



CONSOLIDATED FINANCIAL STATEMENTS

The Cleveland Foundation  
December 31, 2007 and 2006  
With Report of Independent Auditors

Ernst & Young LLP

The Cleveland Foundation  
Consolidated Financial Statements

December 31, 2007 and 2006

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## Report of Independent Auditors

The Board of Trustees  
The Cleveland Foundation

We have audited the accompanying consolidated statements of financial position of The Cleveland Foundation as of December 31, 2007 and 2006, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of The Cleveland 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of The Cleveland Foundation's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Cleveland Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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 consolidated financial position of The Cleveland Foundation at December 31, 2007 and 2006, and the consolidated results of its activities and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

*Ernst & Young LLP*

October 16, 2008

The Cleveland Foundation

Consolidated Statements of Financial Position

	<b>December 31</b>	
	<b>2007</b>	<b>2006</b>
<b>Assets</b>		
Cash	\$ 348,271	\$ 1,890,203
Short-term investments	154,163,466	140,271,263
Investments (including \$177,041,402 market value of securities loaned in 2007 and \$238,915,450 in 2006)	1,820,922,275	1,721,920,976
Investments of cash collateral received for securities loaned	181,760,971	246,905,411
Other investments	20,297,044	20,740,080
Property and other assets	6,421,163	4,276,309
	<b><u>\$2,183,913,190</u></b>	<b><u>\$2,136,004,242</u></b>
<b>Liabilities and net assets</b>		
Accounts payable and accrued expenses	\$ 2,245,557	\$ 1,669,755
Grants payable	27,995,877	19,210,282
Note payable	1,219,282	1,523,454
Payable upon return of securities loaned	181,760,971	246,905,411
Organizational endowments and other obligations	84,703,214	58,366,725
Total liabilities	<b><u>297,924,901</u></b>	<b><u>327,675,627</u></b>
Net assets:		
Unrestricted:		
For grantmaking purposes	5,559,606	5,864,985
Board-designated:		
Administrative purposes	7,987,739	6,263,226
Property	883,125	965,532
Total unrestricted	<b><u>14,430,470</u></b>	<b><u>13,093,743</u></b>
Temporarily restricted	679,738,209	642,398,222
Permanently restricted	1,191,819,610	1,152,836,650
	<b><u>1,885,988,289</u></b>	<b><u>1,808,328,615</u></b>
	<b><u>\$2,183,913,190</u></b>	<b><u>\$2,136,004,242</u></b>

See accompanying notes.

# The Cleveland Foundation

## Consolidated Statement of Activities

Year Ended December 31, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue, gains, and other support</b>				
Donor contributions	\$ 26,396	\$ 29,939,516	\$ 941,412	\$ 30,907,324
Dividend income	-	3,510,342	-	3,510,342
Interest income	1,185,322	6,332,452	-	7,517,774
Common trust funds income	-	969,858	-	969,858
Common investment funds income	-	21,739,817	-	21,739,817
Partial benefit funds income	-	12,392,390	-	12,392,390
Net realized and unrealized investment gains	2,486,765	56,049,198	38,037,957	96,573,920
Net assets released from restrictions	94,186,864	(94,186,864)	-	-
Other income	100,806	593,278	3,591	697,675
Total revenue, gains, and other support	<u>97,986,153</u>	<u>37,339,987</u>	<u>38,982,960</u>	<u>174,309,100</u>
<b>Expenses</b>				
Trustee and investment management fees	6,259,833	-	-	6,259,833
Other expenses	335,322	-	-	335,322
Grants expensed	78,915,972	-	-	78,915,972
Administrative expenses:				
Program	6,700,259	-	-	6,700,259
Development	2,075,688	-	-	2,075,688
Fund management	2,362,352	-	-	2,362,352
Total administrative expenses	<u>11,138,299</u>	<u>-</u>	<u>-</u>	<u>11,138,299</u>
Total expenses	<u>96,649,426</u>	<u>-</u>	<u>-</u>	<u>96,649,426</u>
Increase in net assets	1,336,727	37,339,987	38,982,960	77,659,674
Net assets at beginning of year	13,093,743	642,398,222	1,152,836,650	1,808,328,615
Net assets at end of year	<u>\$ 14,430,470</u>	<u>\$ 679,738,209</u>	<u>\$ 1,191,819,610</u>	<u>\$ 1,885,988,289</u>

*See accompanying notes.*

The Cleveland Foundation  
Consolidated Statement of Activities

Year Ended December 31, 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue, gains, and other support</b>				
Donor contributions	\$ 80,871	\$ 26,633,975	\$ 4,626,721	\$ 31,341,567
Dividend income	-	2,858,043	1,060	2,859,103
Interest income	826,051	5,755,418	-	6,581,469
Common trust funds income	-	1,041,105	-	1,041,105
Common investment funds income	-	20,191,220	-	20,191,220
Partial benefit funds income	-	11,301,390	-	11,301,390
Net realized and unrealized investment gains	2,465,196	82,424,399	103,250,769	188,140,364
Net assets released from restrictions	87,331,524	(87,331,524)	-	-
Other income	90,192	784,325	-	874,517
Total revenue, gains, and other support	90,793,834	63,658,351	107,878,550	262,330,735
<b>Expenses</b>				
Trustee and investment management fees	6,271,208	-	-	6,271,208
Other expenses	310,160	-	-	310,160
Grants expensed	73,693,899	-	-	73,693,899
Administrative expenses:				
Program	6,333,354	-	-	6,333,354
Development	1,892,971	-	-	1,892,971
Fund management	1,648,411	-	-	1,648,411
Total administrative expenses	9,874,736	-	-	9,874,736
Total expenses	90,150,003	-	-	90,150,003
Increase in net assets	643,831	63,658,351	107,878,550	172,180,732
Net assets at beginning of year	12,449,912	578,739,871	1,044,958,100	1,636,147,883
Net assets at end of year	\$ 13,093,743	\$ 642,398,222	\$ 1,152,836,650	\$ 1,808,328,615

*See accompanying notes.*

# The Cleveland Foundation

## Consolidated Statements of Cash Flows

	<b>Year Ended December 31</b>	
	<b>2007</b>	<b>2006</b>
<b>Operating activities</b>		
Increase in net assets	<b>\$ 77,659,674</b>	\$ 172,180,732
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation and amortization	797,676	704,539
Net unrealized and realized investment gain	(96,573,920)	(188,140,364)
Permanently restricted contributions	(941,412)	(4,626,721)
(Increase) decrease in other assets	(2,531,433)	1,083,953
Increase (decrease) in accounts payable and accrued expenses	575,802	(1,981,756)
Increase (decrease) in grants payable	8,785,595	1,545,670
Net cash used in operating activities	<b>(12,228,018)</b>	(19,233,947)
<b>Investing activities</b>		
Purchases of property	(411,097)	(149,917)
Proceeds from sale or maturity of investments	360,211,379	267,472,737
Purchases of investments	(349,751,436)	(250,450,789)
Net cash provided by investing activities	<b>10,048,846</b>	16,872,031
<b>Financing activities</b>		
Principal payments on notes payable	(304,172)	(1,761,586)
Permanently restricted contributions	941,412	4,626,721
Net cash provided by financing activities	<b>637,240</b>	2,865,135
Net (decrease) increase in cash and cash equivalents	(1,541,932)	503,219
Cash at beginning of year	1,890,203	1,386,984
Cash at end of year	<b>\$ 348,271</b>	\$ 1,890,203

*See accompanying notes.*

# The Cleveland Foundation

## Notes to Consolidated Financial Statements

December 31, 2007 and 2006

### **1. Description and Purpose of the Foundation**

The Cleveland Foundation (The Foundation) is a not-for-profit organization established in 1914. The mission statement of The Foundation is “to enhance the quality of life for all citizens of Greater Cleveland, now and for generations to come, by building community endowment, addressing needs through grantmaking and providing leadership on key community issues.”

The consolidated financial statements include the accounts of The Cleveland Foundation (charitable corporation), The Greater Cleveland Foundation, The Cleveland Foundation (community trust approved by Resolutions of Trust) and the following affiliated supporting organizations: The City of Cleveland’s Cable Television Minority Arts and Education Fund, The Davis Fund, The Goodrich Social Settlement Fund, The Higley Fund, The McDonald Fund, The Sherwick Fund, The Billie Howland Steffee Family Fund, Medical Mutual of Ohio Charitable Foundation and Sullivan Scholars Foundation. The affiliated supporting organizations were established under the provisions of Section 509(a)(3) of the Internal Revenue Code. The Foundation is responsible for expenditures of these affiliated supporting organizations for specific charitable purposes. All significant interorganizational balances and transactions have been eliminated in the preparation of the accompanying consolidated financial statements.

The Internal Revenue Service has ruled that the charitable corporation, The Greater Cleveland Foundation, the community trust and the affiliated supporting organizations are tax-exempt organizations which are exempt from Federal income taxation under Section 501(c)(3) of the Internal Revenue Code.

### **2. Significant Accounting Policies**

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

# The Cleveland Foundation

## Notes to Consolidated Financial Statements (continued)

### **2. Significant Accounting Policies (continued)**

#### **Concentration of Credit Risk**

Financial instruments which potentially expose The Foundation to concentrations of credit risk include cash and cash equivalents and investments. As a matter of policy, The Foundation only maintains cash balances with financial institutions having a high credit quality. Concentration of credit risk for investments is mitigated by both the distribution of investment funds among asset managers and the overall diversification of managed investment portfolios.

#### **Financial Instruments**

The carrying values of cash, short-term investments, accounts payable, accrued expenses, and grants payable are reasonable estimates of fair value due to the short-term nature of these financial instruments. The reported amounts of organizational endowments and other obligations, and notes payable approximate fair value.

#### **Short-Term Investments**

Short-term investments consist of certificates of deposit, variable demand notes, agency discount notes, floating rate notes and money market funds held at its trustee banks. The value of these investments on the general ledger is reconciled to the statements issued by the custodian bank on a monthly basis.

#### **Investment Income**

Investments are reported at their fair value. Investments traded on a national securities exchange are valued at the last reported sales price on the last business day of the year; investments traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at fair value based upon the most recently reported bid prices.

Alternative investments are investments where a readily-verifiable fair value may or may not exist. These investments (principally limited partnership interests in hedged equity, private equity, absolute returns, real assets, and common and collective trusts) are not publicly traded securities. They are valued at fair value using the equity method of accounting. Fair value reflects the current market values where determinable and the partner's contributed capital as well as the partner's share of the underlying limited partnership's realized and unrealized gains and losses. The fair value of investments held by the underlying limited partnerships is determined by the respective general partners.

# The Cleveland Foundation

## Notes to Consolidated Financial Statements (continued)

### 2. Significant Accounting Policies (continued)

Realized investment gains or losses are determined by comparison of the carrying value to net proceeds received on settlement date. Unrealized gains or losses are determined by the difference between carrying value and fair value. These amounts are reported in the statements of activities as net realized and unrealized investment gains.

Investment income generated by permanently restricted net assets (excluding net realized and unrealized investment gains and losses) is reported as temporarily restricted until the program restriction of the donor is met. Investment income on temporarily restricted net assets is reported as temporarily restricted until the program restriction of the donor is met. Net unrealized and realized investment gains and losses are reported as unrestricted, temporarily restricted, or permanently restricted based upon the absence or presence of a restriction of the underlying asset.

### Securities Lending

Under a securities lending agreement, The Foundation has authorized the lending agent to manage and administer a securities lending program. The lending agent has the responsibility for negotiating the terms of each loan and for collecting the required collateral, which must be in the amount of 102% of the market value of any securities loaned, including any accrued interest. Collateral was invested and was due to the investment borrower in accordance with the terms of the collateral agreement.

	<u>2007</u>	<u>2006</u>
Investments loaned to broker	\$ <b>177,041,402</b>	\$ 238,915,450
Investment collateral	<b>181,760,971</b>	246,905,411

# The Cleveland Foundation

## Notes to Consolidated Financial Statements (continued)

### **2. Significant Accounting Policies (continued)**

#### **Reclassifications**

Certain 2006 amounts have been reclassified to conform to the 2007 presentation.

#### **Other Investments**

Other investments primarily include notes receivable from various not-for-profit organizations approximating \$17.3 million and \$17.0 million at December 31, 2007 and 2006, respectively, real estate approximating \$0.6 million at December 31, 2007 and 2006, and miscellaneous assets approximating \$2.4 million and \$3.1 million at December 31, 2007 and 2006, respectively.

#### **Organizational Endowments and Other Obligations**

The Foundation acts as fiduciary agent for various not-for-profit organizations. The Foundation's responsibilities as fiduciary agent include, but are not limited to, safeguarding of assets, recordkeeping of transactions, investment management and ensuring appropriate distributions. The Foundation's policy as fiduciary agent is to record the receipt of funds as an asset and record an equal liability. The Foundation, as fiduciary agent, has recorded \$84,703,214 in 2007 and \$58,366,725 in 2006 in investments and an equal amount recorded in organizational endowments and other obligations in the statements of financial position. Approximately \$43,800,000 in 2007 and \$43,300,000 in 2006 of organizational endowments and other obligations are attributable to The Deaconess Community Foundation Fund.

The Foundation excluded the change in investments and endowments and other obligations related to organizational endowments from the statements of cash flows in December 31, 2007 and 2006, respectively.

# The Cleveland Foundation

## Notes to Consolidated Financial Statements (continued)

### **3. Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are used to differentiate resources, the use of which is restricted by donors or grantors to a specific time period or purpose, from resources on which no restrictions have been placed or that arise from the general operations of The Foundation. Temporarily restricted gifts, grants and bequests are recorded as an addition to temporarily restricted net assets in the period received. Resources restricted by donors or grantors for specific operating purposes are reported in unrestricted revenue, gains and other support to the extent expended within the period. Permanently restricted net assets consist of amounts held in perpetuity or for terms designated by donors. Temporarily restricted and permanently restricted net assets are restricted primarily for purposes which enhance the quality of life for all citizens of Greater Cleveland.

When the intent of the donor is that the assets are to remain in perpetuity, the assets are reported in accordance with the stipulations of the governing instruments of The Foundation. Per the governing instruments, the Distribution Committee/Board of Trustees of The Foundation may distribute 20% of the principal of the donated trust assets over a five-year period. This amount is recognized as temporarily restricted net assets, with the remainder of net assets recognized as permanently restricted net assets in accordance with the intent of the donor that the assets remain in perpetuity.

When a donor restriction expires, that is, when a stipulated time restriction ends or program restriction is accomplished, temporarily restricted net assets are transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets are available for program purposes in accordance with published standards established by The Foundation. Net assets are released from donor restrictions by incurring expenses including grants authorized that satisfy the restricted purposes or by occurrence of other events specified by donors.

Unconditional promises to give cash and other assets to The Foundation are reported at net realizable value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date received.

# The Cleveland Foundation

## Notes to Consolidated Financial Statements (continued)

### 4. Contributions and Donations

The Foundation receives donor contributions from various sources. Receipts of organizational endowments are included in organizational endowments and other obligations in the statements of financial position, and donor contributions received are recorded on the statement of activities. The following table summarizes contributions received during the year ended December 31:

	<u>2007</u>	<u>2006</u>
Organizational endowments	\$ 28,555,826	\$ 518,172
Donor contributions	<u>30,907,324</u>	<u>31,341,567</u>
	<u>\$ 59,463,150</u>	<u>\$ 31,859,739</u>

### 5. Spending Policy

The Foundation has multiple spending policies to determine the amount of grantmaking dollars available each year. The spending policy related to trusts was modified in 2000 to calculate the “current year’s” grantmaking dollars by a formula based upon the market performance of the investments over the previous twelve quarters.

## The Cleveland Foundation

### Notes to Consolidated Financial Statements (continued)

#### 6. Investments

At December 31, investments are comprised of the following:

	December 31	
	2007	2006
U.S. government obligations	\$ 9,541,182	\$ 11,329,039
Bonds	13,718,125	14,529,386
Common and preferred stocks	84,709,194	91,333,785
Common trust funds	88,212,167	81,795,427
Mutual funds	121,348,399	100,742,877
Alternative investments	88,669,850	66,107,558
Other investments	7,251,262	3,562,197
Common investment funds:		
Short-term investments	34,133,004	32,317,320
U.S. government obligations	129,455,048	113,014,228
Bonds	128,593,934	117,943,789
Common and preferred stocks	433,561,564	455,804,704
Common trust funds	118,986,213	122,270,994
Mutual funds	407,854,452	385,789,588
Other investments	154,887,881	125,380,084
	<b>1,407,472,096</b>	1,352,520,707
Total investments	<b>\$ 1,820,922,275</b>	\$ 1,721,920,976

The Foundation has established five common investment funds which allow for the commingling of various trust assets. The common investment funds are managed by four separate trustee banks with custody residing at one. Investment in the funds is limited only to the trust funds of The Foundation.

Included in the bonds of \$128,593,934 and \$117,943,789 within the common investment funds are \$41,114,713 and \$48,269,570 of nongovernment mortgage-backed securities at December 31, 2007 and 2006, respectively.

# The Cleveland Foundation

## Notes to Consolidated Financial Statements (continued)

### **6. Investments (continued)**

The common investment funds hold alternative investments of \$212,924,592 and \$179,390,289 at December 31, 2007 and 2006, respectively.

At December 31, 2007, The Foundation is committed to invest an additional \$80,061,223 in alternative investments over ten years. In addition, the alternative investments are subject to various withdrawal restrictions expiring at various dates through 2017.

Alternative investments include certain interests in absolute return (hedge funds), private equity, or fixed income depending on the legal structure, and investment strategy of the underlying manager. The Foundation invests in limited partnerships and commingled vehicles, some of which employ traditional strategies (long only) in readily marketable securities (liquid equities or bonds) and others of which employ less traditional strategies (long and short equity or fixed income, event driven, macro, relative value and arbitrage strategies) that may include the use of options, futures, and other derivative instruments. Because alternative investments are not readily marketable, their estimated fair value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such difference could be material.

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of net assets available for benefits. During the third quarter of 2008 the investment securities were negatively impacted by stock market volatility due to losses related to trading losses realized from the market downturn and losses for the assets owned as of the balance sheet date.

### **7. Partial Benefit Funds**

Partial benefit funds provide, each in varying amounts, payment of annuities to certain individuals, trustees' fees and other expenses of the trusts, prior to payment of the balance of the corpus to The Foundation (community trust). The fair value of partial benefit funds less related beneficiary liabilities is included in the accompanying financial statements. The community trust received approximately 95% in 2007 and 2006 of the income from partial benefit funds. At December 31, 2007 and 2006, the fair value of partial benefit funds included in investments on the statements of financial position was \$351,451,572 and \$340,432,306, respectively.

## The Cleveland Foundation

### Notes to Consolidated Financial Statements (continued)

#### 8. Note Payable

Note payable to a commercial bank consist of the following:

Interest Rate	Due Date	December 31	
		2007	2006
6%	June 1, 2011	\$ 1,219,282	\$ 1,523,454

In 2001, The Foundation borrowed \$2,800,000 to pay for The Foundation's corporate office renovation costs. In 1999, The Foundation borrowed \$1,475,000 to purchase an adjacent parking lot next to the Hanna Building; this note was repaid in 2006 from the proceeds of the sale of the parking lot.

Future minimum notes payable payments are as follows at December 31, 2007: 2008 – \$322,838; 2009 – \$342,648; 2010 – \$363,674; and 2011 – \$190,122.

#### 9. Grants

Unconditional grants expensed are considered incurred at the time of approval by the Distribution Committee/Board of Trustees. Conditional grants are approved by the Distribution Committee/Board of Trustees and are payable upon the performance of specified conditions by the grantees. Therefore, they are not reflected in grants payable in the accompanying statements of activities until the specified conditions are satisfied.

The Distribution Committee/Board of Trustees authorized grants and an administrative budget of \$96,268,074 for 2007 and \$84,399,984 for 2006.

The following summarizes the changes in grants payable for the years ended December 31:

	2007	2006
Grants payable at beginning of year	\$ 19,210,282	\$ 17,664,612
Unconditional grants expensed	78,915,972	73,693,899
Payments made	(70,130,377)	(72,148,229)
Grants payable at end of year	\$ 27,995,877	\$ 19,210,282

## The Cleveland Foundation

### Notes to Consolidated Financial Statements (continued)

#### 9. Grants (continued)

The grant expense of \$78,915,972 in 2007 and \$73,693,899 in 2006 does not include program related investments of \$2,016,667 in 2007 and \$3,340,000 in 2006. Program related investments include loans, compensating balances, and shares in limited partnerships that support certain program initiatives.

Grants payable at December 31, 2007, are scheduled to be disbursed as follows: 2008 – \$20,699,673; 2009 – \$5,537,744; and 2010 and thereafter – \$1,758,460.

At December 31, 2007 and 2006, total authorized conditional grants were \$6,843,841 and \$7,720,396, respectively, which are not reflected in the accompanying financial statements.

#### 10. Administrative Expenses

Administrative expenses, as reported on the statements of activities, consist of the following:

	<b>December 31</b>	
	<b>2007</b>	<b>2006</b>
Salaries and employee benefits	\$ <b>6,623,376</b>	\$ 5,928,626
Occupancy and office expense	<b>2,060,279</b>	1,913,343
Professional and consulting fees and staff expenses	<b>1,624,789</b>	1,391,572
Other	<b>829,855</b>	641,195
	<b>\$ 11,138,299</b>	<b>\$ 9,874,736</b>

# The Cleveland Foundation

## Notes to Consolidated Financial Statements (continued)

### 11. Affiliated Supporting Organizations

The total assets of affiliated supporting organizations, which are consolidated in the statements of financial position, are comprised of the following:

	December 31	
	2007	2006
The City of Cleveland's Cable Television Minority Arts and Education Fund	\$ 4,450,854	\$ 4,392,947
The Davis Fund	2,642,056	2,546,812
The Goodrich Social Settlement Fund	966	1,424,145
The Higley Fund	6,147,668	5,842,817
The McDonald Fund	3,775,076	3,647,356
The Sherwick Fund	29,711,869	28,582,781
The Billie Howland Steffee Family Fund	5,560,547	5,374,808
Medical Mutual of Ohio Charitable Foundation	2,351,180	2,273,344
Sullivan Scholars Foundation	3,010,270	—
	<u>\$ 57,650,486</u>	<u>\$ 54,085,010</u>

The Treu-Mart Fund is a supporting organization of both The Foundation and the Jewish Community Federation of Cleveland. Financial transactions and account balances of The Treu-Mart Fund are not included in the accompanying financial statements. Fair value of investments held by The Treu-Mart Fund at December 31, 2007 and 2006, are \$21,228,128 and \$19,984,108, respectively.

### 12. Operating Lease

The Foundation leases office space under an operating lease agreement, which expires September 1, 2011. Rental expense was \$826,790 in 2007 and \$802,185 in 2006. Future minimum rental commitments under the noncancelable operating lease at December 31, 2007 are as follows: 2008 – \$751,887; 2009 – \$777,519; 2010 – \$803,152; and 2011 – \$546,827.

### 13. Retirement Plan

The Foundation has a defined contribution retirement plan. The Foundation made contributions based upon specified percentages of salary, for all employees. Retirement plan expense was \$410,749 in 2007 and \$323,578 in 2006. All contributions under the plan vest with employees at the time the contributions are made.