

CENTRAL ILLINOIS DISTRICT ENDOWMENT FUND, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEARS ENDED
DECEMBER 31, 2011 AND 2010**

Central Illinois District Endowment Fund, Inc.

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Independent Auditor's Report

To the Board of Directors of
Central Illinois District Endowment Fund, Inc.

We have audited the accompanying statements of financial position of the Central Illinois District Endowment Fund, Inc., as of December 31, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the organization'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 the Central Illinois District Endowment Fund, Inc., 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.

Estes, Bridgewater & Ogden
Certified Public Accountants

April 11, 2012

Central Illinois District Endowment Fund, Inc.
STATEMENTS OF FINANCIAL POSITION
 December 31, 2011 and 2010

Statement 1

<u>Assets</u>	<u>2011</u>	<u>2010</u>
ASSETS		
Accounts receivable	\$ 22,062	\$ 16,218
Investments	<u>859,796</u>	<u>831,971</u>
TOTAL ASSETS.....	<u>\$881,858</u>	<u>\$848,189</u>
 <u>Liabilities and Net Assets</u> 		
LIABILITIES	\$ -	\$ -
NET ASSETS		
Unrestricted	-	-
Temporarily restricted.....	53,722	25,897
Permanently restricted.....	<u>828,136</u>	<u>822,292</u>
Total net assets.....	<u>881,858</u>	<u>848,189</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$881,858</u>	<u>\$848,189</u>

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

Central Illinois District Endowment Fund, Inc.
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2011 and 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2011 Total</u>
SUPPORT AND REVENUES				
Contributions.....	\$ -	\$ -	\$ 5,844	\$ 5,844
Investment income	-	27,825	-	27,825
Net assets released from restrictions.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenues.....	<u>-</u>	<u>27,825</u>	<u>5,844</u>	<u>33,669</u>
EXPENSES				
Program services.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	-	27,825	5,844	33,669
NET ASSETS - BEGINNING OF YEAR	<u>-</u>	<u>25,897</u>	<u>822,292</u>	<u>848,189</u>
NET ASSETS - END OF YEAR	<u>\$ -</u>	<u>\$ 53,722</u>	<u>\$828,136</u>	<u>\$881,858</u>

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2010 Total</u>
SUPPORT AND REVENUES				
Contributions.....	\$ -	\$ -	\$ 10,244	\$ 10,244
Investment income	-	32,202	-	32,202
Net assets released from restrictions.....	<u>24,078</u>	(<u>24,078</u>)	-	-
 Total support and revenues.....	 <u>24,078</u>	 <u>8,124</u>	 <u>10,244</u>	 <u>42,446</u>
EXPENSES				
Program services.....	<u>24,078</u>	-	-	<u>24,078</u>
 CHANGE IN NET ASSETS	 -	 8,124	 10,244	 18,368
 NET ASSETS - BEGINNING OF YEAR	 -	 <u>17,773</u>	 <u>812,048</u>	 <u>829,821</u>
 NET ASSETS - END OF YEAR.....	 <u>\$ -</u>	 <u>\$ 25,897</u>	 <u>\$822,292</u>	 <u>\$848,189</u>

Central Illinois District Endowment Fund, Inc.
STATEMENTS OF CASH FLOWS
For The Years Ended December 31, 2011 and 2010

Statement 3

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 33,669	\$ 18,368
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) in accounts receivable.....	(<u>5,844</u>)	(<u>10,244</u>)
Total cash flows provided by operating activities.....	<u>27,825</u>	<u>8,124</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments.....	(77,845)	(218,803)
Sale of investments	<u>50,020</u>	<u>210,679</u>
Total cash flows (used for) investing activities.....	(<u>27,825</u>)	(<u>8,124</u>)
INCREASE IN CASH AND CASH EQUIVALENTS	-	-
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	-	-
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ -</u>	<u>\$ -</u>

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

Central Illinois District Endowment Fund, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2011 and 2010

NOTE 1 – ORGANIZATION

The Central Illinois District Endowment Fund, Inc. ("CID Endowment Fund") is a not-for-profit corporation organized to provide a separate entity to accept, invest, and distribute income from gifts and bequests that are permanently restricted and/or restricted as to use for the programs of the Central Illinois District of the Lutheran Church – Missouri Synod a 501(c)(3) tax-exempt religious organization. The CID Endowment Fund is established exclusively for the benefit of the Central Illinois District and its members' churches.

The mission of the CID Endowment Fund is to promote and encourage Christian Stewards through special gifts and bequests. These funds will be used to further the Lord's work primarily in the areas of scholarship for the education of full time church workers and other mission's of the Central Illinois District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Organization's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Basis of Accounting - Assets, liabilities, revenue and expenses are recognized on the accrual basis of accounting.

Investments - Investments consist of certificates of deposit. They are carried at cost, which is equal to market value.

Cash and Cash Equivalents - For purposes of the cash flow statements, cash includes amounts deposited in a checking account. The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents. There were no cash and cash equivalents at December 31, 2011 and 2010.

Estimates - The preparation of financial statements in conformity with 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.

Basis of Financial Statement Presentation - An organization is required 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.

Expense Allocation - The costs of providing various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events – The Organization reviewed events for inclusion in the financial statements through April 11, 2012, the date through which subsequent events have been evaluated and the date the financial statements were available to be issued.

Central Illinois District Endowment Fund, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2011 and 2010

NOTE 2 – INVESTMENTS

Investments are stated at market value and consisted of the following at December 31,:

	2011		2010	
	Cost	Market Value	Cost	Market Value
Certificates of Deposit	<u>\$859,797</u>	<u>\$859,797</u>	<u>\$831,971</u>	<u>\$831,971</u>

Investment income at years-end consisted of the following:

	2011	2010
Interest income	<u>\$ 27,825</u>	<u>\$ 32,202</u>

NOTE 3 – FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1 – Inputs are based on unadjusted quoted market prices within active markets.
- Level 2 – Inputs are based primarily on quoted prices for similar assets in active or inactive markets.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Fair value measured on a recurring basis at December 31, 2011 and 2010 are as follows:

	Fair Value	Level 1	Level 2	Level 3
<u>December 31, 2011</u>				
Certificates of Deposit	<u>\$859,757</u>	<u>\$ _____</u>	<u>\$859,757</u>	<u>\$ _____</u>
<u>December 31, 2010</u>				
Certificates of Deposit	<u>\$831,971</u>	<u>\$ _____</u>	<u>\$831,971</u>	<u>\$ _____</u>

Central Illinois District Endowment Fund, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2011 and 2010

NOTE 4 – TAX STATUS

The Central Illinois District Endowment Fund, Inc., is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The Organization is not involved in activities unrelated to its exempt status; therefore, there is no tax on unrelated business income at December 31, 2011 and 2010.

NOTE 5 – FUNCTIONAL EXPENSES

The CID Endowment Fund's expense breakdown for the years ended December 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Student Aid Contribution.....	\$ <u> -</u>	\$ <u>24,078</u>

NOTE 6 – CONCENTRATION OF CREDIT RISK

Financial instruments, which potentially subject the organization to concentration of credit risk, include cash and investments. The organization places its temporary cash with creditworthy, high quality financial institutions.

Investments with the Central Illinois District – Church Extension Fund (CEF) of \$859,759 are not SIPC or FDIC-insured bank deposit accounts, and repayment of principal and interest is dependent upon the general financial condition of CEF. Management has reviewed the financial condition of the CEF and is satisfied that deposits are secure despite lack of regulatory insurance coverage.

NOTE 7 – PERMANENTLY RESTRICTED NET ASSETS

Permanently Restricted Net Assets consisted of the following at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
General Fund.....	\$100,000	\$100,000
CID Scholarship Fund.....	676,527	670,682
Meseke Scholarship Fund.....	6,000	6,000
Christ Peoria Scholarship Fund	23,110	23,110
Dr. A. Mueller Memorial Fund.....	<u>22,500</u>	<u>22,500</u>
 Total	 <u>\$828,137</u>	 <u>\$822,292</u>
 Net Assets Released From Restrictions:		
Student Aid Contribution.....	\$ <u> -</u>	\$ <u>24,078</u>

Central Illinois District Endowment Fund, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2011 and 2010

NOTE 8 – ENDOWMENT

The CID's Endowment Fund consists of five individual funds established primarily for scholarship purposes. The funds are all donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the CID Endowment Fund has interpreted Illinois' Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the CID Endowment Fund classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate appreciation of donor-restricted endowment funds:

- (1) The duration and preservation of the endowment fund
- (2) The purposes of the organization and the endowment fund
- (3) General economic conditions
- (4) The effects of inflation or deflation
- (5) The expected total return from investments
- (6) Other resources of the organization
- (7) The investment policy of the organization

Central Illinois District Endowment Fund, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2011 and 2010

NOTE 8 – ENDOWMENT, cont'd.

**Endowment Net Asset Composition by Type of Fund
as of December 31, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ <u> -</u>	\$ <u>53,722</u>	\$ <u>828,136</u>	\$ <u>881,858</u>

**Changes in Endowment Net Assets
for the Year Ended December 31, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 25,897	\$ 822,292	\$ 848,189
Investment return:				
Investment income	-	27,825	-	27,825
Contributions	-	-	5,844	5,844
Appropriation of endowment assets for expenditure	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>
Endowment net assets, end of year	\$ <u> -</u>	\$ <u>53,722</u>	\$ <u>828,136</u>	\$ <u>881,858</u>

Central Illinois District Endowment Fund, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2011 and 2010

NOTE 8 – ENDOWMENT, cont’d.

**Endowment Net Asset Composition by Type of Fund
as of December 31, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ <u> </u> -	\$ <u>25,897</u>	\$ <u>822,292</u>	\$ <u>848,189</u>

**Changes in Endowment Net Assets
for the Year Ended December 31, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 17,773	\$812,048	\$829,821
Investment return: Investment income	-	32,202	-	32,202
Contributions	-	-	10,244	10,244
Appropriation of endowment assets for expenditure	<u> </u> -	(<u>24,078</u>)	<u> </u> -	(<u>24,078</u>)
Endowment net assets, end of year	\$ <u> </u> -	\$ <u>25,897</u>	\$ <u>822,292</u>	\$ <u>848,189</u>

Central Illinois District Endowment Fund, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2011 and 2010

NOTE 8 – ENDOWMENT, cont’d.

**Description of Amounts Classified as Permanently Restricted Net Assets and
Temporarily Restricted Net Assets (Endowment Only)**

	December 31,	
	2011	2010
Permanently Restricted Net Assets		
(1) The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	<u>\$828,137</u>	<u>\$822,292</u>
Total endowment funds classified as permanently restricted net assets	<u>\$828,137</u>	<u>\$822,292</u>
Temporarily Restricted Net Assets		
(1) Term endowment funds	\$ -	\$ -
(2) Income from perpetual endowment funds subject to purpose restrictions	<u>53,722</u>	<u>25,897</u>
Total endowment funds classified as temporarily restricted net assets	<u>\$ 53,722</u>	<u>\$ 25,897</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the CID Endowment Fund to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies at December 31, 2011 and 2010.

Return Objectives and Risk Parameters

The CID Endowment Fund has adopted investment and spending policies for endowment assets that attempt to achieve a maximum total return to fund the CID Endowment Fund's objective of providing student aid while assuming a prudent degree of risk. Endowment assets include those assets of donor-restricted funds that the CID Endowment Fund must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner to achieve a maximum return consistent with reasonable risk as defined by current industry practices and standards.

Central Illinois District Endowment Fund, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2011 and 2010

NOTE 8 – ENDOWMENT, cont'd.

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

The CID Endowment Fund has a policy of appropriating for distribution each year earnings accumulated on investments. In establishing this policy, the CID Endowment Fund considered the long-term expected return on its endowment. Accordingly, over the long term, the CID Endowment Fund expects the current spending policy to allow its endowment to grow. This is consistent with the organization's objective to provide student aid while assuming a prudent degree of risk.