

Community Memorial Foundation

**Financial Statements for the
Years Ended December 31, 2009 and 2008**



Blackman Kallick, LLP
10 South Riverside Plaza
9th Floor
Chicago, IL 60606



Contents

	<u>Reference</u>	<u>Page</u>
Independent Auditor's Report		1
Statements of Financial Position	Exhibit A	2
Statements of Activities	Exhibit B	3
Statements of Cash Flows	Exhibit C	4
Notes to Financial Statements		5-18

Independent Auditor's Report

Board of Directors
Community Memorial Foundation
Hinsdale, Illinois

We have audited the accompanying statements of financial position of **Community Memorial Foundation** as of December 31, 2009 and 2008, and the related 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 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 financial statements referred to above present fairly, in all material respects, the financial position of **Community Memorial Foundation** as of December 31, 2009 and 2008, 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.

November 4, 2010

Community Memorial Foundation

Statements of Financial Position

December 31, 2009 and 2008

<u>Assets</u>		
	<u>2009</u>	<u>2008</u>
Assets		
Cash and cash equivalents	\$ 1,378,126	\$ 1,019,583
Interest receivable	31,730	62,813
Prepaid and other current assets	15,662	11,375
Refundable excise tax	3,691	28,035
Investments	76,205,478	68,950,881
Furniture, fixtures and equipment, net	11,370	17,079
Assets held in trust	757,266	654,147
Nonqualified plan investments	356,910	255,765
Program-related investments	500,000	500,000
	<u>\$ 79,260,233</u>	<u>\$ 71,499,678</u>
Total Assets		
<u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable and accrued expenses	\$ 68,273	\$ 65,160
Grants payable	3,055,291	4,215,833
Deferred compensation	356,910	255,765
Annuity obligations	638,604	568,747
	<u>4,119,078</u>	<u>5,105,505</u>
Total Liabilities		
Net Assets		
Unrestricted	75,022,493	66,041,294
Temporarily restricted	118,662	352,879
	<u>75,141,155</u>	<u>66,394,173</u>
Total Liabilities and Net Assets	<u>\$ 79,260,233</u>	<u>\$ 71,499,678</u>

The accompanying notes are an integral part of the financial statements.

Community Memorial Foundation

Statements of Activities

Years Ended December 31, 2009 and 2008

	2009	2008
Change in Unrestricted Net Assets		
Contributions	\$ -	\$ 6,503,461
Investment income (loss)	12,533,602	(26,559,187)
Total Revenue	<u>12,533,602</u>	<u>(20,055,726)</u>
Grant distributions and expenses		
Distributions to grantees	2,351,825	3,525,577
Grant and program administration	1,037,612	1,044,109
Investment and custodial fees	343,420	280,061
General administration	74,916	113,274
Provision for federal excise taxes	12,109	18,596
Total Grant Distributions and Expenses	<u>3,819,882</u>	<u>4,981,617</u>
Net assets released from restriction	<u>267,479</u>	<u>194,726</u>
Total Change in Unrestricted Net Assets	<u>8,981,199</u>	<u>(24,842,617)</u>
Change in Temporarily Restricted Net Assets		
Change in value of trust	33,262	(72,753)
Net assets released from restriction	<u>(267,479)</u>	<u>(194,726)</u>
Total Change in Temporarily Restricted Net Assets	<u>(234,217)</u>	<u>(267,479)</u>
Change in Net Assets	8,746,982	(25,110,096)
Net Assets, Beginning of Year	<u>66,394,173</u>	<u>91,504,269</u>
Net Assets, End of Year	<u><u>\$ 75,141,155</u></u>	<u><u>\$ 66,394,173</u></u>

The accompanying notes are an integral part of the financial statements.

Community Memorial Foundation

Statements of Cash Flows

Years Ended December 31, 2009 and 2008

	2009	2008
Cash Flows from Operating Activities		
Change in net assets	\$ 8,746,982	\$ (25,110,096)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Change in net unrealized and realized (gain) loss on investments	(12,031,258)	27,542,719
Depreciation and amortization	5,709	6,611
(Increase) decrease in		
Interest receivable	31,083	159,063
Prepaid and other current assets	20,057	(24,471)
Assets held in trust	(103,119)	601,144
Increase (decrease) in		
Accounts payable and accrued expenses	3,113	(207,560)
Federal excise tax payable	-	(28,651)
Grants payable	(1,160,542)	(463,656)
Annuity obligations	69,857	(276,681)
Total Adjustments	(13,165,100)	27,308,518
Net Cash (Used in) Provided by Operating Activities	(4,418,118)	2,198,422
Cash Flows from Investing Activities		
Proceeds from sale of investments	20,205,615	56,988,433
Purchases of investments	(15,428,954)	(58,167,272)
Net Cash Provided by (Used in) Investing Activities	4,776,661	(1,178,839)
Net Increase in Cash and Cash Equivalents	358,543	1,019,583
Cash and Cash Equivalents, Beginning of Year	1,019,583	-
Cash and Cash Equivalents, End of Year	\$ 1,378,126	\$ 1,019,583
Supplemental Disclosure of Cash Flow Information		
Cash payments		
Taxes	\$ 15,000	\$ 75,250
Interest	\$ 2,040	\$ 3,560

The accompanying notes are an integral part of the financial statements.

Community Memorial Foundation

Notes to Financial Statements

Years Ended December 31, 2009 and 2008

Note 1 - Organization

Community Memorial Foundation (the Foundation) is a not-for-profit corporation established for charitable, educational, scientific and literary purposes designed to improve the health of people who live and work in metropolitan Chicago with the primary focus on the western suburbs. The Foundation's mission is accomplished through granting funds to not-for-profit community organizations. The Foundation was created as a result of the sale of substantially all of the assets of LaGrange Memorial Health System, Inc. (LMHS) to Columbia/HCA. This sale occurred on July 31, 1995, at which time a portion of the proceeds in the form of cash and investments was donated to the Foundation and was recorded at its fair value. LMHS retained certain assets to wind down the operations of LMHS and to settle any liabilities not purchased by Columbia/HCA. The board of directors of LMHS can approve additional donations to the Foundation during this period and, in 1999, approved and made an additional donation in the amount of \$19,000,000. During 2008, the Foundation received an additional donation in the amount of \$6,503,461. LMHS was dissolved on June 30, 2008.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The financial statement presentation follows accounting principles generally accepted in the United States of America (GAAPUSA) which requires the Foundation to report 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. The existing classes of net assets are defined as follows:

Unrestricted - Amounts that are currently available for use in the Foundation's operations.

Temporarily Restricted - Amounts that are stipulated by donors for specific operating purposes, restricted by time or purpose. Donor-restricted investments that are temporarily restricted consist of the Foundation's interest in charitable remainder trusts. Investment income of the charitable remainder trust is distributable within specified limits to unrelated parties.

Management Estimates

The preparation of financial statements in conformity with GAAPUSA requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of 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.

Community Memorial Foundation

Notes to Financial Statements

Years Ended December 31, 2009 and 2008

Note 2 - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include unrestricted cash on hand and highly liquid temporary investments with original maturities of less than 90 days from the date of purchase excluding those instruments classified as assets whose use is limited or nonqualified plan investments.

During the years ended December 31, 2009 and 2008, the Foundation had deposits in excess of insurable limits at financial institutions. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on cash and cash equivalents.

Income Taxes

The Foundation is exempt from federal income tax on related income under 501(c)(3) of the Internal Revenue Code. The Foundation has received a favorable determination letter indicating that it is qualified under Section 501(c)(3) of the Internal Revenue Code.

The Foundation's adoption of the Income Tax Topic regarding uncertain tax positions of GAAPUSA on January 1, 2009 had no effect on its financial position as management believes the Foundation has no material unrecognized income tax benefits, including any potential risk of loss of its not-for-profit tax status. The Foundation would account for any potential interest or penalties related to possible future liabilities for unrecognized income tax benefits as income tax expense. The Foundation is no longer subject to examination by federal, state or local tax authorities for periods before 2006. Prior to adoption of the Income Tax Topic, the Foundation accounted for tax positions under a contingent loss model, requiring recognition of a tax liability when it was both (1) probable that it had been incurred as of year-end and (2) the amount could be reasonably estimated.

Investments

Investment income or loss (including realized gains and losses on investments, changes in unrealized holding gains and losses, interest and dividends) on investments that is not restricted by donors is included in investment returns in the statements of activities.

The Foundation's investments are exposed to various risks, such as interest rate, credit and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the value of investments will occur in the near term and could materially affect the amounts reported in the financial statements.

Community Memorial Foundation

Notes to Financial Statements

Years Ended December 31, 2009 and 2008

Note 2 - Summary of Significant Accounting Policies

Investments (Continued)

In accordance with Section 4944 of the Internal Revenue Code, the Foundation is permitted to make investments that are related to its charitable, educational, scientific and literary activities. These investments, which are stated at cost for tax purposes, are anticipated to have a less than fair market value return. In the year of investment, the Foundation receives a credit toward its distribution requirements. When the investment is recovered by the Foundation, it is required to recognize a negative distribution for tax purposes. The carrying value of these investments approximates fair value as of December 31, 2009 and 2008.

Fair Value Measurements

In September 2009, the Financial Accounting Standards Board (FASB) issued new guidance regarding the use of net asset value per share provided by the investee as a practical expedient to estimate the fair value of alternative investments. The Foundation's adoption of the new guidance had no material effect on its financial statements, but did result in additional disclosures included in Note 5 of these financial statements.

During 2008, the Foundation adopted the new GAAPUSA guidance on fair value measurements and disclosures for all financial assets and liabilities carried at fair value. The new guidance defined fair value, established a framework for measuring fair value and expanded disclosures about fair value measurements. In 2009, the Foundation adopted the guidance for nonrecurring fair value measurements of nonfinancial assets and liabilities, which guidance had been previously deferred. The adoption of this guidance had no material effect on the Foundation's financial condition or results of operations, but did require additional disclosures relating to these nonfinancial assets and liabilities.

Furniture, Fixtures and Equipment

Furniture, fixtures and equipment are recorded at historical cost or fair value as of the date of donation. The Foundation's policy is to capitalize items with useful lives of one year or more and a value of \$500 or more. These assets are depreciated over their estimated useful lives using the straight-line method over each item or class of assets. Leasehold improvements are depreciated over the lesser of the term of the lease or the estimated useful life.

	<u>Years</u>
Furniture and fixtures	10
Equipment	5-10
Software	5
Leasehold improvements	3

Community Memorial Foundation

Notes to Financial Statements

Years Ended December 31, 2009 and 2008

Note 2 - Summary of Significant Accounting Policies (Continued)

Unconditional Promises to Give

Unconditional promises to give are recorded when pledged by the donor. Unconditional promises to give due in the next year are recorded at fair value. Unconditional promises to give due in subsequent years are discounted at an appropriate rate commensurate with the risk involved. The Foundation has no significant such promises as of either year-end presented.

Split-Interest Agreements

The Foundation has split-interest agreements with donors consisting primarily of irrevocable charitable remainder trusts for which the Foundation serves as trustee. Assets held in these trusts are included in assets held in trust. Contribution revenues are recognized as of the date the trusts are established after recording liabilities for the present value of the estimated future payments to be made to the beneficiaries. The annuity obligations are adjusted during the term of the trust for changes in the value of the assets, accretion of the discount and other changes in the estimates of future benefits. These changes are recognized in the statements of activities as change in value of trusts.

Recent Accounting Pronouncements

In January 2010, the FASB issued new guidance "*Improving Disclosures about Fair Value Measurements*," which amended ASC Topic 820 and requires entities to separately present purchases, sales, issuances and settlements in their reconciliation of Level 3 fair value measurements on a gross basis rather than on a net basis, and which clarifies existing disclosure requirements provided by ASC 820 regarding the level of disaggregation and the inputs and valuation techniques used to measure fair value for measurements that fall within either Level 2 or level 3 of the fair value hierarchy. This guidance is effective for interim and annual periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements which are effective for fiscal years beginning after December 15, 2010. Management is currently assessing the impact of the adoption.

Subsequent Events

The Foundation has evaluated subsequent events through November 4, 2010, the date the 2009 financial statements were available to be issued.

Community Memorial Foundation

Notes to Financial Statements

Years Ended December 31, 2009 and 2008

Note 3 - Furniture, Fixtures and Equipment

A summary of furniture, fixtures and equipment is as follows:

	<u>2009</u>	<u>2008</u>
Furniture and fixtures	\$ 48,085	\$ 48,085
Equipment	72,270	72,270
Software	29,928	29,928
Leasehold improvements	<u>1,325</u>	<u>1,325</u>
	151,608	151,608
Accumulated depreciation	<u>(140,238)</u>	<u>(134,529)</u>
Total	<u><u>\$ 11,370</u></u>	<u><u>\$ 17,079</u></u>

Note 4 - Investments

A summary of the composition of the Foundation's investment portfolio is as follows:

	<u>2009</u>	<u>2008</u>
Money market funds	\$ 25,024	\$ 7,964,724
PIMCO Total Return Fund	7,980,969	8,195,076
Fixed income mutual funds	2,630,852	2,687,075
Common stocks	21,167,476	15,888,015
Equity mutual funds		
Vanguard Dividend Growth Fund	9,589,033	13,470,936
Templeton Institutional Fund Foreign Equity	6,931,498	-
Other	5,084,730	-
Common trust fund	9,545,486	4,609,319
Hedge funds	8,690,334	7,780,120
Private equity partnership	2,617,630	4,691,375
Real estate fund	<u>3,056,622</u>	<u>4,574,153</u>
	<u><u>\$ 77,319,654</u></u>	<u><u>\$ 69,860,793</u></u>

Community Memorial Foundation

Notes to Financial Statements

Years Ended December 31, 2009 and 2008

Note 4 - Investments (Continued)

Investments are reported in the accompanying balance sheets as follows:

	<u>2009</u>	<u>2008</u>
Investments	\$ 76,205,478	\$ 68,950,881
Assets held in trust	757,266	654,147
Nonqualified plan investments	<u>356,910</u>	<u>255,765</u>
	<u>\$ 77,319,654</u>	<u>\$ 69,860,793</u>

The composition of investment return on the Foundation's investment portfolio is as follows:

	<u>2009</u>	<u>2008</u>
Interest income	\$ 22,113	\$ 8,732
Dividends	480,231	974,800
Net realized losses on investments	(6,377,547)	(4,063,076)
Change in net unrealized gains (losses) on investments	<u>18,408,805</u>	<u>(23,479,643)</u>
	<u>\$ 12,533,602</u>	<u>\$ (26,559,187)</u>

Community Memorial Foundation

Notes to Financial Statements

Years Ended December 31, 2009 and 2008

Note 5 - Fair Value Measurements

GAAPUSA 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 as of the measurement date. GAAPUSA describes three approaches to measuring the fair value of assets and liabilities: the market approach, the income approach and the cost approach. Each approach includes multiple valuation techniques. GAAPUSA does not prescribe which valuation technique should be used when measuring fair value, but does establish a fair value hierarchy that prioritizes the inputs used in applying the various techniques. Inputs broadly refer to the assumptions that market participants use to make pricing decisions, including assumptions about risk. Level 1 inputs are given the highest priority in the hierarchy while Level 3 inputs are given the lowest priority. Financial assets and liabilities carried at fair value are classified in one of the following three categories based upon the inputs to the valuation technique:

- Level 1 - Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 - Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3 - Unobservable inputs that are not corroborated by market data. These inputs reflect management's best estimate of fair value using its own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The following tables set forth by level within the fair value hierarchy the Foundation's financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2009 and December 31, 2008. As required by GAAPUSA, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect their placement within the fair value hierarchy levels.

Community Memorial Foundation

Notes to Financial Statements

Years Ended December 31, 2009 and 2008

Note 5 - Fair Value Measurements (Continued)

Description	Fair Values December 31, 2009	Recurring Fair Value Measurements as of Reporting Date		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments				
PIMCO Total Return Fund	\$ 7,980,969	\$ 7,980,969	\$ -	\$ -
Fixed income mutual funds	2,630,852	2,630,852	-	-
Common stocks	21,167,476	21,167,476	-	-
Equity mutual funds				
Vanguard Dividend Growth Fund	9,589,033	9,589,033	-	-
Templeton Institutional Fund				
Foreign Equity	6,931,498	6,931,498	-	-
Other	4,011,526	4,011,526	-	-
Common trust fund	9,529,538	-	9,529,538	-
Hedge funds	8,690,334	-	8,690,334	-
Private equity partnership	2,617,630	-	-	2,617,630
Real estate fund	3,056,622	-	-	3,056,622
	<u>76,205,478</u>	<u>52,311,354</u>	<u>18,219,872</u>	<u>5,674,252</u>
Assets held in trust				
Money market funds	593	593	-	-
Common trust fund	15,948	-	15,948	-
Equity mutual funds	740,725	740,725	-	-
	<u>757,266</u>	<u>741,318</u>	<u>15,948</u>	<u>-</u>
Nonqualified plan investments				
Money market funds	24,431	24,431	-	-
Equity mutual funds	332,479	332,479	-	-
	<u>356,910</u>	<u>356,910</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 77,319,654</u>	<u>\$ 53,409,582</u>	<u>\$ 18,235,820</u>	<u>\$ 5,674,252</u>

Community Memorial Foundation

Notes to Financial Statements

Years Ended December 31, 2009 and 2008

Note 5 - Fair Value Measurements (Continued)

Description	Fair Values December 31, 2008	Recurring Fair Value Measurements as of Reporting Date		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments				
Money market funds	\$ 7,958,170	\$ 7,958,170	\$ -	\$ -
PIMCO Total Return Fund	8,195,076	8,195,076	-	-
Fixed income mutual funds	2,512,856	2,512,856	-	-
Common stocks	15,888,015	15,888,015	-	-
Equity mutual funds	12,741,797	12,741,797	-	-
Common trust fund	4,609,319	-	4,609,319	-
Hedge funds	7,780,120	-	-	7,780,120
Private equity partnership	4,691,375	-	-	4,691,375
Real estate fund	4,574,153	-	-	4,574,153
	<u>68,950,881</u>	<u>47,295,914</u>	<u>4,609,319</u>	<u>17,045,648</u>
Assets held in trust				
Money market funds	3,311	3,311	-	-
Fixed income mutual funds	171,775	171,775	-	-
Equity mutual funds	479,061	479,061	-	-
	<u>654,147</u>	<u>654,147</u>	<u>-</u>	<u>-</u>
Nonqualified plan investments				
Money market funds	3,243	3,243	-	-
Fixed income mutual funds	2,444	2,444	-	-
Equity mutual funds	250,078	250,078	-	-
	<u>255,765</u>	<u>255,765</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 69,860,793</u>	<u>\$ 48,205,826</u>	<u>\$ 4,609,319</u>	<u>\$ 17,045,648</u>

Community Memorial Foundation

Notes to Financial Statements

Years Ended December 31, 2009 and 2008

Note 5 - Fair Value Measurements (Continued)

Level 1 Inputs

Estimated fair values for the Foundation's money market accounts, PIMCO Total Return Fund, common stocks, equity mutual funds and fixed income mutual funds were based on quoted market prices.

Level 2 Inputs

For 2009, the estimated fair values for the hedge funds and common trust funds were based on net asset value per share of the funds. These investments have the ability to be redeemed at net asset value within 90 days after year-end.

In 2008, investment in the common trust fund is highly liquid since the common trust fund invests in marketable securities. As a result, the estimated fair value of the common trust fund is based primarily on observable market inputs and does not require significant judgment by the Foundation's management in the assessment of fair value. To measure the fair value of the investment in the common trust fund, management maximized the use of observable inputs and minimized the use of unobservable inputs. Wherever available, management obtained quoted prices in active markets for identical assets as of the balance sheet date to measure underlying investment securities at fair value. The Foundation's management generally obtained these market prices from exchange or dealer markets.

Level 3 Inputs

For 2009, the estimated values for the private equity partnership and real estate fund were based on net asset values. Such net asset value is based on the value of the underlying assets and liabilities of the fund.

Community Memorial Foundation

Notes to Financial Statements

Years Ended December 31, 2009 and 2008

Note 5 - Fair Value Measurements (Continued)

For 2008, the estimated values for the hedge funds, private equity partnership and real estate fund were based on management's consideration of various inputs such as net asset values, available subsequent interim financial information, the liquidity and transferability terms of the investment agreements, evidence of transactions in similar instruments, completed or pending third-party transactions underlying investment comparable entities and overall market conditions.

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Common Trust Funds (a)	\$ 3,718,731	\$ -	Daily	T+1
Common Trust Funds (b)	5,810,807	-	Daily	T+3
Global Hedged Equity Fund-of-Funds (c)	4,250,498	-	Quarterly	45 Days
Multi-Strategy Hedge Fund-of-Funds (d)	4,439,836	-	Quarterly	75 Days
Private Equity Partnerships (e)	1,594,444	-	Liquidating	N/A
Private Equity Partnerships (f)	1,023,186	177,000	12/31/2012	N/A
Open-End Real Estate Fund (g)	<u>3,056,622</u>	-	Quarterly	90 Days
	<u>\$ 23,894,124</u>			

- a) The investment funds assets are invested in high quality short-term money market instruments and repurchase agreements. The assets include obligations issued by or guaranteed by the U.S. government.
- b) The investment funds assets are allocated to international equity securities. The investment objective of the fund is to exceed the return of the MSCI EAFE Index.
- c) The fund assets are allocated to investment funds targeting absolute returns through the use of a wide array of investment strategies throughout the global financial markets. This will include, but not be limited to, equity long/short, both from a bottom-up orientation as well as a top-down orientation, emerging markets, fixed income and commodity trading.
- d) The fund aims to generate consistent absolute returns by investing its assets with a diversified group of investment managers through managed account structures or in the investment funds sponsored by investment managers.
- e) The fund engages principally in a diversified investment strategy utilizing a multi-manager approach to invest in securities. It includes investments in investment funds that pursue multiple strategies to diversify risks and reduce volatility.
- f) The fund's investments consist of underlying funds that generally will be focused on the acquisition, development, redevelopment, operation and management of commercial properties or commercial real estate investments and real estate related securities primarily in the U.S.

Community Memorial Foundation

Notes to Financial Statements

Years Ended December 31, 2009 and 2008

Note 5 - Fair Value Measurements (Continued)

- g) The purpose of the fund is to acquire, own, hold for investment and ultimately dispose of investments in real estate and real estate related assets with the intention of achieving current income, capital appreciation or both. This investment could not be redeemed within 90 days after year-end due to restrictions on the amount of cash available for redemption.

The following table presents a reconciliation of the beginning and ending balances recorded for instruments classified as Level 3 in the fair value hierarchy:

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)			Total
	Hedge Funds	Private Equity Funds	Real Estate Funds	
Assets:				
Beginning balance, December 31, 2008	\$ 7,780,120	\$ 4,691,375	\$ 4,574,153	\$ 17,045,648
Transfer to Level 2 *	(7,780,120)	-	-	(7,780,120)
Total losses (realized and unrealized) included in change in net assets	-	(3,993)	(1,517,531)	(1,521,524)
Purchases, issuances, and settlements (net)	-	(2,069,752)	-	(2,069,752)
Ending balance, December 31, 2009	\$ -	\$ 2,617,630	\$ 3,056,622	\$ 5,674,252
The amount of total losses for the year included in change in net assets attributable to the change in unrealized losses relating to assets still held at December 31, 2009	\$ -	\$ (298,318)	\$ (1,517,531)	\$ (1,815,849)
Beginning balance, December 31, 2007	\$ 8,434,935	\$ 5,999,031	\$ 4,800,000	\$ 19,233,966
Total losses (realized and unrealized) included in change in net assets	(1,656,063)	(1,435,769)	(225,847)	(3,317,679)
Purchases, issuances, and settlements (net)	1,001,248	128,113	-	1,129,361
Ending balance, December 31, 2008	\$ 7,780,120	\$ 4,691,375	\$ 4,574,153	\$ 17,045,648
The amount of total losses for the year included in change in net assets attributable to the change in unrealized losses relating to assets still held at December 31, 2008	\$ (1,656,063)	\$ (1,435,769)	\$ (225,847)	\$ (3,317,679)

Level 3 losses (realized and unrealized) are reported on the statement of activities as a decrease in net assets from operating activities.

* The transfer to level 2 is a result of the adoption of the guidance on fair value measurements as disclosed in Note 2, Summary of Significant Accounting Policies, Fair Value Measurements.

Community Memorial Foundation

Notes to Financial Statements

Years Ended December 31, 2009 and 2008

Note 6 - Lease Commitments

The Foundation rents office space under an operating lease that expired on March 31, 2008. The lease was renewed and expires March 31, 2013. Rent expense for this lease totaled \$54,566 and \$54,335 for the years ended December 31, 2009 and 2008, respectively. Future minimum rent payments required under this lease are as follows:

Year Ending December 31:	
2010	\$ 58,406
2011	59,808
2012	59,361
2013	<u>14,774</u>
	<u><u>\$ 192,349</u></u>

Note 7 - Grants Payable

The Foundation awards grants to selected organizations. Grants are recorded by the Foundation in the period awarded and approved by the board of directors. Total grants awarded in 2009 and 2008 amounted to \$2,601,825 and \$3,745,454, respectively. Grant and program administration expenses include, but are not limited to, an allocated portion of staff salaries and benefits, occupancy costs and education efforts. The following is a schedule by year of remaining payments under grants awarded as of December 31, 2009:

Year Ending December 31:	
2010	\$ 1,964,924
2011	1,030,000
2012	<u>60,367</u>
	<u><u>\$ 3,055,291</u></u>

In 2003, the Foundation's board of directors approved a contribution of up to \$10 million for the new patient care center at Adventist LaGrange Memorial Hospital. The contribution will be payable \$1 million per year for the first five years. The remaining \$5 million can be earned as a challenge grant through December 28, 2013 but only up to \$1 million will be paid each year. A grant expense and grant payable of \$5 million was recorded in 2003 for the payments committed over the next five years. Grant expenses and payables of \$647,918 and \$482,283 were recorded in 2009 and 2008, respectively, for the challenge grant earned. Any additional contributions under the challenge grant will be recorded when the challenge conditions are substantially met.

Community Memorial Foundation

Notes to Financial Statements

Years Ended December 31, 2009 and 2008

Note 8 - Income Taxes

The Foundation is acting as a private foundation under Section 509(a) of the Code. In accordance with the Tax Reform Act of 1969 (the Act), the Foundation is subject to an excise tax on net investment income, including realized gains, as defined by the Act.

The Act requires that certain minimum distributions, including qualified set-asides, be made each year based on the level of assets during the preceding year. The amount of these qualified distributions is determined in accordance with a specified formula. If the required level of qualified distributions is not made within a year, an additional excise tax is imposed on the Foundation. The grants made during the years ended December 31, 2009 and 2008 satisfied the required distributions as computed as of December 31, 2009 and 2008.

Note 9 - Retirement Plan

All full-time employees of the Foundation are covered under a 403(b) retirement plan. Retirement plan expenses charged to operations amounted to \$41,785 and \$40,527 for the years ended December 31, 2009 and 2008, respectively.

Note 10 - Deferred Compensation Plan

The Foundation established an executive retirement plan and a voluntary retirement plan in 2002. Both of these plans are nonqualified deferred compensation programs that provide benefits payable to certain key employees. The plan assets are held in a separate trust account designated to fund future obligations. The amount charged to operations for the executive retirement plan amounted to \$15,000 and \$35,000 for the years ended December 31, 2009 and 2008, respectively. Employee elective contributions to the voluntary retirement plan amounted to \$25,600 and \$41,000 for the years ended December 31, 2009 and 2008, respectively.