Community Foundation of Greater Des Moines

Consolidated Financial Statements
December 31, 2011

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McGladrey

Independent Auditor's Report

To the Board of Directors
Community Foundation of Greater Des Moines
Des Moines, Iowa

We have audited the accompanying consolidated statements of financial position of the Community Foundation of Greater Des Moines (the Foundation) as of December 31, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated 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 audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Community Foundation of Greater Des Moines as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey LLP

Des Moines, Iowa
September 27, 2012

Community Foundation of Greater Des Moines

Consolidated Statements of Financial Position
December 31, 2011 and 2010

	2011	2010
ASSETS		
Cash and cash equivalents	$ 1,749,272	$ 1,273,504
Investments:		
Certificates of deposit	2,003,969	5,111,890
Money market funds	24,053,809	24,506,068
Debt securities	18,901,890	10,726,058
Equity securities	58,458,407	66,800,609
Promissory notes	6,416,728	6,588,177
Other investments	67,105,742	59,610,409
Total investments	176,940,545	173,343,211
Pledges receivable	2,456,937	2,820,200
Income taxes receivable	281,795	493,626
Deferred tax asset	60,000	60,000
Prepaid and other assets	1,226,365	1,173,857
Property and equipment:		
Land	300,000	300,000
Building	569,150	569,150
Furniture and fixtures	175,004	170,653
	1,044,154	1,039,803
Less accumulated depreciation	275,853	255,252
	768,301	784,551
Total assets	$ 183,483,215	$ 179,948,949
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 166,911	$ 80,596
Grants payable	114,981	10,000
Annuity payable	76,889	69,686
Unearned revenue	409,080	140,708
Note payable	-	1,300,000
Agency funds	48,934,829	42,498,449
Total liabilities	49,702,690	44,099,439
COMMITMENTS		
NET ASSETS		
Unrestricted net assets	132,608,252	134,360,909
Temporarily restricted net assets	1,172,273	1,488,601
Total net assets	133,780,525	135,849,510
Total liabilities and net assets	$ 183,483,215	$ 179,948,949

See Notes to Consolidated Financial Statements.

Community Foundation of Greater Des Moines

Consolidated Statement of Activities
Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions	$ 20,749,357	$ 338,001	$ 21,087,358
Investment income	2,358,288	-	2,358,288
Net realized gain on investments	2,116,716	-	2,116,716
Net unrealized (loss) on investments	(2,261,645)	-	(2,261,645)
Special event revenue	4,956,197	-	4,956,197
Miscellaneous income	345,791	-	345,791
Net assets released from restriction	654,329	(654,329)	-
Total support and revenue	28,919,033	(316,328)	28,602,705
Expenses:			
Grants	24,072,308	-	24,072,308
Special event expense	4,871,735	-	4,871,735
Management and general	1,646,969	-	1,646,969
Depreciation and amortization	22,241	-	22,241
Total expenses	30,613,253	-	30,613,253
(Decrease) in net assets before income taxes	(1,694,220)	(316,328)	(2,010,548)
Current income tax expense	58,437	-	58,437
(Decrease) in net assets	(1,752,657)	(316,328)	(2,068,985)
Net assets at beginning of year	134,360,909	1,488,601	135,849,510
Net assets at end of year	$ 132,608,252	$ 1,172,273	$ 133,780,525

See Notes to Consolidated Financial Statements.

Community Foundation of Greater Des Moines

Consolidated Statement of Activities
Year Ended December 31, 2010

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions	$ 23,204,226	$ 958,500	$ 24,162,726
Investment income	2,226,006	-	2,226,006
Net realized (loss) on investments	(74,466)	-	(74,466)
Net unrealized gain on investments	12,608,546	-	12,608,546
Special event revenue	4,379,891	-	4,379,891
Miscellaneous income	20,280	-	20,280
Net assets released from restriction	333,270	(333,270)	-
Total support and revenue	42,697,753	625,230	43,322,983
Expenses:			
Grants	27,985,675	-	27,985,675
Special event expense	4,275,786	-	4,275,786
Management and general	1,407,496	-	1,407,496
Depreciation and amortization	28,824	-	28,824
Total expenses	33,697,781	-	33,697,781
Increase in net assets before income taxes	8,999,972	625,230	9,625,202
Current income tax (benefit)	(544,884)	-	(544,884)
Increase in net assets	9,544,856	625,230	10,170,086
Net assets at beginning of year	124,816,053	863,371	125,679,424
Net assets at end of year	$ 134,360,909	$ 1,488,601	$ 135,849,510

See Notes to Consolidated Financial Statements.

Community Foundation of Greater Des Moines

Consolidated Statements of Cash Flows
Years Ended December 31, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (2,068,985)	$ 10,170,086
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Donated investments	(11,704,793)	(7,012,550)
Net unrealized and realized loss (gain) on investments	144,929	(12,534,080)
Depreciation	22,241	28,824
Deferred taxes	-	(60,000)
Changes in assets and liabilities:		
Pledges receivable	363,263	(903,315)
Prepaid and other assets	(52,508)	162,566
Income taxes receivable	211,831	(473,924)
Accounts payable, accrued expenses and grants payable	191,296	(77,045)
Annuity payable	7,203	15,941
Agency funds	6,436,380	7,283,974
Unearned revenue	268,372	(236,462)
Net cash (used in) operating activities	(6,180,771)	(3,635,985)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(32,967,544)	(33,198,717)
Proceeds from sale and maturity of investments	40,930,074	37,395,371
Purchases of property and equipment, net	(5,991)	(52)
Net cash provided by investing activities	7,956,539	4,196,602
CASH FLOWS FROM FINANCING ACTIVITIES, payments on note payable	(1,300,000)	-
Net increase in cash and cash equivalents	475,768	560,617
CASH AND CASH EQUIVALENTS		
Beginning	1,273,504	712,887
Ending	$ 1,749,272	$ 1,273,504
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for (receipts from):		
Interest	$ 52,831	$ 77,162
Income taxes, net	(153,394)	(11,001)

See Notes to Consolidated Financial Statements.

Note 1. Nature of Activities and Significant Accounting Policies

Operations: Community Foundation of Greater Des Moines (the Foundation) was organized to receive gifts and bequests from private and public organizations and to make contributions to projects benefiting the Greater Des Moines community.

In 2005, the Foundation established a supporting organization, GDMCF Charitable Trust (the Trust), to help enhance fulfilling of the mission of the Foundation. The trustee is elected by, and serves at the pleasure of, the Foundation's board of directors.

In 2005, the Foundation established a wholly owned subsidiary, GDMCF Properties, LLC (Properties) to accommodate gifts of real estate. The entity was funded in 2008. Properties is a disregarded entity for tax purposes.

In 2006, the Foundation established a supporting business entity, GDMCF Golf Charity, LLC (the Classic), to accommodate acting as the hosting charity for the Principal Charity Classic golf event, which occurs annually in May or June. As sole member of the Classic, the Foundation appoints the Board of Managers. Revenues and expenses of the Classic are identified as special event in the accompanying financial statements. Activity related to the Classic event to occur subsequent to the balance sheet date is classified as unearned revenue and prepaid expenses. Special event expense included the following during the years ended December 31, 2011 and 2010:

	2011	2010
Principal Charity Classic:		
Grants	**$ 749,998**	$ 507,254
Program	**2,187,859**	1,925,316
Management and general	**976,822**	937,322
Cost of direct benefit to donors	**499,596**	452,068
Fundraising	**457,460**	453,826
Total special event expense	**$ 4,871,735**	$ 4,275,786

Significant accounting policies:

Principles of consolidation: The consolidated financial statements include the accounts of the Foundation, the Trust, the Classic and Properties. All material intercompany balances and transactions are eliminated in consolidation.

Basis of presentation: The financial statements of the Foundation have been prepared on the accrual basis and follow the accounting guidance for contributions received and contributions made and financial statements of not-for-profit organizations. Under these standards, the Foundation is required to report information regarding its consolidated financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions received are reported as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. The standards also provide that if the governing body of an organization has the right to remove a donor restriction, the contributions should be classified as unrestricted net assets. The Foundation receives contributions from donors with advice regarding distribution of the assets and the earnings therefrom. The Foundation attempts to meet the desires expressed by the donors at the time of the contribution; however, under the gifting agreements the Foundation reserves the right to modify any restrictions or conditions on the distribution of funds for any specified charitable purpose if, in the sole judgment of the Foundation's board of directors, such restrictions or conditions become unnecessary, undesirable, impractical, or inconsistent with the charitable needs of the community.

Revenue recognition: Revenues are reported as increases in unrestricted net assets. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value on date of contribution based primarily on publicly available information. Contributions received with donor-imposed restrictions (including those for acquisition of long-lived assets) that are met within the same year as received are reported as unrestricted revenues. Special event revenue of the Classic is recognized when the event occurs. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets, unless their use is restricted by donor stipulation or by law. Expenses are reported as decreases in unrestricted net assets. The Foundation incurs an insignificant amount of fund-raising expenses during the year that are reported as a component of management and general expenses. The fund-raising expenses are related to the education of the public and encouragement of local philanthropy.

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

Cash and cash equivalents: The Foundation considers all unrestricted cash and all highly liquid investments with an original maturity date of 90 days or less, other than money market funds, to be cash and cash equivalents.

Concentration of risk: The Foundation maintains cash in bank deposit accounts which, at times, exceed federally insured limits. The Foundation has not experienced any loss in such accounts.

Pledges receivable: Pledges receivable due after one year are discounted at a risk-free rate and are presented as temporarily restricted net assets in the consolidated financial statements. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Unconditional promises to give as of December 31, 2011 and 2010 are summarized as follows:

	2011	2010
Unconditional promises expected to be collected in:		
Less than one year	$ **1,284,664**	$ 1,331,599
One to five years	**1,215,003**	1,567,750
	2,499,667	2,899,349
Less unamortized discount (interest rates 0.36% to 2.01%) on pledges receivable	**42,730**	79,149
Net pledges receivable	$ **2,456,937**	$ 2,820,200

Investments: Investment income, realized gains and losses and unrealized appreciation or depreciation on investments is reported as increases or decreases in net assets. Investment securities include the following:

Certificates of deposit are valued by brokerage pricing services based on amortized cost, which approximates fair value.

Money market funds, debt securities, and equity securities are investments in publicly traded securities and are recorded at fair value based on quoted market prices at the reporting date.

Promissory notes receivable are carried at the amount of unpaid principal, which approximates fair value.

Other investments consist of fund of funds, hedge funds, investments in private equities, and other nonreadily marketable investments. The Foundation establishes their value primarily using the practical expedient, based on information gathered from the investees, including audited financial statements and other reports provided by the investees. The practical expedient allows for the use of NAV, either as reported by the investee fund or as adjusted by the Foundation based on various factors, to be used to determine fair value, under certain conditions.

Property and equipment: The Foundation capitalizes assets with estimated useful lives greater than one year at the cost to acquire that asset. Depreciation of building, furniture and fixtures is provided over the estimated useful lives of the assets on the straight-line basis (building - 39 years, and furniture and fixtures - 3-10 years).

Unearned revenue: Unearned revenue consists of money received in advance from sponsoring organizations for the Foundation's activities with the Classic event, which occurs annually in May or June. After completion of the event, this funding will be considered earned by the Foundation.

Agency funds: The Foundation acts as a fiscal agent for other not-for-profit organizations that wish to establish a fund at the Foundation with its own funds and specifies itself as the beneficiary of that fund. The Foundation refers to such funds as agency funds and accounts for the transfer of such assets as a liability. For financial reporting purposes, distributions from agency funds in the amount of $4,025,323 and $4,802,604 and contributions to agency funds in the amount of $21,149,233 and $10,026,661 are not included in the reported grants and contributions of the Foundation at December 31, 2011 and 2010, respectively.

Income taxes: The Foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code, and is generally exempt for federal income tax purposes on related income pursuant to Section 501(a) of the Internal Revenue Code. Certain investments of the Foundation are subject to the unrelated business income tax regulations, and occasionally will require the Foundation to pay tax on this unrelated business income.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases (as it relates to the assets generating unrelated business income). Deferred tax assets and liabilities if any, are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax asset consists of net operating loss carryforward that expires in 20 years related to unrelated business income generated from alternative investments.

The Foundation follows the accounting guidance for *Accounting for Uncertainty in Income Taxes.* In accordance with the guidance for uncertainty in income taxes, management has evaluated their material tax positions and determined that there are no income tax effects with respect to its financial statements. The Foundation is no longer subject to examination by federal or state authorities for years prior to 2008, nor have we been notified of any impending examination and no examinations are currently in process.

Fair value of financial instruments: Financial instruments include cash and cash equivalents, investments, pledges receivable, accounts payable, accrued expenses, grants payable, annuities payable, agency funds and notes payable.

The following methods and assumptions were used to estimate the fair value of each class of the Foundation's financial instruments, other than investments, which are described above and in Note 2, at December 31, 2011 and 2010:

Cash and cash equivalents, pledges receivable, accounts payable and accrued expenses, unearned revenue, note payable and grants payable: The carrying amounts approximate fair value because of the short maturity of these instruments.

Annuity payable: The fair value is determined as the present value of expected future cash flows discounted at the interest rate actuarially determined for charitable gift annuities based on various assumptions.

Agency funds: The fair value approximates the fair value of the assets held by the Foundation on behalf of the agencies, which primarily consist of investments.

Fair value measurements: The Foundation estimates fair value using the guidance established by *Fair Value Measurements,* which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in its principal market, or in the absence of a principal market the most advantageous market for the investment or liability. The Foundation accounts for its investments at fair value. In accordance with the guidance, the Foundation has categorized its investments, based on the priority of the inputs to the valuation technique which give the highest priority to quoted prices in active markets and the lowest priority to unobservable inputs, into a three-level fair value hierarchy. These levels are:

Level 1 - Valuation is based upon quoted prices for identical instruments traded in active markets that the Foundation has the ability to access as of the measurement date.

Level 2 - Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable, or can be corroborated by, observable market data. Level 2 investments also include other investments, measured using the practical expedient, that do not have any significant redemption restrictions, lock up periods, gates or other characteristics that would cause report and liquidation date net asset value (NAV) to be significantly different, if redemption were requested at the report date.

Level 3 - The Foundation has elected to report the fair value of certain investments, primarily those included in other investments on the statement of financial position, using the practical expedient. The fair value of the investment is based on a combination of audited financial statements of the investees and monthly or quarterly statements received from the investees. These investments would have significant redemption and other restrictions that would limit the Funds' ability to redeem out of the fund at report date NAV. For all investments that don't meet the conditions for using the practical expedient, valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques may include use of option pricing models, discounted cash flow models and similar techniques.

Investments may be exposed to various risks, such as interest rate, market and credit risks. As a result, it is at least reasonably possible that changes in risks in the near term could affect investment balances, and those affects could be significant.

<u>Recent accounting pronouncements</u>: In May 2011, the FASB issued guidance to converge fair value measurement guidance in generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRS). Among other things, the guidance clarifies the application of existing fair value measurement requirements and requires additional fair value disclosures. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. Foundation management is currently evaluating the effect of this guidance.

<u>Subsequent events</u>: Subsequent events have been evaluated through September 27, 2012, the date the financial statements were available for issuance. Through that date there were no events requiring disclosure in the financial statements.

Note 2. Investments

The following is a summary of the Foundation's investments under the hierarchy set by fair value guidance as of December 31, 2011 and 2010 for assets measured at fair value on a recurring basis:

	2011			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Investments:				
Money market funds	**$ 24,053,809**	**$ -**	**$ -**	**$ 24,053,809**
Mutual funds:				
U.S. equity	**37,886,312**	**-**	**-**	**37,886,312**
International equity	**12,994,794**	**-**	**-**	**12,994,794**
Fixed income	**18,901,890**	**-**	**-**	**18,901,890**
Natural resources	**7,577,301**	**-**	**-**	**7,577,301**
Other investments:				
Real estate funds	**-**	**-**	**6,208,280**	**6,208,280**
International equities	**-**	**20,935,919**	**2,017,202**	**22,953,121**
Fund of funds	**-**	**-**	**22,288,123**	**22,288,123**
Fixed income funds	**-**	**14,156,857**	**-**	**14,156,857**
Other	**-**	**-**	**1,499,361**	**1,499,361**
	$ 101,414,106	**$ 35,092,776**	**$ 32,012,966**	**$ 168,519,848**

	2010			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments:				
Money market funds	$ 24,506,068	$ -	$ -	$ 24,506,068
Mutual funds:				
U.S. equity	39,950,072	-	-	39,950,072
International equity	18,334,191	-	-	18,334,191
Fixed income	10,726,058	-	-	10,726,058
Natural resources	7,779,753	-	-	7,779,753
Common stock:				
U.S. equity	736,593	-	-	736,593
Other investments:				
Real estate funds	-	-	5,195,901	5,195,901
International equities	-	21,002,275	1,361,948	22,364,223
Fund of funds	-	-	21,994,108	21,994,108
Fixed income funds	-	8,673,540	-	8,673,540
Other	-	-	1,382,637	1,382,637
	$ 102,032,735	$ 29,675,815	$ 29,934,594	$ 161,643,144

The following table provides a summary of changes in fair value of the Foundation's Level 3 investments for the year ended December 31, 2011:

	Real Estate Funds	International Equity	Fund of Funds	Other	Total
Beginning balance	$ 5,195,901	$ 1,361,948	$ 21,994,108	$ 1,382,637	$ 29,934,594
Unrealized gains or losses in net assets from operations	832,705	137,825	947,006	185,977	2,103,513
Realized gains or losses in net assets from operations	63,920	230,424	78,712	187,077	560,133
Purchases of investments	209,875	900,000	1,285,720	70,007	2,465,602
Proceeds from sale of investments	(84,404)	(575,783)	(2,017,423)	(298,311)	(2,975,921)
Reinvested interest income, net of management fees	(9,717)	(37,212)	-	(28,026)	(74,955)
Ending balance	$ 6,208,280	$ 2,017,202	$ 22,288,123	$ 1,499,361	$ 32,012,966

The following table provides a summary of changes in fair value of the Foundation's Level 3 investments for the year ended December 31, 2010:

	Real Estate Funds	International Equity	Fund of Funds	Other	Total
Beginning balance	$ 3,919,797	$ 635,013	$ 20,863,247	$ 920,591	$ 26,338,648
Unrealized gains or losses in net assets from operations	1,036,947	194,459	1,840,394	365,020	3,436,820
Realized gains or losses in net assets from operations	(18,565)	-	(79,723)	(24,191)	(122,479)
Purchases of investments	253,750	720,000	1,024,813	413,551	2,412,114
Proceeds from sale of investments	(299)	(187,524)	(1,617,049)	(261,701)	(2,066,573)
Reinvested interest income, net of management fees	4,271	-	(37,574)	(30,633)	(63,936)
Ending balance	$ 5,195,901	$ 1,361,948	$ 21,994,108	$ 1,382,637	$ 29,934,594

Other investments are redeemable with the fund at net asset value under the original terms of the partnership and/or subscription agreements. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the net asset value of the funds and, consequently, the fair value of the Foundation's interests in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is, therefore, reasonably possible that if the Foundation were to sell these investments in the secondary market, a buyer may require a discount to the reported net asset value, and the discount could be significant.

The following table provides a summary of information for other investments, by net asset class, that are calculated using a net asset value per share, or its equivalent, as of December 31:

Description	Fair Value	Unfunded Commitments	Redemption Frequency (if available)	Redemption Notice Period
2011				
Real estate funds (A)	**$ 6,208,280**	**$ 68,400**	**See (A) below**	**See (A) below**
International equity (B)	**22,953,121**	**850,408**	**See (B) below**	**See (B) below**
Fund of funds (C)	**22,288,123**	**4,485,973**	**See (C) below**	**See (C) below**
Fixed income funds (D)	**14,156,857**	**-**		
Other (E)	**1,499,361**	**537,490**		
	$ 67,105,742	**$ 5,942,271**		
2010				
Real estate funds (A)	$ 5,195,901	$ 20,550	See (A) below	See (A) below
International equity (B)	22,364,223	1,685,938	See (B) below	See (B) below
Fund of funds (C)	21,994,108	2,731,693	See (C) below	See (C) below
Fixed income funds (D)	8,673,540	-		
Other (E)	1,382,637	265,820		
	$ 59,610,409	$ 4,704,001		

(A) Includes funds invested in debt and equity securities and other investments related to real estate, with a focus on residential, commercial, industrial and retail investments and properties with no particular geographic concentration. Approximately $1,400,000 is subject to 45-60 day redemption notice requirements (2010, $1,000,000). Redemptions for the balance of the portfolio are generally not allowed and are subject to approval of the fund administrator.

(B) These represent primarily globally diversified portfolios in debt and equity securities, including those issued or guaranteed by the United States and foreign governments and related agencies. Included in this portfolio is a $5,900,000 fund invested in small cap stocks of foreign entities (2010, $8,300,000). Investments in foreign entities will incur exposure to risks from economic instability, unfavorable political developments and currency fluctuations. There are no redemptions allowed on $2,000,000 and the remainder of the portfolio allows monthly redemptions (2010, $1,300,000).

(C) Includes globally diversified feeder funds and funds of funds approximately 50% invested in illiquid investments of closed-end funds with the remainder in debt and equity securities and futures and options. Redemptions in many cases are subject to the provisions of the underlying fund agreement, with some funds within the fund of funds currently suspending redemptions. Of the total net asset class, $2,900,000 allows semi-annual redemptions with a 30 day notice (2010, $3,000,000) and approximately $10,700,000 allows annual redemptions with a 100-day notice (2010 $10,600,000). Redemptions are not allowed on $2,200,000 (2010, $1,800,000). Additionally, the Foundation has elected to liquidate one fund totaling $3,000,000 (2010, $4,200,000), which will occur over the next few years as underlying fund investments are sold and the fund is still subject to market prices adjustments. The remaining funds have suspended redemptions.

(D) These represent funds invested in primarily fixed income funds.

(E) These represent funds with no particular industry or geographic focus with the remainder in debt and equity securities and futures and options.

Note 3. Note Payable

The Foundation does not typically use debt to finance operating activities. There are times, however, as fiscal agent for project funds when project expenses need to be paid prior to pledges receivable being collected. To facilitate timely completion of projects, the Foundation will from time to time enter into a debt agreement related to those specific projects. The pledges receivable for those projects are used as collateral for the notes. The notes are paid as the pledge payments are received by the Foundation.

On May 16, 2007, the Foundation entered into a $4,000,000 line of credit with a bank that matures on January 5, 2014. There was no outstanding balance on this line of credit at December 31, 2011 or 2010.

The Foundation had an unsecured note payable with a bank of $1,300,000 as of December 31, 2010, which was paid in full during the year ended December 31, 2011.

Note 4. Endow Iowa Program

The Foundation participates in the Endow Iowa Program (the Program), which is administered by the Iowa Department of Economic Development through qualified community foundations. The Program's purpose is to create sustainable, philanthropic opportunities for charitable impact in Iowa communities. The legislation governing the Program requires that contributions received be accumulated in a fund, referred to as a 'permanent endowment', for purposes of calculating annual spending, which may not exceed 5%. At December 31, 2011 and 2010, unrestricted net assets includes $48,974,618 and $41,404,711, respectively, related to the Program.

Note 5. Internal Asset Classification

The Foundation uses an internal asset classification method that describes the nature of the underlying funds. The terminology used includes:

- Assets in long-term growth portfolio – this portfolio is the long-term endowment portfolio for funds of an endowment nature that won't be spent out in the near term.

- Assets in other investments – this classification includes other investment portfolio, short-term investments, nonliquid assets, and life insurance policies that are held for specific funds.

- Assets in money market portfolio – these money market funds include cash for all short-term or project-related funds which will be spent within the near term.

- Pledges and accounts receivable – the Foundation acts as the fiscal agent for many projects throughout Greater Des Moines. As the fiscal agent, the Foundation receives and manages pledges for those projects.

As of December 31, 2011 and 2010, the Foundation had the following balances in the above asset classification categories:

	2011	2010
Assets in money market portfolio	$ 19,237,014	$ 15,944,713
Assets in other investments	20,496,952	17,248,944
Assets in long-term growth portfolio	139,277,602	141,522,473
Pledges and accounts receivable	3,393,182	3,976,958
Prepaid expenses	310,164	298,459
Land, building, contents	768,301	957,402
Total assets	$ 183,483,215	$ 179,948,949