

RANDALL GROSS & COMPANY, LTD.
CERTIFIED PUBLIC ACCOUNTANTS
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July 9, 2009

To the Board of Directors
Barrington Area Community Foundation, Inc.
Barrington, Illinois 60010

We have audited the financial statements of Barrington Area Community Foundation, Inc. for the year ended December 31, 2008, and have issued our report thereon dated July 9, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 29, 2009, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated May 29, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Barrington Area Community Foundation, Inc. are described in Note 1 to the financial statements. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. As described in Note 1 to the Financial Statements, the Organization adopted Statement of Financial Accounting Standards No. 157, Fair Value Measurement, (SFAS No. 157) as of January 1, 2008, and there was no material impact to the financial statements. The application of existing policies was not changed during the year ended December 31, 2008. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We noted no significant estimates that affected the financial statements for the year ended December 31, 2008.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. The misstatements for the year ended December 31, 2008 are summarized on the attached schedule.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 9, 2009.

Management Consultations with Other Independent Accountants

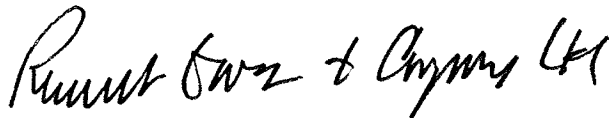
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Barrington Area Community Foundation, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Randall Gross & Company, Ltd.", written in a cursive style.

Randall Gross & Company, Ltd.

BARRINGTON AREA COMMUNITY FOUNDATION
FINANCIAL STATEMENTS
Year Ended December 31, 2008

BARRINGTON AREA COMMUNITY FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Barrington Area Community Foundation
Barrington, Illinois

We have audited the accompanying statement of financial position of the Barrington Area Community Foundation (a not-for-profit organization) as of December 31, 2008, and the related statements of activities, functional expenses, and cash flows for the year 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 audit.

We conducted our audit 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 audit provides 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 Barrington Area Community Foundation as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Randall Gross & Company, Ltd.

July 9, 2009

BARRINGTON AREA COMMUNITY FOUNDATION
STATEMENT OF FINANCIAL POSITION
For the Year Ended December 31, 2008

ASSETS

Cash and cash equivalents	\$	369,909
Prepaid expense		6,000
Dividends receivable		<u>5,926</u>
Total current assets		381,835
Investments – (Note 2 & 5)		<u>1,696,340</u>
Total assets		<u>\$ 2,078,175</u>

LIABILITIES AND NET ASSETS

Accounts Payable	\$	<u>234</u>
Total current liabilities		234
Net Assets:		
Unrestricted		2,026,941
Temporarily restricted		<u>51,000</u>
		2,077,941
Total liabilities and net assets		<u>\$ 2,078,175</u>

The accompanying notes are an integral part of the financial statements

BARRINGTON AREA COMMUNITY FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2008

	Unrestricted	Temporarily Restricted	Total
Revenues			
Contributions and grants	\$ 103,355	\$ 51,000	\$ 154,355
Special Events	175,767		175,767
Less: Costs of direct benefits to donors	(85,520)		(85, 520)
Investment Income	<u>(572,936)</u>	<u> </u>	<u>(572, 936)</u>
Total revenues and other support	(379,334)	51,000	(328,334)
Expenses			
Program expense	115,000		115,000
Support services			
Management and general	14,411		14,411
Fundraising	5,648		5,648
Total expenses	<u>135,059</u>	<u> </u>	<u>135,059</u>
Change in net assets	(514,393)	51,000	(463,393)
Net assets – beginning of year	<u>2,541,334</u>	<u> </u>	2,541,334
Net assets – end of year	<u>\$ 2,026,941</u>	<u>\$ 51,000</u>	<u>\$ 2,077,941</u>

The accompanying notes are an integral part of the financial statements

BARRINGTON AREA COMMUNITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2008

	Program	Management and General	Fundraising	Total
Grants paid to others	\$ 115,000			\$ 115,000
Office Expense		\$ 6,953	\$ 1,686	8,639
Committee Expense		1,524		1,524
Bank & filing fees		334		334
Printing			3,962	3,962
Professional fees	_____	5,600	_____	5,600
	<u>\$ 115,000</u>	<u>\$ 14,411</u>	<u>\$ 5,648</u>	<u>\$135,059</u>

The accompanying notes are an integral part of the financial statements

BARRINGTON AREA COMMUNITY FOUNDATION
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2008

Cash flows from operating activities	
Decrease in net assets	\$ (463,393)
Adjustments to reconcile decrease in net assets to cash provided by operating activities	
Net realized loss and unrealized loss on investments	658,359
Change in operating assets and liabilities	
Increase in prepaid expense & dividend receivable	(11,926)
Decrease in accounts payable	<u>(2,788)</u>
Net cash used in operating activities	<u>180,252</u>
Cash flows used for investing activities	
Purchase of investments	(560,728)
Proceeds from sale of investments	<u>440,952</u>
Net cash used by investing activities	<u>(119,776)</u>
Net increase in cash and cash equivalents	60,476
Cash and cash equivalents, beginning of year	<u>309,433</u>
Cash and cash equivalents, end of year	<u>\$ 369,909</u>

The accompanying notes are an integral part of the financial statements

BARRINGTON AREA COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended December 31, 2008

NOTE 1. Purpose of Foundation and Summary of Significant Accounting Policies

Purpose

Barrington Area Community Foundation was formed in August 1998 by community leaders to serve as a charitable vehicle to support the quality of life in the Barrington, Illinois area, which includes communities served by Community Consolidated School District 220 and the Barrington Area Council of Governments. The Foundation is committed to promoting the well being of mankind and to serving the general charitable, educational and scientific needs of the residents of the Barrington Area through charitable grants made at the discretion of the Board of Directors.

Basis of Accounting

The financial statements reflect the accrual basis of accounting in which revenue is recognized when earned and expenses are recognized when incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for Profit Organizations*. Under SFAS No. 117, the 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.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with an initial maturity of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. The Foundation maintains cash deposits in financial institutions in excess of federal deposit insurance limits.

Investments

The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at fair value based upon quoted market prices. Net realized and unrealized gains or losses on sales of securities are based on specific identification of investments. Net realized and unrealized gains and losses are presented as components of investment income in the statement of activities.

Financial Instruments

The Foundation has no financial instruments for which the carrying value materially differs from fair value.

NOTES TO THE FINANCIAL STATEMENTS – continued

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Contributions

Contributions are recognized as assets at the time the Organization receives an unconditional promise of contribution (pledge or gift) from a donor. Gifts of cash and the assets are presented as restricted support if received with donor stipulations limiting the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as donor restricted support.

Contributions of donated noncash assets are recorded at their fair values in the period received.

Net Assets

Unrestricted Net Assets: Unrestricted net assets include net assets that are available for use to fulfill the purposes of the Organization at its discretion. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the restriction is recognized.

Temporarily Restricted Net Assets: Temporarily restricted net assets include net assets whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions pursuant to those stipulations. Temporarily restricted net assets are transferred to unrestricted net assets upon passage of time, or when the donor-imposed stipulation is accomplished.

Temporarily restricted net assets are available for the following purpose:

Innovative Grant	\$ 25,000
Administrative expense	<u>26,000</u>
	<u>\$ 51,000</u>

Permanently Restricted Net Assets: Permanently restricted net assets include net assets whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Organization. Income from permanently restricted net assets is unrestricted.

NOTES TO THE FINANCIAL STATEMENTS – continued

Promises to Give

Unconditional promises to give are recognized as revenue in the period received and as assets, decreases of liabilities or expenses, depending on the form of the benefits received. Promises to give are recorded at net realizable value if they are expected to be collected in one year and at fair value if they are expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Grants

Grants are recorded as expenses at time of payment.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses.

Fair Value Measurements

The Organization adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurement*, (SFAS No. 157) as of January 1, 2008, and there was no material impact to the financial statements. SFAS No. 157 currently applies to all financial assets and liabilities and for non financial assets and liabilities recognized or disclosed at fair value on a recurring basis. In February 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position SFAS No. 157-2, *Effective Date of FASB Statement No. 157*, which defers the application date of the provisions of SFAS No. 157 for all nonfinancial assets and liabilities until the beginning of fiscal 2009, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. SFAS No. 157 requires disclosures that establish a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 is intended to enable the readers of financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. SFAS No. 157 requires the assets and liabilities carried at fair value be classified and disclosed in one of the following categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities
- 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.

The Organization did not have any non-financial assets recorded at fair value on a recurring basis at December 31, 2008.

NOTES TO THE FINANCIAL STATEMENTS – continued

NOTE 2. Investments

Investments consist of the following

Interest and dividends	\$ 85,423
Realized and unrealized gain (loss)	<u>(658,359)</u>
	<u>\$ (572,936)</u>

Fair value measurements recorded on a recurring basis at December 31, 2008 were as follows:

Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>\$ 1,696,340</u>	<u>\$ 0</u>	<u>\$ 0</u>

NOTE 3. Contributed Services

A substantial number of unpaid volunteers have made significant contributions of their time to develop the organization’s programs, principally in administration and fund-raising activities. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

NOTE 4. Income Taxes

Barrington Area Community Foundation is exempt from tax under 501(c)(3) of the Internal Revenue Code, except for any unrelated business income. Barrington Area Community Foundation had no unrelated business income during the year ended December 31, 2008. Barrington Area Community Foundation is also exempt from state income taxes under similar provisions of state tax regulations.

The Financial Accounting Standards Accounting Board (FASB) has issued Financial Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*, which clarifies accounting and disclosure requirements set forth in SFAS No. 109, *Accounting for Income Taxes*. In accordance with FASB Issues Staff Position FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*, Barrington Area Community Foundation has elected to defer the implementation of FIN 48 until December 31, 2009. Barrington Area Community Foundation recognizes uncertain tax positions, if applicable, based on Management’s estimate of whether it is probable that a liability has been incurred and that amount can be reasonably estimated. In view of Barrington Area Community Foundation’s tax-exempt status, management does not expect the implementation of FIN 48 to have a significant impact on the financial statements

NOTE 5. Related Party Transactions

The Foundation has brokerage account relationships with two firms to transact the purchase and sale of securities based upon the Foundation's investment committee's recommendations. A director of the Foundation is currently an account executive at one of the brokerage firms which holds approximately \$1,868,829 of the Foundation's cash and securities.

In the opinion of management these transactions were on substantially the same terms as the prevailing prices at the time of comparable pricing with other brokerage firms and did not present any other unfavorable terms to the Foundation.