

# Community Foundation of the Great River Bend Corporation and Subsidiary

Consolidated Financial Report

12.31.2007

**McGladrey & Pullen**  
Certified Public Accountants

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an affiliation of separate and independent legal entities.

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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, 2007 and 2006, 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, 2007 and 2006, 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  
May 1, 2008

Community Foundation of the  
Great River Bend Corporation  
and Subsidiary

Consolidated Statements of Financial Position  
December 31, 2007 and 2006

Assets	2007	2006
Cash	\$ 1,488,525	\$ 523,158
Accrued interest receivable and other assets	142,857	110,197
Contributions receivable, due within one year	1,100,000	433,000
Investments (Note 2)	48,429,518	40,222,672
Loans receivable, net of allowance for uncollectible loans of approximately \$8,000 in 2007 and 2006	268,930	288,667
Contribution receivable from charitable remainder unitrusts	1,311,668	1,327,940
Furniture and equipment, net of accumulated depreciation 2007 \$54,716; 2006 \$36,505	79,349	17,023
	\$ 52,820,847	\$ 42,922,657
<b>Liabilities and Net Assets</b>		
Liabilities:		
Funds held for organizations	\$ 3,247,440	\$ 1,607,899
Accounts payable and accrued expenses	66,346	15,564
Deferred compensation (Note 7)	90,309	82,144
Grants payable	267,500	82,812
Scholarships payable	68,250	66,625
Amounts due under annuity and trust agreements (Note 3)	1,533,175	1,647,184
	5,273,020	3,502,228
Commitments (Notes 4 and 6)		
Net assets:		
Unrestricted	43,676,563	35,556,425
Temporarily restricted (Note 8)	3,871,264	3,864,004
	47,547,827	39,420,429
	\$ 52,820,847	\$ 42,922,657

See Notes to Consolidated Financial Statements.

Community Foundation of the  
Great River Bend Corporation  
and Subsidiary

Consolidated Statements of Activities  
Years Ended December 31, 2007 and 2006

	2007		
	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions	\$ 8,816,748	\$ -	\$ 8,816,748
Investment income, net of investment expenses 2007 \$241,771; 2006 \$196,047	1,881,976	187,029	2,069,005
Net appreciation in fair value of investments	751,348	(43,995)	707,353
Other income	10,955	-	10,955
Change in value of split-interest agreements	(51,256)	(10,630)	(61,886)
	<u>11,409,771</u>	<u>132,404</u>	<u>11,542,175</u>
Net assets released from restrictions (Note 8)	125,144	(125,144)	-
<b>Total support and revenue</b>	<u>11,534,915</u>	<u>7,260</u>	<u>11,542,175</u>
Grants and expenses:			
Grants	2,626,968	-	2,626,968
Management and development (Note 9)	645,936	-	645,936
Other expenses	141,873	-	141,873
<b>Total grants and expenses</b>	<u>3,414,777</u>	<u>-</u>	<u>3,414,777</u>
<b>Increase in net assets</b>	<b>8,120,138</b>	<b>7,260</b>	<b>8,127,398</b>
Net assets:			
Beginning	35,556,425	3,864,004	39,420,429
Ending	<u>\$ 43,676,563</u>	<u>\$ 3,871,264</u>	<u>\$ 47,547,827</u>

See Notes to Consolidated Financial Statements.

See Supplementary Information for Detail.

2006		
Unrestricted	Temporarily Restricted	Total
\$ 3,346,338	\$ 250,960	\$ 3,597,298
1,327,790	168,073	1,495,863
1,993,588	319,671	2,313,259
27,785	-	27,785
(38,337)	(235,383)	(273,720)
6,657,164	503,321	7,160,485
33,567	(33,567)	-
6,690,731	469,754	7,160,485
2,170,263	-	2,170,263
484,124	-	484,124
40,636	-	40,636
2,695,023	-	2,695,023
3,995,708	469,754	4,465,462
31,560,717	3,394,250	34,954,967
\$ 35,556,425	\$ 3,864,004	\$ 39,420,429

Community Foundation of the  
Great River Bend Corporation  
and Subsidiary

Consolidated Statements of Cash Flows  
Years Ended December 31, 2007 and 2006

	2007	2006
Cash Flows from Operating Activities:		
Increase in net assets	\$ 8,127,398	\$ 4,465,462
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	18,211	6,018
Net (appreciation) in fair value of investments	(707,353)	(2,313,259)
Change in value of split-interest agreements	61,886	273,720
Donated investments	(3,181,473)	(1,425,526)
Addition to annuity and trust agreement liabilities	85,784	19,345
(Increase) in accrued interest receivable and other assets	(32,660)	(17,617)
(Increase) in contributions receivable	(667,000)	(92,000)
(Increase) decrease in contribution receivable from charitable remainder unitrusts	29,195	(250,960)
Increase (decrease) in accounts payable and accrued expenses	50,782	(1,553)
Increase in deferred compensation	8,165	20,983
Increase in grants payable	184,688	39,712
Increase in scholarships payable	1,625	3,250
<b>Net cash provided by operating activities</b>	<b>3,979,248</b>	<b>727,575</b>
Cash Flows from Investing Activities:		
Net (purchases), sales and maturities of investments	(4,261,312)	(1,667,841)
Payments received on loans receivables	50,937	32,287
Disbursements on loan receivables	(31,200)	(20,800)
Purchase of furniture and equipment	(80,537)	(9,535)
<b>Net cash (used in) investing activities</b>	<b>(4,322,112)</b>	<b>(1,665,889)</b>
Cash Flows from Financing Activities:		
Payment on annuity and trust agreements	(274,602)	(268,722)
Increase in amounts held for other organizations	1,582,833	462,285
<b>Net cash provided by financing activities</b>	<b>1,308,231</b>	<b>193,563</b>
<b>Net increase (decrease) in cash</b>	<b>965,367</b>	<b>(744,751)</b>
Cash:		
Beginning	523,158	1,267,909
Ending	<b>\$ 1,488,525</b>	<b>\$ 523,158</b>
Supplemental Disclosures of Noncash Financing Activities:		
Net (appreciation) in fair value of investments held for other organizations	\$ (56,708)	\$ (81,134)
Increase in amounts held for other organizations	56,708	81,134

See Notes to Consolidated Financial Statements.

Community Foundation of the  
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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, 2007 and 2006.

Community Foundation of the  
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Notes to Consolidated Financial Statements

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**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 market value as quoted on major stock exchanges on the last business day of the year. Other types of investments are carried at estimated realizable values.

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.

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Notes to Consolidated Financial Statements

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**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 eleven 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 \$4,032,000 and \$2,900,000 as of December 31, 2007 and 2006, 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.

New accounting pronouncements: 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, on February 1, 2008, FASB issued Staff Position No. FIN 48-2, which deferred the effective date to annual financial statements for fiscal years beginning after December 15, 2007 for nonpublic companies. The Foundation does not expect that the adoption of this Interpretation will have a material impact on its financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157 (SFAS 157), *Fair Value Measurements*. SFAS 157 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value and requires additional disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The FASB has adopted a one-year deferral for the implementation of the Statement for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. The Foundation does not expect that the adoption of this Statement will have a material impact on its financial statements.

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)**

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115*, which provides all entities, including not-for-profit organizations, with an option to report selected financial assets and liabilities at fair value. Certain specified items are eligible for the irrevocable fair value measurement option as established by Statement No. 159. SFAS 159 is effective as of the beginning of an entity's first fiscal year beginning after November 15, 2007. The Foundation is currently evaluating the impact that the adoption of this Statement will have on its financial statements.

**Note 2. Investments**

Investments at fair value as of December 31, 2007 and 2006 are as follows:

	2007	2006
Money market funds and commercial paper	\$ 8,237,659	\$ 4,255,999
Debt securities:		
U.S. government securities	2,324,062	2,782,107
Corporate bonds	4,043,758	3,625,436
Fixed income funds	4,616,584	3,740,903
	<u>10,984,404</u>	<u>10,148,446</u>
Stocks:		
Common stocks	11,072,114	9,342,938
Equity funds	17,741,405	16,161,788
	<u>28,813,519</u>	<u>25,504,726</u>
Other investments, cash surrender value of life insurance and land	393,936	313,501
	<u>\$ 48,429,518</u>	<u>\$ 40,222,672</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 four 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:

	2007	2006
Money market funds	\$ 45,873	\$ 43,370
Debt securities	489,597	489,394
Stocks	1,816,314	2,071,126
	<u>\$ 2,351,784</u>	<u>\$ 2,603,890</u>

Community Foundation of the  
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Notes to Consolidated Financial Statements

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**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, 2007 and 2006, using discount rates ranging from 5% to 11%, as provided in the Internal Revenue Service guidelines and actuarial tables, is \$1,533,175 and \$1,647,184, respectively.

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

The Foundation had a month to month lease agreement, ending in April of 2007 and rent expense for the years ended December 31, 2007 and 2006 was \$53,432 and \$19,695, respectively.

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:		
2008	\$ 4,675	\$ 56,100
2009	4,675	56,100
2010	5,259	63,108
2011	5,843	70,116
2012	5,843	70,116
		<u>\$ 315,540</u>

**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 \$31,475,000 and \$39,300,000 as of December 31, 2007 and 2006, 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, 2007 and 2006 was \$9,404 and \$6,897, respectively.

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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 \$8,610 and \$9,734 for the years ended December 31, 2007 and 2006, respectively. These officers can elect to contribute additional portions of their salary to these agreements. For the years ended December 31, 2007 and 2006, one officer elected prior to the beginning of the year to defer additional amounts of current compensation into the plan. During the year ended December 31, 2006, one officer 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, 2007 and 2006 consist of:

	2007	2006
Charitable remainder unitrusts	\$ 2,446,335	\$ 2,514,189
Nabstedt Educational Fund, student loans	697,068	667,781
Rotary Memorial Scholarship - Loan Program, student loans	727,861	682,034
	<u>\$ 3,871,264</u>	<u>\$ 3,864,004</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, 2007 and 2006 were as follows:

	2007	2006
Expiration of time restrictions	\$ 93,121	\$ -
Foundation administrative fees	29,977	30,718
Other	2,046	2,849
	<u>\$ 125,144</u>	<u>\$ 33,567</u>

**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, 2007 and 2006 include expenses for activities undertaken to cultivate potential donors to contribute money, services, other assets or time of approximately \$40,400 and \$38,100, respectively.