

*Lincoln Community Foundation, Inc.
and Controlled Organization
Lincoln, Nebraska*

December 31, 2010 and 2009

*Consolidated Financial Statements
and
Report of Independent Certified Public Accountants*

HBE

Becker Meyer Love LLP

Certified Public Accountants & Consultants

Lincoln Community Foundation, Inc. and Controlled Organization

Years ended December 31, 2010 and 2009

TABLE OF CONTENTS

	<u>Page No.</u>
Report of Independent Certified Public Accountants	1
Consolidated Statements of Financial Position	2
Consolidated Statements of Activities	3
Consolidated Statements of Cash Flows	4
Notes to Consolidated Financial Statements	5-17
Supplemental Information	
Consolidating Schedule of Financial Position	21
Consolidating Statement of Activities	22
Consolidating Schedule of Financial Position – Lincoln Community Foundation Funds Only	23
Consolidating Statement of Activities – Lincoln Community Foundation Funds Only	24



Becker Meyer Love LLP

Certified Public Accountants & Consultants

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
Lincoln Community Foundation, Inc. and Controlled Organization
Lincoln, Nebraska

We have audited the accompanying consolidated statement of financial position of the Lincoln Community Foundation, Inc. as of December 31, 2010, and the related consolidated statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The combined financial statements of Lincoln Community Foundation, Inc. as of December 31, 2009 were audited by other auditors whose report dated October 28, 2010 on those statements was unqualified.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Lincoln Community Foundation, Inc. as of December 31, 2010 and the changes in its net assets and cash flows for the year then ended in conformity with U.S. generally accepted auditing standards.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements of the Foundation taken as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

HBE Becker Meyer Love LLP

August 3, 2011

Lincoln Community Foundation, Inc. and Controlled Organization

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31,

ASSETS

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents (note A)	\$ 2,117,682	\$ 2,590,815
Certificates of deposit	3,661,363	5,858,369
Investments (notes A, C and D)	50,612,938	43,949,043
Beneficial interests in charitable trusts (notes D, E and F)	967,858	904,744
Unconditional promises to give (notes A, B and D)	125,842	121,489
Receivables (notes A and B)	280,883	1,709,627
Cash surrender value of life insurance	2,287,766	2,240,979
Property and equipment (notes A and E)	<u>4,417,184</u>	<u>4,776,822</u>
 Total assets	 <u>\$ 64,471,516</u>	 <u>\$ 62,151,888</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 682,209	\$ 666,343
Annuities and trusts payable (note D)	<u>840,128</u>	<u>836,054</u>
 Total liabilities	 <u>1,522,337</u>	 <u>1,502,397</u>
 NET ASSETS (note A)		
Unrestricted	56,967,236	54,481,251
Temporarily restricted (note D)	<u>5,981,943</u>	<u>6,168,240</u>
 Total net assets	 <u>62,949,179</u>	 <u>60,649,491</u>
 Total liabilities and net assets	 <u>\$ 64,471,516</u>	 <u>\$ 62,151,888</u>

See accompanying notes to consolidated financial statements.

Lincoln Community Foundation, Inc. and Controlled Organization

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Cash received from revenue and support	\$ 2,537,133	\$ 5,456,158
Cash paid to employees and vendors	(1,492,813)	(2,833,839)
Cash paid as grant disbursements	(2,746,051)	(3,719,941)
Investment income received	10,873	34,332
Net cash used by operating activities	<u>(1,690,858)</u>	<u>(1,063,290)</u>
Cash flows from investing activities		
Sales (purchases) of investments	1,397,413	(296,177)
Purchase of property and equipment	(56,681)	(156,113)
Net cash provided (used) by investing activities	<u>1,340,732</u>	<u>(452,290)</u>
Cash flows from financing activities		
Payments on annuities and trusts payable	(96,853)	(101,240)
Net decrease in cash and cash equivalents	(446,979)	(1,616,820)
Cash and cash equivalents at beginning of year	<u>2,564,661</u>	<u>4,207,635</u>
Cash and cash equivalents at end of year	<u>\$ 2,117,682</u>	<u>\$ 2,590,815</u>
Reconciliation of increase in net assets to net cash provided by operating activities		
Increase in net assets	<u>\$ 3,831,608</u>	<u>\$ 3,874,509</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	263,942	280,053
Realized and unrealized gains on investments	(6,253,168)	(5,595,475)
Reinvested interest and dividends	(955,298)	-
Actuarial gain on annuities	26,988	370,824
(Increase) decrease in assets		
Unconditional promises to give	(4,353)	3,928
Receivables	1,428,744	1,466,853
Cash surrender value of life insurance	(46,787)	(150,239)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	17,466	86,251
Annuities and trusts payable	-	163,130
Funds held for agencies	-	(1,563,124)
Total adjustments to increase in net assets	<u>(5,522,466)</u>	<u>(4,937,799)</u>
Net cash used by operating activities	<u>\$ (1,690,858)</u>	<u>\$ (1,063,290)</u>

See accompanying notes to combined financial statements.

Lincoln Community Foundation, Inc. and Controlled Organization

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Lincoln Community Foundation, Inc. (the Foundation) was incorporated on April 11, 1955. The mission of the Foundation is to secure gifts to perpetually enrich and improve the Lincoln community for those who live and work here. The Foundation also owns and manages the Lincoln Community Foundation Building. The building is leased to tax-exempt organizations.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting. The accompanying consolidated financial statements have been prepared on the accrual method of accounting.

Principles of Consolidation. The financial statements for the year ended December 31, 2009 include the accounts and operations of the Foundation and its controlled organizations, Lincoln Foundation Donor Directed Depository, Inc. and the L.L. Coryell and Son Park Foundation, Inc. The Foundation exercised control over the L.L. Coryell and Son Park Foundation, Inc. by its ability to appoint the entities' board members. Lincoln Foundation Donor Directed Depository, Inc. has the same board as the Foundation's board. As of January 1, 2010, the Foundation no longer had the ability to appoint the L.L. Coryell and Son Park Foundation, Inc. board members. Therefore, the L.L. Coryell and Son Park Foundation, Inc. was not a controlled organization of the Foundation for the year ended December 31, 2010. The financial statements for the year ended December 31, 2010 include the accounts and operations of the Foundation and its controlled organization, Lincoln Foundation Donor Directed Depository, Inc. All material intercompany accounts and transactions have been eliminated in consolidation.

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

Unrestricted net assets. Net assets that are not subject to donor-imposed restrictions or for which the Foundation has variance power. Restricted net assets are reclassified to this category when the restrictions are met.

Temporarily restricted net assets. Net assets on which grantors or donors have placed restrictions regarding the use of the funds or the time period in which the funds can be used. When a time or purpose restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "net assets released from restrictions."

Permanently restricted net assets. Net assets, including contributions and any portion of investment income and appreciation that may not be spent pursuant to donor-imposed restrictions. There were no permanently restricted net assets at December 31, 2010 and 2009.

In August 2008, the Financial Accounting Standards Board issued guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). Disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA were also improved.

The State of Nebraska adopted UPMIFA effective September 1, 2007. The Foundation adopted the Financial Accounting Standards Board's guidance and required disclosures for the year ended December 31, 2008. The Board of Directors, on the advice of legal counsel, has determined that the majority of the Foundation's net assets do not meet the definition of "endowment" under UPMIFA. The Foundation is governed subject to the Governing Documents of the Foundation and most contributions are subject to the terms of the Governing Documents, including the Foundation's payout policy.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Asset Classification - Continued. Under the terms of the Governing Documents, the Board of Directors has the ability to distribute as much of the principal of the funds as the board in its sole discretion shall determine. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Organization and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Organization
- 7) The investment policies of the Organization

As a result of the ability to distribute principal, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement reporting purposes. Temporarily restricted net assets consist of split-interest agreements, unconditional promises to give, and donor-directed depository accounts. The Foundation currently holds no funds considered to be permanently restricted. Thus, all other funds are classified as unrestricted.

Endowment Investment and Spending Policies. The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the purchasing power of the endowment assets. The Foundation's investment and spending policies, which have been approved by the Foundation's Board of Directors, work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current investment objective is to achieve an annualized total return of 5% in excess of inflation as measured by the Consumer Price Index. The Foundation utilizes an asset allocation model of 63% equity, 30% fixed income, and 7% hard assets.

To satisfy its long-term return objectives, the Foundation utilizes a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy determines the amount of money distributable from the Foundation's various endowment funds for grant making, taking into account administrative costs. The spending rate at December 31, 2010 allows distributions for grant making at 4.25% of the sixteen-quarter net asset fund balance average. The Board approved payout rate for 2009 was 4.25% from January through August, and 4.00% from August through December. The spending rate is approved by the board of directors annually in order to take into account the effect of recent investment returns and long-term investment returns.

Cash and Cash Equivalents. For purposes of the statements of financial position, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be temporary cash investments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments. Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Receivables. Receivables are stated at the amount management expects to collect from the balance outstanding at year-end. Based on management's assessment of the credit history of the debtors having outstanding balances and the current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

Property and Equipment and Depreciation. Property and equipment are carried at cost, if purchased, and at fair market value at the date of contribution, if received by donation, less accumulated depreciation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives computed primarily on the straight-line method. It is the Foundation's policy to capitalize property and equipment over \$500. Buildings and improvements are depreciated over estimated lives of five to forty years. Furniture, fixtures and equipment are depreciated over estimated lives of three to seven years.

Promises to Give. Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Those expected to be collected in future years are recorded at present value of estimated future cash flows. Based upon a review of outstanding receivables and historical collection information, management has deemed no allowance is necessary for doubtful accounts.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise becomes unconditional.

Fair Value Measurements. The Financial Accounting Standards Board has issued guidance defining fair value, establishing a framework for measuring fair value and expanding disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Foundation utilizes a fair value hierarchy to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Lincoln Community Foundation, Inc. and Controlled Organization

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fair Value Measurements - Continued. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest priority level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

Income Taxes. Lincoln Community Foundation, Inc. and Lincoln Foundation Donor Directed Depository, Inc. are exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. As such, income earned in the performance of the organizations' exempt purposes is not subject to income tax. Any income earned through activities not related to the organizations' exempt purposes is subject to income tax at normal corporate rates.

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

NOTE B - UNCONDITIONAL PROMISES TO GIVE AND RECEIVABLES

Unconditional promises to give consist of donor pledges due in the following periods:

	2010	2009
Less than one year	\$ 2,000	\$ 2,000
One to five years	28,000	8,000
Five to fifteen years	50,000	22,000
Fifteen to twenty-five years	215,000	215,000
More than twenty-five years	133,760	187,122
	428,760	434,122
Less discount to present value (4.2% to 7.4%)	(302,918)	(312,633)
	<u>\$ 125,842</u>	<u>\$ 121,489</u>

Receivables consist of:

Note receivable	\$ 116,005	\$ 138,870
Estate receivables	50,932	935,000
Receivable from tenants	113,946	146,792
Other	-	488,965
	<u>\$ 280,883</u>	<u>\$ 1,709,627</u>

The note receivable originates from a bequest from an individual from the sale of land. Annual payments of \$17,320 including 5% interest are due through 2019.

Lincoln Community Foundation, Inc. and Controlled Organization

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE C - INVESTMENTS

Investments consist of the following:

	2010	
	<u>Cost</u>	<u>Market</u>
Marketable securities:		
U.S. Government bonds	\$ 3,249,574	\$ 3,357,562
Common stocks	100	105
Equity and fixed-income funds	<u>37,319,101</u>	<u>43,877,163</u>
	40,568,775	47,234,830
Nonmarketable securities:		
Alternative investments	<u>3,399,955</u>	<u>3,378,108</u>
	<u>\$ 43,968,730</u>	<u>\$ 50,612,938</u>

	2009	
	<u>Cost</u>	<u>Market</u>
Marketable securities:		
U.S. Government bonds	\$ 2,988,275	\$ 2,986,871
Common stocks	100	105
Equity and fixed-income funds	<u>23,328,692</u>	<u>24,914,497</u>
	26,317,067	27,901,473
Nonmarketable securities:		
Alternative investments	<u>16,130,779</u>	<u>16,047,570</u>
	<u>\$ 42,447,846</u>	<u>\$ 43,949,043</u>

Investment performance consists of the following:

	<u>2010</u>	<u>2009</u>
Interest and dividend income	\$ 976,996	\$ 1,051,607
Net realized and unrealized gains	<u>6,253,727</u>	<u>5,615,283</u>
	<u>\$ 7,230,723</u>	<u>\$ 6,666,890</u>

Lincoln Community Foundation, Inc. and Controlled Organization

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE D - FAIR VALUE OF ASSETS AND LIABILITIES

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in methodologies used during the years ended December 31, 2010 and 2009.

Mutual funds: Valued at the observable net asset value (NAV) of shares held by the Foundation at year end.

Municipal bonds: Valued using independent pricing models.

U.S. government and agency obligations: Valued using independent pricing models.

Common stock: Valued at the closing price reported on the active market on which the individual securities are traded.

Alternative investments: Valued based on the value of the underlying assets.

Unconditional promises to give: Valued using the estimated present value of future cash flows at historical discount rates.

Annuity agreements: Valued using the estimated present value of the annuity obligation. The Foundation has elected the fair value option for measuring annuity obligations. The discount rate of 1.8% (2010) and 3.4% (2009) and the actuarial assumptions used in calculating the annuity obligation are those provided in Internal Revenue Service guidelines and actuarial tables are updated each period the obligations are valued.

The following table sets forth the balances of assets and liabilities measured at fair value on a recurring basis at December 31, 2010 and 2009.

<u>December 31, 2010</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments:				
Common stocks	\$ 105	\$ 105	\$ -	\$ -
Mutual funds				
Equity	35,771,454	35,771,454	-	-
Fixed income	79,333	79,333	-	-
Balanced	1,169,188	1,169,188	-	-
U.S. Government bonds	3,357,562	-	3,357,562	-
Municipal and local bonds	6,857,188	-	6,857,188	-
Alternative investment funds	3,378,108	-	-	3,378,108
	<u>\$ 50,612,938</u>	<u>\$ 37,020,080</u>	<u>\$ 10,214,750</u>	<u>\$ 3,378,108</u>
Beneficial interest in charitable trust	<u>\$ 967,858</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 967,858</u>
Unconditional promises to give receivable	<u>\$ 125,842</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,842</u>
Annuities and trust payable	<u>\$ 840,128</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 840,128</u>
Unconditional promises to give to others	<u>\$ 138,613</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 138,613</u>

Lincoln Community Foundation, Inc. and Controlled Organization

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE D - FAIR VALUE OF ASSETS AND LIABILITIES - CONTINUED

<u>December 31, 2009</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets:				
Common stocks	\$ 105	\$ 105	\$ -	\$ -
Mutual funds				
Equity	23,183,375	23,183,375	-	-
Fixed income	516,673	516,673	-	-
Balanced	1,214,449	1,214,449	-	-
U.S. Government bonds	2,986,871	-	2,986,871	-
Alternative investment funds	16,047,570	-	-	16,047,570
	<u>\$ 43,949,043</u>	<u>\$ 24,914,602</u>	<u>\$ 2,986,871</u>	<u>\$ 16,047,570</u>
Total assets				
Beneficial interest in charitable trust	<u>\$ 904,744</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 904,744</u>
Unconditional promises to give	<u>\$ 121,489</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,489</u>
Annuities and trust payable	<u>\$ 836,054</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 836,054</u>

The following table sets forth a summary of changes in the fair value of the Foundation's level 3 assets for the years ended December 31, 2010 and 2009.

<u>December 31, 2010</u>	<u>Alternative Investment Funds</u>	<u>Beneficial Interest in Charitable trusts</u>	<u>Unconditional Promises to Give</u>	<u>Due to Annuitants</u>	<u>Unconditional Promises to Give Others</u>
Beginning balance	\$ 16,047,570	\$ 904,744	\$ 121,489	\$ 836,054	\$ -
Realized gains	66,080	-	-	-	-
Unrealized gains	61,358	-	-	-	-
Purchases	452,850	-	-	-	-
Distributions	(13,249,750)	-	-	-	-
Unconditional promises to give collected during the year	-	-	(5,362)	-	-
Unconditional promises to give awarded during the year	-	-	-	-	150,000
Change in discount of unconditional promises to give	-	-	9,715	-	(11,387)
Annuity liability released	-	-	-	(32,052)	-
Actuarial change in value of split-interest agreements	-	63,114	-	36,126	-
	<u>\$ 3,378,108</u>	<u>\$ 967,858</u>	<u>\$ 125,842</u>	<u>\$ 840,128</u>	<u>\$ 138,613</u>
Ending balance					

Lincoln Community Foundation, Inc. and Controlled Organization

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE D - FAIR VALUE OF ASSETS AND LIABILITIES - CONTINUED

<u>December 31, 2009</u>	<u>Alternative Investment Funds</u>	<u>Beneficial Interest in Charitable trusts</u>	<u>Unconditional Promises to Give</u>	<u>Due to Annuitants</u>
Beginning balance	\$ 20,137,011	\$ 675,661	\$ 125,417	\$ 774,164
Net realized and unrealized gains (losses)	462,995	-	-	-
Net purchases (sales)	(4,552,436)	-	-	-
Unconditional promises to give collected during the year	-	-	(11,525)	-
Change in discount of unconditional promises to give	-	-	7,597	-
Actuarial change in value of split- interest agreements	-	229,083	-	61,890
Ending balance	<u>\$ 16,047,570</u>	<u>\$ 904,744</u>	<u>\$ 121,489</u>	<u>\$ 836,054</u>

The net unrealized and realized gains and losses are included in investment performance on the consolidated statement of activities.

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment consists of:

	<u>2010</u>	<u>2009</u>
Land	\$ 641,294	\$ 698,229
Buildings and improvements	5,549,225	6,011,051
Furniture, fixture and equipment	394,469	403,299
	6,584,988	7,112,579
Less accumulated depreciation	<u>(2,167,804)</u>	<u>(2,335,757)</u>
	<u>\$ 4,417,184</u>	<u>\$ 4,776,822</u>

Depreciation expense for the years ended December 31, 2010 and 2009 was \$263,942 and \$280,053, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE F - SPLIT INTEREST AGREEMENTS

The Foundation has entered into irrevocable agreements (split-interest agreements) with donors where, in exchange for a gift from the donor, the Foundation provides an annuity to the donor or other designated beneficiaries for a specific period of time, usually the life of the donor.

A liability is recognized for the estimated present value of the annuity obligation and the contributed assets are recorded at their gross market value. The discount rate and actuarial assumptions used in calculating the annuity obligation are those provided in Internal Revenue Service (IRS) guidelines and actuarial tables. The discount rates used at December 31, 2010 and 2009 were 1.8% and 3.4%, respectively. The amount of the liability is adjusted annually in accordance with the IRS actuarial tables and a gain or loss is recorded to reflect the change in value.

For agreements where the Foundation is not the trustee, the Foundation has recorded an asset as a beneficial interest in charitable trusts.

For the years ended December 31, 2010 and 2009, there were no contributions for annuity agreements where the Foundation is a beneficiary.

If a gift annuity has a projected liability greater than the gift annuity's assets, the excess liability is the Foundation's and is recorded as a negative unrestricted net asset. For the year ended December 31, 2010, there was \$44,333 of negative equity related to annuities in this situation.

Assets of the Foundation, as derived from split-interest agreements, are as follows:

	<u>2010</u>	<u>2009</u>
Assets included in investments	<u>\$ 1,117,658</u>	<u>\$ 1,048,844</u>
Beneficial interest in charitable trusts	<u>\$ 967,858</u>	<u>\$ 904,744</u>

NOTE G - UNCONDITIONAL PROMISES TO GIVE

An unconditional promise to give others consists of a multi-year grant due in the following years:

2011	\$ 50,000
2012	50,000
2013	<u>50,000</u>
	150,000
Less discount to present value (4.25%)	<u>(11,387)</u>
	<u>\$ 138,613</u>

Lincoln Community Foundation, Inc. and Controlled Organization

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE H - TRANSACTIONS IN FUNDS HELD FOR AGENCIES

	<u>2010</u>	<u>2009</u>
Additions:		
Contributions	\$ -	\$ 5,062
Investment returns	-	63,323
Interfund transfers in/(out), net	-	(313,913)
Internal administrative fees	-	(21,514)
	<u>-</u>	<u>(267,042)</u>
Total additions	-	(267,042)
Deductions:		
Grant distributions	-	1,296,054
Investment expenses	-	28
	<u>-</u>	<u>1,296,082</u>
Total deductions	-	1,296,082
Change in balance	-	(1,563,124)
Funds held for agencies, beginning of year	-	1,563,124
	<u>-</u>	<u>1,563,124</u>
Funds held for agencies, end of year	<u>\$ -</u>	<u>\$ -</u>

NOTE I - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

Split-interest agreements	\$ 3,147,289	\$ 2,947,564
Donor-directed depository time restrictions	2,708,812	3,220,676
Unconditional promises to give	<u>125,842</u>	<u>-</u>
	<u>\$ 5,981,943</u>	<u>\$ 6,168,240</u>

NOTE J - INTENTIONS TO GIVE

The Foundation has received indications of gifts in the form of bequests which are revocable during the donors' lifetime or irrevocable for which a donation amount cannot be determined. Due to the uncertain nature of these intentions, the Foundation has not recognized a promise to give or contribution revenue for these gifts. The estimated total of revocable intentions to give were \$30,518,080 and \$31,518,080 at December 31, 2010 and 2009, respectively.

Lincoln Community Foundation, Inc. and Controlled Organization

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE K - ENDOWMENTS

All endowment net assets relate to donor-restricted endowment funds for which the Foundation has the ability to distribute principal, but is managing the funds in accordance with the donor's desire that the fund be perpetual in nature.

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance January 1, 2010	\$ 48,604,136	-	\$ -	\$ 48,604,136
Interest and dividends	949,823	-	-	949,823
Realized and unrealized gains	6,128,122	-	-	6,128,122
Contributions	261,112	-	-	261,112
Amounts appropriated for expenditure	<u>(3,044,592)</u>	<u>-</u>	<u>-</u>	<u>(3,044,592)</u>
Balance December 31, 2010	<u>\$ 52,898,601</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,898,601</u>

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

Balance January 1, 2009	\$ 44,208,658	-	\$ -	\$ 44,208,658
Interest and dividends	982,405	-	-	982,405
Realized and unrealized gains	5,391,588	-	-	5,391,588
Contributions	1,670,740	-	-	1,670,740
Amounts appropriated for expenditure	<u>(3,649,255)</u>	<u>-</u>	<u>-</u>	<u>(3,649,255)</u>
Balance December 31, 2009	<u>\$ 48,604,136</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,604,136</u>

NOTE L - OPERATING LEASES

As Lessee

On July 7, 2010, the Foundation entered into a 60-month operating lease for office equipment. Under the terms of the lease, monthly rent payments are \$555.

Future minimum lease payments for the years following December 31, 2010 are:

2011	\$ 6,660
2012	6,660
2013	6,660
2014	6,660
2015	<u>3,330</u>
	<u>\$ 29,970</u>

Lincoln Community Foundation, Inc. and Controlled Organization

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE L - OPERATING LEASES - CONTINUED

As Lessor

The Foundation has entered into lease agreements for office space. The leases with various non-profit organizations expire through 2016.

The financial statements include rent income of \$278,048 and \$277,596 for the years ended December 31, 2010 and 2009, respectively.

Future minimum lease revenue for the years following December 31, 2010 are:

2011	\$ 193,636
2012	167,897
2013	170,742
2014	158,469
2015	151,955
Thereafter	<u>45,981</u>
	<u>\$ 888,680</u>

NOTE M - RETIREMENT PLAN

The Foundation has a SEP-IRA plan covering eligible employees. The plan provides for matching contributions, approved by the Board of Directors annually. The Foundation contributed \$4,311 and \$15,564 to the retirement plan for the years ended December 31, 2010 and 2009, respectively.

NOTE N - CLASSIFICATION OF EXPENSES

The statements of activities disclose expenses by natural classification. The classification of expenses by function is as follows:

	<u>2010</u>	<u>2009</u>
Program services		
General	\$ 3,275,593	\$ 4,202,369
Building	454,507	435,533
Management and general	585,894	521,891
Fundraising	<u>305,205</u>	<u>360,297</u>
	<u>\$ 4,621,199</u>	<u>\$ 5,520,090</u>

NOTE O - CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of checking accounts and money market accounts at financial institutions. Accounts at each institution are insured by the FDIC up to \$250,000. The bank accounts, at times, exceeded federally insured limits. The Foundation has not experienced any losses on such accounts.

Lincoln Community Foundation, Inc. and Controlled Organization

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE P - INCOME TAXES

Lincoln Community Foundation, Inc. and Lincoln Foundation Donor Directed Depository, Inc. are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. For the years ended December 31, 2010 and 2009, there was no tax liability on unrelated business activity. The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Lincoln Community Foundation, Inc.'s and Lincoln Foundation Donor Directed Depository Inc.'s federal Returns of Organization Exempt from Income Tax (Form 990) for December 31, 2010, 2009, and 2008 are subject to examination by the IRS, generally for three years after they were filed.

NOTE Q - RECLASSIFICATIONS

Certain amounts in the year ended December 31, 2009 financial statements have been reclassified to conform with current year presentation. These reclassifications had no effect on the 2009 increase in net assets.

NOTE R - SUBSEQUENT EVENTS

Subsequent events have been evaluated through the audit report date, the date that the financial statements were available to be issued.

(This page left blank intentionally)

SUPPLEMENTAL INFORMATION

(This page left blank intentionally)

Lincoln Community Foundation, Inc. and Controlled Organization

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31,

ASSETS

	Lincoln Community Foundation, Inc.	Lincoln Foundation Donor Directed Depository, Inc.	Consolidated 2010	Consolidated 2009
ASSETS				
Cash and cash equivalents	\$ (591,130)	\$ 2,708,812	\$ 2,117,682	\$ 2,590,815
Certificates of deposit	3,661,363	-	3,661,363	5,858,369
Investments	50,612,938	-	50,612,938	43,949,043
Beneficial interests in charitable trusts	967,858	-	967,858	904,744
Unconditional promises to give	125,842	-	125,842	121,489
Receivables	280,883	-	280,883	1,709,627
Cash surrender value of life insurance	2,287,766	-	2,287,766	2,240,979
Property and equipment	4,417,184	-	4,417,184	4,776,822
	<u>\$ 61,762,704</u>	<u>\$ 2,708,812</u>	<u>\$ 64,471,516</u>	<u>\$ 62,151,888</u>
Total assets				

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 682,209	\$ -	\$ 682,209	\$ 666,343
Annuities and trusts payable, at fair value	840,128	-	840,128	836,054
	<u>1,522,337</u>	<u>-</u>	<u>1,522,337</u>	<u>1,502,397</u>
Total current liabilities				

NET ASSETS

Unrestricted	56,967,236	-	56,967,236	54,481,251
Temporarily restricted	3,273,131	2,708,812	5,981,943	6,168,240
	<u>60,240,367</u>	<u>2,708,812</u>	<u>62,949,179</u>	<u>60,649,491</u>
Total net assets				
Total liabilities and net assets	<u>\$ 61,762,704</u>	<u>\$ 2,708,812</u>	<u>\$ 64,471,516</u>	<u>\$ 62,151,888</u>

Lincoln Community Foundation, Inc. and Controlled Organization

CONSOLIDATING STATEMENT OF ACTIVITIES

Years ended December 31,

	Lincoln Community Foundation, Inc.	Lincoln Foundation Donor Directed Depository, Inc.	Subtotal	Eliminations	Consolidated 2010	Consolidated 2009
REVENUE AND SUPPORT						
Contributions	\$ 546,621	\$ 250,549	\$ 797,170	\$ -	\$ 797,170	\$ 1,891,435
Investment performance	7,231,282	(559)	7,230,723	-	7,230,723	6,666,890
Change in value of split-interest agreements	145,001	-	145,001	-	145,001	211,000
Other income	279,913	-	279,913	-	279,913	625,274
Internal administrative fee revenue	818,038	-	818,038	(818,038)	-	-
Interfund transfers	(946)	(724)	(1,670)	1,670	-	-
Total revenue and support	9,019,909	249,266	9,269,175	(816,368)	8,452,807	9,394,599
GRANT DISTRIBUTIONS	2,059,984	759,480	2,819,464	-	2,819,464	3,746,539
OTHER EXPENSES						
Investment expenses	57,416	1,186	58,602	-	58,602	51,597
Personnel and fringe benefits	738,418	-	738,418	-	738,418	762,632
Other expenses	740,309	464	740,773	-	740,773	679,269
Depreciation	263,942	-	263,942	-	263,942	280,053
Internal administrative fee expense	816,368	-	816,368	(816,368)	-	-
Total other expenses	2,616,453	1,650	2,618,103	(816,368)	1,801,735	1,773,551
Total expenses	4,676,437	761,130	5,437,567	(816,368)	4,621,199	5,520,090
Increase (decrease) in net assets	4,343,472	(511,864)	3,831,608	-	3,831,608	3,874,509
Net assets at beginning of year	55,896,895	3,220,676	59,117,571	-	59,117,571	56,774,982
Net assets at end of year						
Unrestricted	56,967,236	-	56,967,236	-	56,967,236	54,481,251
Temporarily restricted	3,273,131	2,708,812	5,981,943	-	5,981,943	6,168,240
Total net assets at end of year	\$ 60,240,367	\$ 2,708,812	\$ 62,949,179	\$ -	\$ 62,949,179	\$ 60,649,491

Lincoln Community Foundation, Inc. and Controlled Organization

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
LINCOLN COMMUNITY FOUNDATION, INC. FUNDS ONLY

December 31,

	Operations	Operating Endowment	Unrestricted/Discretionary Grant Funds	Donor Advised Funds	Field of Interest Funds	Scholarship Funds	Donor-Designated Funds	Split-Interest Agreement Funds	Building & Garden	LCF Total 2010	LCF Total 2009
ASSETS											
Cash and cash equivalents	\$ 983,440	\$ (3,189,026)	\$ 98,495	\$ 913,348	\$ 25,893	\$ 103,882	\$ 65,941	\$ (19,615)	\$ 424,512	\$ (591,130)	\$ (666,769)
Investments, certificates of deposit and cash surrender value of life insurance	300,193	7,081,384	8,445,949	2,621,269	13,860,839	6,458,956	14,010,600	3,360,424	422,453	56,562,067	50,693,402
Beneficial interests in charitable trusts	-	-	-	-	-	-	-	967,858	-	967,858	904,744
Contributions and other receivables	238,324	125,842	-	-	-	-	116,005	50,932	113,946	406,725	1,831,116
Property and equipment	-	-	-	-	-	-	-	-	4,178,860	4,417,184	4,624,445
Due from (to) other funds	-	3,242,679	-	-	-	(43,701)	-	(13,579)	(3,185,399)	-	-
Total assets	\$ 1,523,957	\$ 7,260,879	\$ 8,544,444	\$ 3,534,617	\$ 13,886,732	\$ 6,519,137	\$ 14,192,546	\$ 4,346,020	\$ 1,954,372	\$ 61,762,704	\$ 57,386,938
LIABILITIES											
Accounts payable and accrued expenses	\$ 19,254	-	-	\$ 120,000	\$ 138,613	\$ -	\$ -	\$ 402,936	\$ 1,406	682,209	653,989
Amortities and trusts payable	-	-	-	-	-	-	-	840,128	-	840,128	836,054
Total liabilities	19,254	-	-	120,000	138,613	-	-	1,243,064	1,406	1,522,337	1,490,043
NET ASSETS											
Unrestricted	1,504,703	7,135,037	8,544,444	3,414,617	13,748,119	6,519,137	14,192,546	(44,333)	1,952,966	56,967,236	52,949,331
Temporarily restricted	-	125,842	-	-	-	-	-	3,147,289	-	3,273,131	2,947,564
Total net assets	1,504,703	7,260,879	8,544,444	3,414,617	13,748,119	6,519,137	14,192,546	3,102,956	1,952,966	60,240,367	55,896,895
Total liabilities and net assets	\$ 1,523,957	\$ 7,260,879	\$ 8,544,444	\$ 3,534,617	\$ 13,886,732	\$ 6,519,137	\$ 14,192,546	\$ 4,346,020	\$ 1,954,372	\$ 61,762,704	\$ 57,386,938

Lincoln Community Foundation, Inc. and Controlled Organization

CONSOLIDATING STATEMENT OF ACTIVITIES
LINCOLN COMMUNITY FOUNDATION, INC. FUNDS ONLY

Years ended December 31,

	Operations	Operating Endowment	Unrestricted/ Discretionary Grand Funds	Donor Advised Funds	Field of Interest Funds	Scholarship Funds	Donor Designated Funds	Split-Interest Agreement Funds	Building & Garden	LCF Total 2010	LCF Total 2009
REVENUE AND SUPPORT											
Contributions	\$ -	\$ 26,307	\$ 63,144	\$ 212,765	\$ -	\$ 39,423	\$ 34,049	\$ 170,933	\$ -	\$ 546,621	\$ 1,603,085
Investment performance	5,090	932,813	1,134,928	370,518	1,851,244	813,186	1,935,305	132,216	55,982	7,231,282	6,567,669
Change in value of split-interest agreements	-	-	-	-	-	-	-	145,001	-	145,001	211,000
Other income	1,815	-	-	-	957	-	-	-	277,141	279,913	288,847
Internal administrative fee revenue	771,582	46,456	-	-	-	-	-	-	-	818,038	1,123,200
Interfund transfers	270,967	(224,457)	6,590	(248,230)	214,365	36,035	(172,001)	(114,202)	229,987	(946)	(45,178)
Total revenue and support	1,049,454	781,119	1,204,662	335,053	2,066,566	888,644	1,797,353	333,948	563,110	9,019,909	9,748,623
GRANT DISTRIBUTIONS											
Investment expenses	-	-	93,823	296,600	977,244	276,965	413,502	1,850	-	2,059,984	4,320,398
Personnel and fringe benefits	52,741	-	3,814	-	-	-	-	861	-	57,416	50,187
Other expenses	691,115	22,500	-	-	-	-	-	-	24,803	738,418	700,123
Depreciation	384,190	344	65	-	-	-	-	-	183,559	740,309	654,992
Internal administrative fee expense	20,730	-	-	-	-	-	-	-	243,212	263,942	263,282
Total other expenses	1,148,776	142,572	114,135	42,560	190,466	135,059	208,739	3,694	5,866	816,368	990,898
Total expenses	1,148,776	142,572	207,958	339,160	1,167,710	412,024	622,241	178,556	457,440	4,676,437	6,979,880
Increase (decrease) in net assets	(99,322)	638,547	996,704	(4,107)	898,856	476,620	1,175,112	155,392	105,670	4,343,472	2,768,743
Net assets at beginning of year	1,604,025	6,622,332	7,547,740	3,418,724	12,849,263	6,042,517	13,017,434	2,947,564	1,847,296	55,896,895	53,128,152
Net assets at end of year											
Unrestricted	1,504,703	7,135,037	8,544,444	3,414,617	13,748,119	6,519,137	14,192,546	(44,333)	1,952,966	56,967,236	52,949,331
Temporarily restricted	-	125,842	-	-	-	-	-	3,147,289	-	3,273,131	2,947,564
Total net assets at end of year	\$ 1,504,703	\$ 7,260,879	\$ 8,544,444	\$ 3,414,617	\$ 13,748,119	\$ 6,519,137	\$ 14,192,546	\$ 3,102,956	\$ 1,952,966	\$ 60,240,367	\$ 55,896,895