | 2009             |
|--------------------------------|------------------|------------------|
| Foundation administrative fees | \$ 20,163        | \$ 17,640        |
| Other                          | 1,442            | 2,254            |
|                                | <u>\$ 21,605</u> | <u>\$ 19,894</u> |

**Community Foundation of the  
Great River Bend Corporation  
and Subsidiary**

**Notes to Consolidated Financial Statements**

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**Note 8. Temporarily Restricted Net Assets (Continued)**

The Foundation has received many field of interest and donor-advised funds for which the donor has expressed their preferred use for the fund. However, due to the variance power in the Foundation's by-laws these funds are shown as unrestricted. Absent any unusual and unforeseen circumstances, the Board of Directors intends to use these funds for the purpose expressed by the donor. Included in these funds are field of interest funds with a value of \$2,797,968 and \$2,595,313 as of December 31, 2010 and 2009, respectively, which are intended for use in the state of Illinois.

**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, 2010 and 2009 include expenses of approximately \$42,839 and \$40,127, respectively, for activities undertaken to cultivate potential donors to contribute money, services, other assets or time.

**Note 10. Fair Value Measurements**

Accounting guidance defines fair value, establishes a framework for measuring fair value using a hierarchy system and requires disclosure of fair value measurements. The hierarchy is intended to maximize the use of observable inputs and minimize the use of unobservable inputs and includes three levels based upon the valuation techniques used. The three levels are 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, certain mutual funds 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 and are classified as level 2 of the valuation hierarchy. 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. The value of the Foundation's interest in other community foundation is derived from the value of the investments held by that other community foundation which includes certain private equity and hedge investment funds that do not have a readily determinable fair value. As such this interest in other community foundation is classified as a level 3 investment. Those funds provide the other community foundation with a net asset value per share which is used to value those investments.

**Community Foundation of the  
Great River Bend Corporation  
and Subsidiary**

**Notes to Consolidated Financial Statements**

**Note 10. Fair Value Measurements (Continued)**

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. One charitable remainder unitrust includes land in the underlying investments which is valued based on an estimated price per acre for the area, therefore that charitable remainder unitrust is classified as level 3.

There have been no changes in valuation techniques used for any assets or liabilities measured at fair value during the year ended December 31, 2010.

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

The following tables summarize significant assets measured at fair value on a recurring basis as of December 31, 2010 and 2009, 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, 2010 Using |  |  |  |
|---|---|--|--|--|
|   | Fair Value  | Quoted Prices<br>in Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <b>Assets:</b>  |   |  |  |  |
| <b>Investments:</b>   |   |  |  |  |
| Money market funds and<br>commercial paper                      | \$ 5,635,021  | \$ 5,635,021   | \$ -   | \$ -   |
| <b>Debt securities:</b>   |   |  |  |  |
| U.S. government securities                                      | 778,802   | -  | 778,802  | -  |
| Corporate bonds   | 6,004,601   | -  | 6,004,601  | -  |
| Fixed income funds  | 8,720,935   | 8,712,099  | 8,836  | -  |
|   | 15,504,338  | 8,712,099  | 6,792,239  | -  |
| <b>Stocks:</b>  |   |  |  |  |
| Common stocks   | 14,087,817  | 13,814,005   | 273,812  | -  |
| Equity funds  | 27,859,114  | 27,859,114   | -  | -  |
|   | 41,946,931  | 41,673,119   | 273,812  | -  |
| Interest in other community foundation                          | 1,909,837   | -  | -  | 1,909,837  |
|   | \$ 64,996,127   | \$ 56,020,239  | \$ 7,066,051   | \$ 1,909,837                                       |
| Contributions receivable from<br>charitable remainder unitrusts | \$ 2,405,698  | \$ -   | \$ 1,109,698   | \$ 1,296,000                                       |

There were no transfers of assets between levels 1, 2 and 3 of the fair value hierarchy during the year ended December 31, 2010.

**Community Foundation of the  
Great River Bend Corporation  
and Subsidiary**

**Notes to Consolidated Financial Statements**

**Note 10. Fair Value Measurements (Continued)**

|   | Fair Value Measurements as of December 31, 2009 Using |  |  |  |
|---|---|--|--|--|
|   | Fair Value  | Quoted Prices<br>in Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Assets:   |   |  |  |  |
| Investments:  |   |  |  |  |
| Money market funds and<br>commercial paper                      | \$ 6,871,404  | \$ 6,871,404   | \$ -   | \$ -   |
| Debt securities:  |   |  |  |  |
| U.S. government securities                                      | 1,131,710   | -  | 1,131,710  | -  |
| Corporate bonds   | 5,581,136   | -  | 5,581,136  | -  |
| Fixed income funds  | 4,340,295   | 2,324,284  | 2,016,011  | -  |
|   | 11,053,141  | 2,324,284  | 8,728,857  | -  |
| Stocks:   |   |  |  |  |
| Common stocks   | 10,750,135  | 10,750,135   | -  | -  |
| Equity funds  | 21,128,185  | 21,128,185   | -  | -  |
|   | 31,878,320  | 31,878,320   | -  | -  |
| Interest in other community foundation                          | 1,724,590   | -  | -  | 1,724,590  |
|   | \$ 51,527,455   | \$ 41,074,008  | \$ 8,728,857   | \$ 1,724,590                                       |
| Contributions receivable from<br>charitable remainder unitrusts | \$ 2,274,551  | \$ -   | \$ 1,145,322   | \$ 1,129,229                                       |

The following tables present additional information about assets and liabilities measured at fair value on a recurring basis for which the Foundation has utilized level 3 inputs to determine fair value.

|  | Investments  | Contributions<br>Receivable<br>From Charitable<br>Remainder Unitrust |
|--|--------------|--|
| Ending balance, December 31, 2009  | \$ 1,724,590 | \$ 1,129,229   |
| Total gains or losses (realized/unrealized) included in change in net assets   | 160,129      | -  |
| Change in value of split interest agreement  | -            | 166,771  |
| Purchases, sales, issuances and settlements, net   | 25,118       | -  |
| Ending balance, December 31, 2010  | \$ 1,909,837 | \$ 1,296,000   |
| Total gains or losses included in change in net assets attributable to the<br>change in unrealized gains or losses relating to financial instruments<br>still held as of December 31, 2010 | \$ 232,676   | \$ 166,771   |

**Community Foundation of the  
Great River Bend Corporation  
and Subsidiary**

**Notes to Consolidated Financial Statements**

**Note 10. Fair Value Measurements (Continued)**

|  | Investments         | Contributions<br>Receivable<br>From Charitable<br>Remainder Unitrust |
|--|---------------------|--|
| Ending balance, December 31, 2008  | \$ 1,361,889        | \$ -   |
| Total gains or losses (realized/unrealized) included in change in net assets   | 310,165             | -  |
| Contribution received  | -                   | 1,000,000  |
| Change in value of split interest agreement  | -                   | 129,229  |
| Purchases, sales, issuances and settlements, net   | 52,536              | -  |
| Ending balance, December 31, 2009  | <u>\$ 1,724,590</u> | <u>\$ 1,129,229</u>  |
| <br>   |                     |  |
| Total gains or losses included in change in net assets attributable to the<br>change in unrealized gains or losses relating to financial instruments<br>still held as of December 31, 2009 | <u>\$ 400,656</u>   | <u>\$ -</u>  |

**Investments valued using net asset value:**

The following table sets forth further disclosure of the Foundation's investments whose fair value is estimated using net asset value (NAV) per share (or its equivalent) as of December 31, 2010:

| Investment                                    | Fair Value          | Unfunded<br>Commitment | Redemption<br>Frequency | Redemption<br>Notice Period |
|---|---------------------|------------------------|-------------------------|-----------------------------|
| Interest in other community<br>foundation (A) | \$ 1,909,837        | \$ -                   | Monthly                 | N/A                         |
| First Midwest large cap equity (B)            | 710,158             | -                      | Twice a month           | N/A                         |
|   | <u>\$ 2,619,995</u> | <u>\$ -</u>            |                         |                             |

- (A) This fund invests in mainly U.S. equity, non U.S. equity, hedge funds and U.S. fixed income securities. This fund can be redeemed at the month-end asset value per share based on the fair value of the underlying assets. The fair value of this investment has been estimated using the net asset value per share of the investment provided by the other community foundation.
- (B) This fund invests in marketable equities that are exchange traded in the United States of America (USA) and that are large cap. These funds can be redeemed twice a month at the net asset value per share based on the fair value of the underlying assets. The fair value of this investment has been estimated using the net asset value per share of the investment provided by the fund manager.

**Community Foundation of the  
Great River Bend Corporation  
and Subsidiary**

**Notes to Consolidated Financial Statements**

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**Note 11. Investment Funds**

The Foundation's investment funds consist of over 625 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.

**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  
Great River Bend Corporation  
and Subsidiary**

**Notes to Consolidated Financial Statements**

**Note 11. Investment Funds (Continued)**

**Net asset composition by type of fund as of December 31, 2010:**

|                        | Unrestricted         | Temporarily<br>Restricted | Total                |
|------------------------|----------------------|---------------------------|----------------------|
| Donor-restricted funds | \$ -                 | \$ 703,544                | \$ 703,544           |
| Time-restricted funds  | -                    | 3,396,335                 | 3,396,335            |
| Undesignated funds     | 60,139,803           | -                         | 60,139,803           |
| <b>Total</b>           | <b>\$ 60,139,803</b> | <b>\$ 4,099,879</b>       | <b>\$ 64,239,682</b> |

**Net asset composition by type of fund as of December 31, 2009:**

|                        | Unrestricted         | Temporarily<br>Restricted | Total                |
|------------------------|----------------------|---------------------------|----------------------|
| Donor-restricted funds | \$ -                 | \$ 651,430                | \$ 651,430           |
| Time-restricted funds  | -                    | 3,221,900                 | 3,221,900            |
| Undesignated funds     | 50,398,762           | -                         | 50,398,762           |
| <b>Total</b>           | <b>\$ 50,398,762</b> | <b>\$ 3,873,330</b>       | <b>\$ 54,272,092</b> |

**Changes in net assets for the years ended December 31, 2010 and 2009:**

|  | Unrestricted     | Temporarily<br>Restricted | Total            |
|--|------------------|---------------------------|------------------|
| Net assets, December 31, 2008              | \$ 38,754,953    | \$ 2,899,416              | \$ 41,654,369    |
| Investment return:                         |                  |                           |                  |
| Investment income                          | 868,520          | 41,696                    | 910,216          |
| Net appreciation (realized and unrealized) | 6,443,561        | 443,216                   | 6,886,777        |
| <b>Total investment return</b>             | <b>7,312,081</b> | <b>484,912</b>            | <b>7,796,993</b> |
| Contributions                              | 8,621,452        | 1,000,000                 | 9,621,452        |
| Appropriation of assets for expenditures   | (4,980,241)      | (19,894)                  | (5,000,135)      |
| Other changes                              | 690,517          | (491,104)                 | 199,413          |
| Net assets, December 31, 2009              | 50,398,762       | 3,873,330                 | 54,272,092       |
| Investment return:                         |                  |                           |                  |
| Investment income                          | 972,241          | 39,591                    | 1,011,832        |
| Net appreciation (realized and unrealized) | 4,824,733        | 239,363                   | 5,064,096        |
| <b>Total investment return</b>             | <b>5,796,974</b> | <b>278,954</b>            | <b>6,075,928</b> |
| Contributions                              | 9,561,221        | -                         | 9,561,221        |
| Appropriation of assets for expenditures   | (5,789,915)      | (21,605)                  | (5,811,520)      |
| Other changes                              | 172,761          | (30,800)                  | 141,961          |
| Net assets, December 31, 2010              | \$ 60,139,803    | \$ 4,099,879              | \$ 64,239,682    |



**Independent Auditor's Report  
on the Supplementary Information**

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

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating and other supplementary information is presented for purposes of additional analysis of the basic consolidated financial statements rather than to present the results of operations of the individual entities or funds. The consolidating and other supplementary information as of and for the years ended December 31, 2010 through 2005 has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

*McGladrey & Pullen, LLP*

Davenport, Iowa  
April 29, 2011

**Community Foundation of the  
Great River Bend Corporation  
and Subsidiary**

**Consolidating Statement of Activities Detail  
Year Ended December 31, 2010**

|   | Unrestricted         | Charitable<br>Giving<br>Fund |
|---|----------------------|------------------------------|
| Support and revenue:                          |                      |                              |
| Contributions                                 | \$ 4,174,610         | \$ 1,143,454                 |
| Investment income, net of investment expenses | 732,995              | 94,839                       |
| Net appreciation in fair value of investments | 3,841,433            | 271,915                      |
| Other income                                  | 88,778               | 12,281                       |
| Change in value of split-interest agreements  | 31,141               | -                            |
| Interfund transfers                           | 87,392               | (38,374)                     |
|   | <u>8,956,349</u>     | <u>1,484,115</u>             |
| Net assets released from restrictions         | <u>21,605</u>        | <u>-</u>                     |
| <b>Total support and revenue</b>              | <u>8,977,954</u>     | <u>1,484,115</u>             |
| Grants and expenses:                          |                      |                              |
| Grants  | 1,372,456            | 1,704,114                    |
| Management and development                    | 860,477              | -                            |
| Other expenses                                | 50,831               | 116,586                      |
| <b>Total grants and expenses</b>              | <u>2,283,764</u>     | <u>1,820,700</u>             |
| <b>Increase (decrease) in net assets</b>      | 6,694,190            | (336,585)                    |
| Net assets:                                   |                      |                              |
| Beginning                                     | 35,796,910           | 6,669,545                    |
| Ending  | <u>\$ 42,491,100</u> | <u>\$ 6,332,960</u>          |

| Realty<br>Holdings, Inc. | Affiliates   | Total<br>Unrestricted | Temporarily<br>Restricted | Total         |
|--------------------------|--------------|-----------------------|---------------------------|---------------|
| \$ 1,400,000             | \$ 2,843,157 | \$ 9,561,221          | \$ -                      | \$ 9,561,221  |
| 10                       | 144,397      | 972,241               | 39,591                    | 1,011,832     |
| -                        | 711,385      | 4,824,733             | 239,363                   | 5,064,096     |
| 56,863                   | 12,709       | 170,631               | -                         | 170,631       |
| -                        | (29,011)     | 2,130                 | (30,800)                  | (28,670)      |
| (43,500)                 | (5,518)      | -                     | -                         | -             |
| 1,413,373                | 3,677,119    | 15,530,956            | 248,154                   | 15,779,110    |
| -                        | -            | 21,605                | (21,605)                  | -             |
| 1,413,373                | 3,677,119    | 15,552,561            | 226,549                   | 15,779,110    |
| -                        | 1,626,732    | 4,703,302             | -                         | 4,703,302     |
| -                        | -            | 860,477               | -                         | 860,477       |
| 15,504                   | 64,820       | 247,741               | -                         | 247,741       |
| 15,504                   | 1,691,552    | 5,811,520             | -                         | 5,811,520     |
| 1,397,869                | 1,985,567    | 9,741,041             | 226,549                   | 9,967,590     |
| 310                      | 7,931,997    | 50,398,762            | 3,873,330                 | 54,272,092    |
| \$ 1,398,179             | \$ 9,917,564 | \$ 60,139,803         | \$ 4,099,879              | \$ 64,239,682 |

**Community Foundation of the  
Great River Bend Corporation  
and Subsidiary**

**Consolidating Statement of Activities Detail  
Year Ended December 31, 2009**

|   | Unrestricted         | Charitable<br>Giving<br>Fund |
|---|----------------------|------------------------------|
| Support and revenue:                          |                      |                              |
| Contributions                                 | \$ 5,141,240         | \$ 1,017,417                 |
| Investment income, net of investment expenses | 604,004              | 153,952                      |
| Net appreciation in fair value of investments | 5,027,451            | 559,101                      |
| Other income                                  | 44,573               | 8,317                        |
| Change in value of split-interest agreements  | 72,607               | -                            |
| Interfund transfers                           | 168,578              | (80,057)                     |
|   | <u>11,058,453</u>    | <u>1,658,730</u>             |
| Net assets released from restrictions         | <u>19,894</u>        | -                            |
| <b>Total support and revenue</b>              | <u>11,078,347</u>    | <u>1,658,730</u>             |
| Grants and expenses:                          |                      |                              |
| Grants  | 1,065,554            | 1,607,525                    |
| Management and development                    | 812,253              | -                            |
| Other expenses                                | 34,521               | 60,061                       |
| <b>Total grants and expenses</b>              | <u>1,912,328</u>     | <u>1,667,586</u>             |
| Change in donor restriction                   | <u>559,604</u>       | -                            |
| <b>Increase (decrease) in net assets</b>      | <u>9,725,623</u>     | <u>(8,856)</u>               |
| Net assets:                                   |                      |                              |
| Beginning                                     | 26,071,287           | 6,678,401                    |
| Ending  | <u>\$ 35,796,910</u> | <u>\$ 6,669,545</u>          |

| Realty Holdings, Inc. | Affiliates   | Total Unrestricted | Temporarily Restricted | Total         |
|-----------------------|--------------|--------------------|------------------------|---------------|
| \$ -                  | \$ 2,462,795 | \$ 8,621,452       | \$ 1,000,000           | \$ 9,621,452  |
| -                     | 110,564      | 868,520            | 41,696                 | 910,216       |
| -                     | 857,009      | 6,443,561          | 443,216                | 6,886,777     |
| -                     | 16,975       | 69,865             | -                      | 69,865        |
| -                     | (11,559)     | 61,048             | 68,500                 | 129,548       |
| 2,500                 | (91,021)     | -                  | -                      | -             |
| 2,500                 | 3,344,763    | 16,064,446         | 1,553,412              | 17,617,858    |
| -                     | -            | 19,894             | (19,894)               | -             |
| 2,500                 | 3,344,763    | 16,084,340         | 1,533,518              | 17,617,858    |
| -                     | 1,262,121    | 3,935,200          | -                      | 3,935,200     |
| -                     | -            | 812,253            | -                      | 812,253       |
| 2,429                 | 155,671      | 252,682            | -                      | 252,682       |
| 2,429                 | 1,417,792    | 5,000,135          | -                      | 5,000,135     |
| -                     | -            | 559,604            | (559,604)              | -             |
| 71                    | 1,926,971    | 11,643,809         | 973,914                | 12,617,723    |
| 239                   | 6,005,026    | 38,754,953         | 2,899,416              | 41,654,369    |
| \$ 310                | \$ 7,931,997 | \$ 50,398,762      | \$ 3,873,330           | \$ 54,272,092 |

**Community Foundation of the  
Great River Bend Corporation  
and Subsidiary**

**Comparative Financial Statistics**

|                                     | <b>2010</b>          | 2009          | 2008          |
|-------------------------------------|----------------------|---------------|---------------|
| Total assets                        | <b>\$ 72,894,000</b> | \$ 60,780,000 | \$ 45,840,000 |
| % increase (decrease)               | <b>20%</b>           | 33%           | (13%)         |
| Net assets                          | <b>\$ 64,240,000</b> | \$ 54,272,000 | \$ 41,654,000 |
| Contributions                       | <b>9,561,000</b>     | 9,621,000     | 8,879,000     |
| Total investments                   | <b>66,789,000</b>    | 51,904,000    | 41,765,000    |
| Rate of return, endowment pool      | <b>14%</b>           | 22%           | (25%)         |
| Grants                              | <b>\$ 4,703,000</b>  | \$ 3,935,000  | \$ 3,017,000  |
| Management and development expenses | <b>860,000</b>       | 812,000       | 723,000       |
| % to total assets, beginning        | <b>1.41%</b>         | 1.77%         | 1.37%         |

| 2007                 | 2006                 | 2005                 |
|----------------------|----------------------|----------------------|
| <u>\$ 52,821,000</u> | <u>\$ 42,923,000</u> | <u>\$ 37,753,000</u> |
| 23%                  | 14%                  | 23%                  |
| \$ 47,547,827        | \$ 39,420,429        | \$ 34,955,000        |
| 8,817,000            | 3,597,000            | 7,317,000            |
| 48,430,000           | 40,223,000           | 34,735,000           |
| 8%                   | 11%                  | 6%                   |
| \$ 2,627,000         | \$ 2,170,000         | \$ 1,616,000         |
| 646,000              | 484,000              | 388,000              |
| 1.50%                | 1.28%                | 1.26%                |