

2013 ANNUAL REPORT

# Great things







# happen

## **Maybe it was obvious?**

We had one big, over-arching message in mind when we planned this annual report.

## **Then, we decided to give it a tweak.**

Great things happen when adults <sup>step back and</sup> consider what children need to grow and develop.

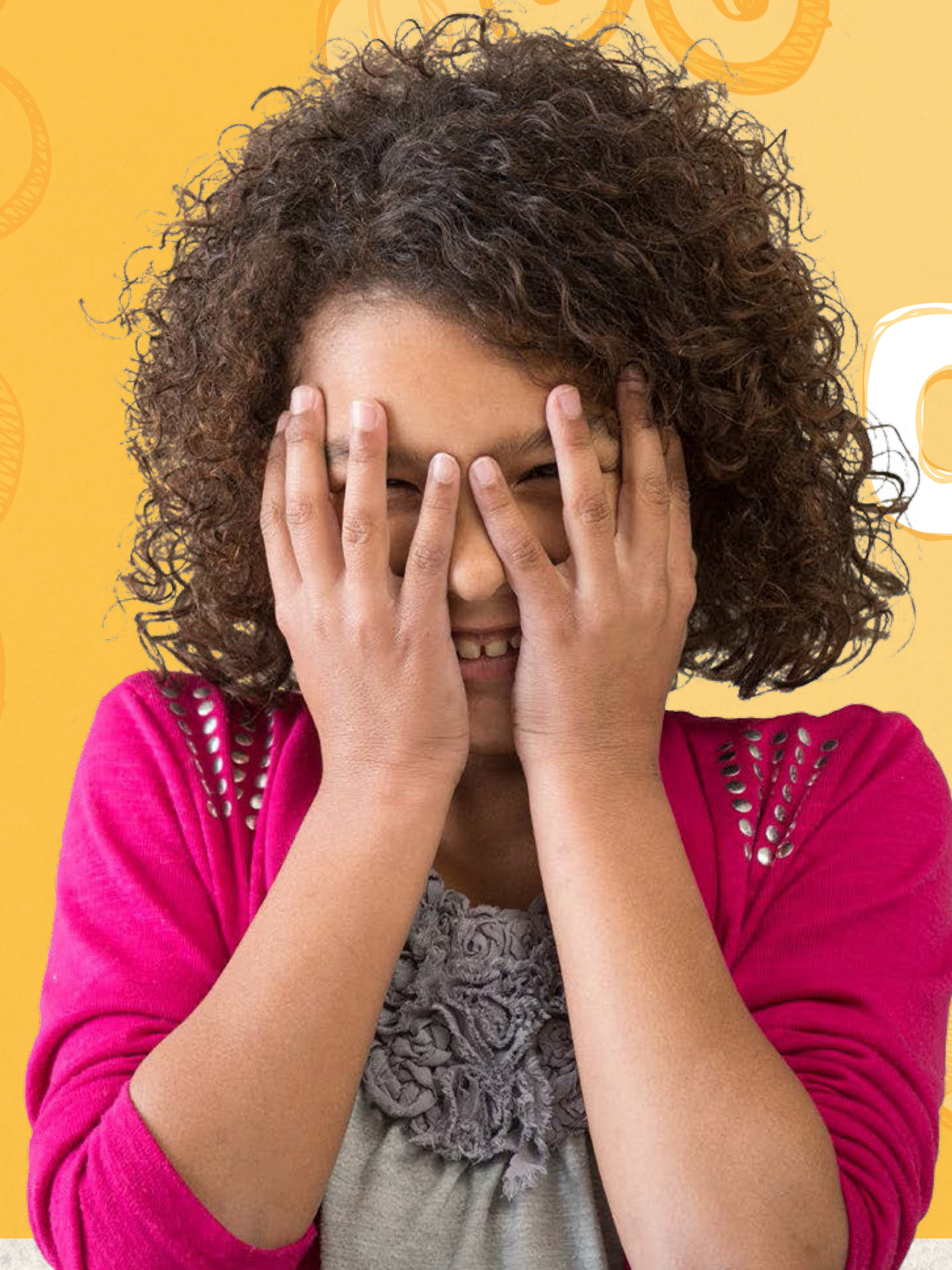
If you think it's a small difference, we agree. *And disagree!*



when adults

step back and

consider



As adults, once we're established...as parents, teachers, youth workers, foundation presidents, you name it...a switch clicks on.

We gain experience. We see what works.

We get fast. We get comfortable.

Stepping back and considering our actions is an extra step.

It's also what makes us good!





## High Lakes Outdoor Alliance

Union County, Iowa

One of the things teens lack these days is adult role models who can offer guidance and life experience. Such caring adults can help young people explore interests and possible careers. Teens without strong role models at home are especially in need of this support.

Volunteers at the High Lakes Outdoor Alliance in Union County, Iowa are especially well prepared to take on the role of adult role model. The organization is full of professionals, business owners and the kind of great role models that young people need. When they built a shooting sports complex in their community the High Lakes team stepped back and planned for the needs of a large number of young people who show a high interest in their sport.

Volunteers Marc Roberg and Tom Lesan like to sum up the group's impact through stories like this: "You should have seen this tiny eighth-grade girl...out here on a horrible freezing night in late November. Twenty-mile-an-hour winds. She hits 19 of 25 targets. We tell her, 'If you keep it up you'll hit 25 in a row... you'll be able to compete at the utmost level...with anyone!' She wouldn't leave. She just wanted to keep practicing."

A \$50,000 grant from our foundation helped to pay for the construction of a shooting sports complex. Total project cost: About \$320,000.

When it comes to the important work of helping children grow and develop, it's especially important to step back. Scientists learn more about brains, and how they work, every single day! New concepts are uncovered. Best practices are shared.

Stepping back causes experienced adults to admit that they have a lot to learn. Stepping back is a humbling experience. It's where we invest our grant dollars.

The stories here tell of people who were willing to take a step back to consider what children need. Then they all made a big step forward!

## Wawasee Community School

Kosciusko County, Indiana

When children enter kindergarten they've spent most of their time in the close-knit care of parents and early educators. That's great when they're young, but children of kindergarten age crave social interaction! They want to learn how to act appropriately; how to talk in turn. They like to solve problems together.

Teachers in the Wawasee Community Schools in Kosciusko County, Indiana understood this about children, but when **they stepped back and looked around their classrooms** they saw that their traditional ways discouraged the social development that their students needed most!

So, with the help of a "Kindergarten Redefined" coach, teachers made many changes in their classrooms. A simple change that made a big difference was trading classroom desks and chairs for areas where children have a choice of where, and with whom, to work.

*"The things we did helped students feel ownership for their classroom," says Jaimi Andrew, a kindergarten teacher in her ninth year of teaching. "The students often work on the floor. And they love to gather around our big low table...it's actually an old door that we found and added legs to make it their size."*

We made a \$113,000 grant over two years to help pay for the coach mentioned above. The project also included improvements in classroom environments, and training and inspiration for teachers across classrooms in three elementary schools. Total cost of the project: \$357,000 over two years.

# what children need to grow and develop.

## The JAM Center

DeKalb County, Indiana

Early educators at the JAM Center in Garrett, Indiana spent 2013 studying what infants, toddlers and preschoolers need to thrive. "Most adults are surprised," says Arleth Rodriguez, toddler lead teacher, "but children this age need real work to do. They need to wash things, sweep the floor and do simple jobs like slicing eggs."

Once these teachers stepped back to learn more about how children grow and develop, they realized immediately that their classroom approach wasn't right. So, they changed the type of lessons they offered children each day to allow for more independent work. "We don't rescue them too quickly when a situation arises," says Monela Wilhelm, infant lead teacher. "Not that we don't help, but we give them plenty of time to figure things out for themselves."

Now, one of the phrases heard most often at JAM is, "I did it!" "We hear children say that all the time," says Amber Oppen, preschool lead teacher. "It is great for them to be so independent...to have that personal power at such a young age."

To help JAM improve its early childhood education, we provided a human resource – a mentor – that supported teachers as they dug deeply into child development and stayed on as they worked through improvements in their classrooms.





## Our foundation is the legacy of **Mr. Chester E. (Chet) Dekko.**



Mr. Dekko was born in 1925 in the town of Ada, Minnesota. His development was shaped by the love of a close-knit family and the realities of the Great Depression. Mr. Dekko's experiences forged in him a dedication to family

and a certainty that education, hard work and self-reliance were the keys to a life of independence and choice.

In 1952 Mr. Dekko and a partner (Mr. Lyall Morrill) took on the significant personal and financial risk of starting a manufacturing business. Employing their similar convictions and work ethic, the partners' risk paid off as their business grew to be one of the largest privately-held operations in northeast Indiana.

In 1981, Mr. Dekko used his proceeds from that business venture to start the Dekko Foundation. As he considered how he might leave a legacy, Mr. Dekko consulted friends and family, and studied the wisdom of our country's founding fathers and contemporary thought leaders such as Milton and Rose Friedman. Again his convictions played a part in his decision making, as Mr. Dekko chose for his foundation the mission of fostering economic freedom through education.

Mr. Dekko passed away in 1992, but his vision continues through his foundation. Each investment we make is designed to help young people gain skills, and knowledge and character that will prepare them for the kind of life to which Mr. Dekko aspired: A life that offers the maximum opportunity for personal independence and choice.

### GET SOCIAL WITH US

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PO Box 548  
Kendallville, IN 46755  
260-347-1278  
[dekkofoundation.org](mailto:dekkofoundation.org)  
[www.dekkofoundation.org](http://www.dekkofoundation.org)

### **Mission**

To foster economic freedom through education.

### **Board of Directors**

Erica Dekko, Tad Dekko, Phil Salsbery

### **Staff**

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Mary Allen, Grants Manager  
Kim Davidson, Program Officer  
Robin McCormick, Controller  
Jenna Ott, Program Officer  
Lauren Butler, ICE Student and VP of Youthful Ideas  
Kimberly Schroeder, Program Officer  
Ashlee Guthrie, Program Officer  
Sharon Smith, Program Director

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Allie Kresse, LaGrange, IN  
Shirley Kessel, Lamoni, IA  
Diana Parker, North Manchester, IN  
Alec Van Wagnen, Athens, AL  
Jeff Wike, Columbia City, IN

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Scott Frick, Kendallville, IN  
Dave Hunter, Kendallville, IN  
Chuck Schrimper, Fort Wayne, IN



[dekkofoundation.org](http://dekkofoundation.org)



# Grants awarded in 2013

## Supporting Early Childhood Development *Ages birth to 5*

Agape Daycare Ministry	Stroh, IN	Increase organization's ability to support child development.	\$16,408
Butler Early Education Center	Butler, IN	Operational support	\$30,000
Butler Early Education Center	Butler, IN	Operational support	\$150,000
Butler Early Education Center	Butler, IN	Increase organization's ability to support child development.	\$5,000
Church of the Good Shepherd Preschool	Winona Lake, IN	Put child development principles into practice.	\$2,500
Early Childhood Alliance	Fort Wayne, IN	Put child development principles into practice.	\$7,100
Early Childhood Alliance	Fort Wayne, IN	Support parents in their role as their child's best teacher.	\$170,000
East Noble School Corporation	Kendallville, IN	Support parents in their role as their child's best teacher.	\$600
Family Resource Center	Mount Ayr, IA	Increase organization's ability to support child development.	\$10,000
Fremont Community Schools/Head Start	Fremont, IN	Increase organization's ability to support child development.	\$3,830
Greater Warsaw Cooperative Preschool	Warsaw, IN	Increase organization's ability to support child development.	\$8,000
Kendallville Public Library	Kendallville, IN	Support parents in their role as their child's best teacher.	\$13,400
Little Lambs Daycare	Fremont, IN	Increase organization's ability to support child development.	\$1,500
New Beginnings Preschool and Child Care	Milford, IN	Increase organization's ability to support child development.	\$5,000
Noble County Public Library	Albion, IN	Support parents in their role as their child's best teacher.	\$1,500
Southwestern Community College	Creston, IA	Increase organization's ability to support child development.	\$34,260

## Supporting Middle Childhood Development *Ages 6-12*

Angola Kid's League	Angola, IN	Strengthen community involvement in the development of children.	\$25,000
Anthony Wayne Council of Boy Scouts	Fort Wayne, IN	Strengthen community involvement in the development of children.	\$50,000
Boys and Girls Club of Athens/Limestone Co.	Athens, AL	Increase organization's ability to support child development.	\$50,000
Boys and Girls Club of Athens/Limestone Co.	Athens, AL	Increase organization's ability to support child development.	\$50,000
Central Decatur Community School District	Leon, IA	Shift learning environments toward a focus on children's needs.	\$1,400
Central Decatur Community School District	Leon, IA	Strengthen community involvement in the development of children.	\$3,000
Central Noble Community School Corporation	Albion, IN	Shift learning environments toward a focus on children's needs.	\$2,300
DeKalb County Eastern Community School	Auburn, IN	Shift learning environments toward a focus on children's needs.	\$4,200
Erin's House for Grieving Children	Fort Wayne, IN	Strengthen community involvement in the development of children.	\$100,000
FAME	Fort Wayne, IN	Increase organization's ability to support child development.	\$2,560
Fort Wayne Children's Zoo	Fort Wayne, IN	Strengthen community involvement in the development of children.	\$127,000
Fremont Community Schools	Fremont, IN	Shift learning environments toward a focus on children's needs.	\$1,500
H. W. McMillen Center for Health Education	Fort Wayne, IN	Add to the number of Developmental Assets that children possess.	\$22,500
Lakeland Youth Center	Syracuse, IN	Operating support	\$10,000
Lakewood Park Early Learning Ministry	Auburn, IN	Add to the number of Developmental Assets that children possess.	\$6,000
Lamoni Community Schools	Lamoni, IA	Shift learning environments toward a focus on children's needs.	\$3,000
Learn to Read Council of Athens/Limestone Co.	Athens, AL	Add to the number of Developmental Assets that children possess.	\$5,133
Learn to Read Council of Athens/Limestone Co.	Athens, AL	Add to the number of Developmental Assets that children possess.	\$6,000
Limestone County Schools	Athens, AL	Shift learning environments toward a focus on children's needs.	\$9,000
Lindsay Lane Christian Academy	Athens, AL	Increase organization's ability to support child development.	\$12,510
Mayflower Heritage Christian School	Creston, IA	Increase organization's ability to support child development.	\$10,000
Norman County West School Corporation	Hendrum, MN	Shift learning environments toward a focus on children's needs.	\$29,000
Oak Farm School	Avilla, IN	Operational support	\$2,000,000
Oak Farm School	Avilla, IN	Shift learning environments toward a focus on children's needs.	\$6,000
Science Central	Fort Wayne, IN	Shift learning environments toward a focus on children's needs.	\$70,000
St. John Lutheran Church and School	Kendallville, IN	Shift learning environments toward a focus on children's needs.	\$3,000
St. Mary Catholic School	Avilla, IN	Shift learning environments toward a focus on children's needs.	\$3,000
The Liberty Learning Foundation	Huntsville, IN	Strengthen community involvement in the development of children.	\$5,000
Warsaw Christian School	Warsaw, IN	Operational support	\$40,000
Warsaw Community Schools	Warsaw, IN	Shift learning environments toward a focus on children's needs.	\$20,000
Warsaw Community Schools	Warsaw, IN	Shift learning environments toward a focus on children's needs.	\$20,000
Wawasee Community School Corporation	Syracuse, IN	Shift learning environments toward a focus on children's needs.	\$220,000
Wawasee Community School Corporation	Syracuse, IN	Shift learning environments toward a focus on children's needs.	\$6,000
West Noble School Corporation	Ligonier, IN	Shift learning environments toward a focus on children's needs.	\$2,000
Westview School Corporation	Topeka, IN	Shift learning environments toward a focus on children's needs.	\$2,725
Whitley County Community Foundation	Columbia City, IN	Add to the number of Developmental Assets that children possess.	\$4,000
YMCA of Steuben County	Angola, IN	Add to the number of Developmental Assets that children possess.	\$1,000

## Supporting Adolescent Development *Ages 13-18*

Cahoots Coffee Café	Angola, IN	Add to the number of Developmental Assets that young people possess.	\$37,000
Charlton Community School District	Charlton, IA	Create opportunities for young people to gain economic freedom.	\$20,500
Community Foundation DeKalb County	Auburn, IN	Add to the number of Developmental Assets that young people possess.	\$20,000
East Noble School Corporation	Kendallville, IN	Shift learning environments toward a focus on young people's needs.	\$35,000
East Noble School Corporation	Kendallville, IN	Create opportunities for young people to gain economic freedom.	\$20,000
East Noble Show Choir Boosters	Kendallville, IN	Increase organization's ability to support young people's development.	\$7,335
East Union Community Schools	Afton, IA	Increase organization's ability to support young people's development.	\$10,000
Fargo-Moorhead Area Foundation	Fargo, ND	Add to the number of Developmental Assets that young people possess.	\$17,000
Heartline Pregnancy Center	Warsaw, IN	Increase organization's ability to support young people's development.	\$4,500
Indiana Nonprofit Resource Network	Elkhart, IN	Increase organizations' ability to support young people's development.	\$15,000
Indiana Troopers Youth Services	Angola, IN	Add to the number of Developmental Assets that young people possess.	\$5,000
Indiana Youth Institute	Indianapolis, IN	Increase organizations' ability to support young people's development.	\$421,000
Iowa Association of Business and Industry Foundation	Des Moines, IA	Create opportunities for young people to gain economic freedom.	\$1,000
Kosciusko County Community Foundation	Warsaw, IN	Add to the number of Developmental Assets that young people possess.	\$18,500
Kosciusko County Community Foundation	Warsaw, IN	Increase organizations' ability to support young people's development.	\$4,000
Leon Public Library	Leon, IA	Increase organization's ability to support young people's development.	\$2,800
LaGrange Communities Youth Centers	LaGrange, IN	Increase organization's ability to support young people's development.	\$6,000
LaGrange County Community Foundation	LaGrange, IN	Add to the number of Developmental Assets that young people possess.	\$18,500
Lakeland Christian Academy	Warsaw, IN	Increase organization's ability to support young people's development.	\$4,500
Limestone Area Community Foundation	Athens, AL	Add to the number of Developmental Assets that young people possess.	\$18,500
Mount Ayr Community Schools	Mount Ayr, IA	Create opportunities for young people to gain economic freedom.	\$25,000
Passages	Columbia City, IN	Create opportunities for young people to gain economic freedom.	\$50,000
SCAN	Fort Wayne, IN	Create opportunities for young people to gain economic freedom.	\$7,500
South Central Iowa Community Foundation	Charlton, IA	Add to the number of Developmental Assets that young people possess.	\$63,250
Steuben County Community Foundation	Angola, IN	Add to the number of Developmental Assets that young people possess.	\$15,900
Teen Parents Succeeding	Syracuse, IN	Operational support	\$25,000
Teen Parents Succeeding	Syracuse, IN	Add to the number of Developmental Assets that young people possess.	\$7,500
The Center for Whitley County Youth	Columbia City, IN	Create opportunities for young people to gain economic freedom.	\$45,000
Warsaw Community Schools	Warsaw, IN	Increase organization's ability to support young people's development.	\$24,000
Wawasee Community School Corporation	Syracuse, IN	Create opportunities for young people to gain economic freedom.	\$80,000
Whitley County Community Foundation	Columbia City, IN	Add to the number of Developmental Assets that young people possess.	\$18,500

## Community Development

Auburn Automotive Heritage	Auburn, IN	Expose young people to new areas of interest and experience.	\$150,000
City of Afton	Afton, IA	Expose young people to new areas of interest and experience.	\$25,000
City of Columbia City	Columbia City, IN	Help communities assess strengths and weaknesses.	\$15,000
City of Kendallville	Kendallville, IN	Expose young people to new areas of interest and experience.	\$2,500
City of Lamoni	Lamoni, IA	Expose young people to new areas of interest and experience.	\$75,000
DeKalb County Fair Association	Auburn, IN	Ensure that young people build community bonds.	\$107,000
DeKalb County Horseman's Association	Garrett, IN	Expose young people to new areas of interest and experience.	\$25,000
Diagonal Community Schools	Diagonal, IA	Help communities address weaknesses and needs.	\$100,000
Fort Wayne Public Television	Fort Wayne, IN	Expose young people to new areas of interest and experience.	\$100,000
Fort Wayne Public Television	Fort Wayne, IN	Expose young people to new areas of interest and experience.	\$15,000
Judy A. Morrill (JAM) Center	Garrett, IN	Expose young people to new areas of interest and experience.	\$75,000
Gene Stratton-Porter Memorial Society	Rome City, IN	Expose young people to new areas of interest and experience.	\$5,000
Kosciusko Community YMCA	Warsaw, IN	Expose young people to new areas of interest and experience.	\$1,000,000
Ligonier Public Library	Ligonier, IN	Expose young people to new areas of interest and experience.	\$250,000
Noble County Community Foundation	Ligonier, IN	Help communities address weaknesses and needs.	\$30,000
Noble County Community Foundation	Ligonier, IN	Expose young people to new areas of interest and experience.	\$25,000
Noble County Convention and Visitors Bureau	Kendallville, IN	Expose young people to new areas of interest and experience.	\$10,000
Noble County Council	Albion, IN	Help communities address weaknesses and needs.	\$10,000
Noble County Extension Homemakers Clubs	Albion, IN	Help communities address weaknesses and needs.	\$10,000
Southern Iowa Resource Conservation and Development Area	Creston, IA	Help communities address weaknesses and needs.	\$3,300
Southwestern Community College	Creston, IA	Help communities address weaknesses and needs.	\$500
Steuben County Community Foundation	Angola, IN	Expose young people to new areas of interest and experience.	\$3,500
Town of Churubusco	Churubusco, IN	Expose young people to new areas of interest and experience.	\$16,000
Town of Winona Lake	Winona Lake, IN	Expose young people to new areas of interest and experience.	\$100,000
Union County Extension	Creston, IA	Help communities address weaknesses and needs.	\$7,500
Waterloo Grant Township Public Library	Waterloo, IN	Expose young people to new areas of interest and experience.	\$250,000
YMCA of DeKalb County	Auburn, IN	Expose young people to new areas of interest and experience.	\$1,500,000
YMCA of DeKalb County	Auburn, IN	Operational support	\$50,000

ORGANIZATION NAME	LOCATION	PURPOSE	AMOUNT	ORGANIZATION NAME	LOCATION	PURPOSE	AMOUNT
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## **Independent Auditor's Report**

Board of Directors  
Dekko Foundation, Inc.  
Kendallville, Indiana

We have audited the accompanying modified cash basis financial statements of Dekko Foundation, Inc., which comprise the statements of financial position as of August 31, 2013 and 2012, and the related statements of activities for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dekko Foundation, Inc., as of August 31, 2013 and 2012, and the changes in its net assets for the years then ended in accordance with the modified cash basis of accounting described in Note 1.

### ***Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

BKD, LLC

Fort Wayne, Indiana  
December 4, 2013



## Statements of Financial Position

August 31, 2013 and 2012 (Modified Cash Basis)

	2013	2012
<b>Assets</b>		
Cash and cash equivalents	\$ 11,519,096	\$ 5,567,045
Investments	181,831,344	186,957,991
Property and equipment, net	111,342	121,766
Total assets	<u>\$ 193,461,782</u>	<u>\$ 192,646,802</u>
<b>Liabilities</b>		
Payroll tax withholdings	\$ 5,165	\$ 5,095
<b>Unrestricted Net Assets</b>	<u>193,456,617</u>	<u>192,641,707</u>
Total liabilities and net assets	<u>\$ 193,461,782</u>	<u>\$ 192,646,802</u>

## Statements of Activities

Years Ended August 31, 2013 and 2012 (Modified Cash Basis)

	2013		2012	
	Total	Percent of Total	Total	Percent of Total
<b>Receipts</b>				
Contributions	\$ 1,396,730	10.66%	\$ 319,903	2.41%
Interest and dividend income	4,584,866	35.00	4,866,332	36.71
Net realized gains on investments	7,074,856	54.00	8,034,044	60.60
Other	44,982	.34	36,441	.28
Total receipts	<u>13,101,434</u>	<u>100.00%</u>	<u>13,256,720</u>	<u>100.00%</u>
<b>Disbursements and Expenses</b>				
Grants	9,737,926	79.26%	9,379,630	80.75%
Administrative	755,661	6.15	775,407	6.67
Library	1,613	.01	1,279	.01
Depreciation	10,424	.08	10,424	.09
Utilities	17,448	.14	16,116	.14
Office supplies	8,612	.07	7,946	.07
Equipment	7,585	.06	6,725	.06
Repair and maintenance	60,551	.49	65,185	.56
Dues and membership	14,977	.12	14,677	.13
Training	21,621	.18	8,280	.07
Travel	145,450	1.18	24,007	.21
Postage	5,719	.05	6,098	.05
Insurance	24,379	.20	23,695	.20
Professional fees	214,610	1.75	57,906	.50
Investment management fee	1,027,858	8.37	1,063,829	9.16
Federal excise tax and unrelated business income tax	99,113	.81	96,488	.83
Other	132,977	1.08	58,219	.50
Total disbursements and expenses	<u>12,286,524</u>	<u>100.00%</u>	<u>11,615,911</u>	<u>100.00%</u>
Change in unrestricted net assets	814,910		1,640,809	
Unrestricted net assets, beginning of year	<u>192,641,707</u>		<u>191,000,898</u>	
Unrestricted net assets, end of year	<u>\$ 193,456,617</u>		<u>\$ 192,641,707</u>	

See Notes to Financial Statements



**Notes to Financial Statements**  
August 31, 2013 and 2012 (Modified Cash Basis)

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

**Nature of Operations**

Dekko Foundation, Inc. (Foundation) was incorporated as a not-for-profit foundation in 1981, under the laws of the state of Indiana. The mission of the Foundation is to foster economic freedom through education in the areas where its founder, Mr. Chester E. Dekko, had an interest. For that reason, the Foundation focuses its grant making in portions of Alabama, Florida, Indiana, Iowa and Minnesota. Primary sources of revenue for the Foundation are estate contributions and investment income. Mr. Dekko's intent for his foundation was to give young people the opportunity for high-quality experiences that would lay the groundwork for the development of financial independence. To carry out that mission, the Dekko Foundation makes grants to not-for-profit organizations that promote developmentally appropriate experiences. The Foundation also invests in the capacity of youth and community development organizations to sustain and elevate their work.

**Use of Estimates**

The preparation of financial statements in conformity with the Foundation's modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of receipts and disbursements and other changes in net assets during the reporting period. Actual results could differ from those estimates.

**Basis of Accounting**

The financial statements have been prepared on a modified cash basis of accounting which differs from accounting principles generally accepted in the United States of America (GAAP) as follows:

- Cash paid to charitable organizations and vendors is expensed when paid, not when the grant is approved or when the obligation is incurred as required by GAAP.
- Investments are recorded at cost, not fair value, and investment income is recorded when received, not when earned, as required by GAAP. In addition, certain disclosures are not provided regarding the nature of certain investments, as required by GAAP.

**Net Asset Classifications**

The following class of net assets is maintained:

*Unrestricted Net Assets*

The unrestricted net asset class includes general assets and liabilities of the Foundation. The unrestricted net assets of the Foundation may be used at the discretion of management to support the Foundation's purposes and operations.

**Cash and Cash Equivalents**

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. At August 31, 2013 and 2012, cash equivalents consisted primarily of money market accounts with brokers.

At August 31, 2013, the Foundation's cash accounts exceeded federally insured limits by approximately \$754,000.

**Investments**

Marketable securities and other investments are recorded at cost or, if donated, at the fair value at the date of gift. Other investments are comprised of nonmarketable securities, such as private partnerships and limited liability corporations. Investment gains and losses are recognized upon realization using the specific-identification method.

**Income Taxes**

The Foundation is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and a similar provision of state law. The Foundation is considered to be a private foundation under Section 509(a) of the Code. The Foundation is subject to excise tax on investment income. In addition, the Internal Revenue Service requires that certain minimum distributions be made in accordance with a specified formula.

The Foundation files tax returns in the U.S. federal jurisdiction. With a few exceptions, the Foundation is no longer subject to U.S. federal examinations by tax authorities for years before 2010.

**Property and Equipment**

Expenditures for property and equipment and items, which substantially increase the useful lives of existing assets, are capitalized at cost. The Foundation provides for depreciation on the straight-line method at rates designed to depreciate the costs of assets over estimated useful lives as follows:

	<b>Years</b>
Furnishings and equipment	5-7
Buildings and improvements	15-31



**Note 2: Investments**

The Foundation's investments are as follows:

	2013		2012	
	COST	FAIR VALUE	COST	FAIR VALUE
U.S. Government and U.S. Government agency securities	\$ 12,194,427	\$ 12,275,965	\$ 13,802,113	\$ 15,493,381
Equities	93,357,281	122,578,449	103,292,852	118,269,512
Corporate bonds	42,332,309	42,665,889	32,048,052	33,461,332
Nonmarketable securities	33,947,327	40,068,736	37,814,974	41,630,695
Total	\$ 181,831,344	\$ 217,589,039	\$ 186,957,991	\$ 208,854,920

The fair value is based on quoted prices in active markets, if available. In the absence of readily determinable fair values, the fair value of alternative investments is based on the net asset value of the fund either provided by the investment's fund manager or general partner or estimated by management based on audited financial statements received from the respective investment's fund manager or general partner.

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the notes to the financial statements.

**Note 3: Property and Equipment**

The Foundation's property and equipment are as follows:

	2013	2012
Buildings and improvements	\$ 511,256	\$ 511,256
Furnishings and equipment	209,713	209,713
	720,969	720,969
Accumulated depreciation	(609,627)	(599,203)
Total	\$ 111,342	\$ 121,766

**Note 4: Employee Benefits**

The Foundation maintains a 403(b) defined-contribution plan for the benefit of substantially all of its employees, which allows for both employee and employer contributions. The Foundation's contribution consists of a discretionary contribution of 10% of eligible compensation, and a matching contribution of 100% of employee contributions, up to 5% of eligible employee compensation. The Foundation's contribution to the plan was \$75,167 and \$83,145 for 2013 and 2012, respectively.

**Note 5: Related Party Transactions**

During 2013 and 2012, a portion of the Foundation's investments were managed by an investment advisor who is a related party of the Foundation in the amount (cost basis) of \$28,454,246 and \$29,022,742 as of August 31, 2013 and 2012, respectively. The investment advisory fee (which was paid to the brokerage firm, not the related party advisory firm) was \$199,302 and \$225,382 for the years ended August 31, 2013 and 2012, respectively.

**Note 6: Commitments and Contingencies**

The Foundation is a guarantor for a series of tax-exempt bonds. The Foundation is only liable for these bonds if the two primary parties default on their portion of the bonds payable. The principal balances of the bonds outstanding at August 31, 2013 and 2012, were \$1,795,000 and \$2,625,000, respectively. The bonds incur interest at a floating rate set each month. At August 31, 2013 and 2012, the Foundation has not been required to execute its guarantee.

**Note 7: Subsequent Events**

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.