

**HENDRICKS COUNTY
COMMUNITY FOUNDATION, INC.**

Financial Statements

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

December 31, 2005

Greenwalt Sponsel & Co., Inc.

We Deliver Peace of Mind

GS&CO Greenwalt Sponsel & Co., Inc.

Business & Financial Advisors

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Hendricks County Community Foundation, Inc.:

We have audited the accompanying statement of financial position of Hendricks County Community Foundation, Inc. (an Indiana not-for-profit corporation) as of December 31, 2005, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 Foundation as of December 31, 2005, and the changes in net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

Greenwalt Sponsel & Co., Inc.

June 28, 2006

HENDRICKS COUNTY COMMUNITY FOUNDATION, INC.

Statement of Financial Position

December 31, 2005

ASSETS

Cash and Cash Equivalents

Unrestricted cash and cash equivalents	\$ 400,492
Restricted cash and cash equivalents	710,167

Total cash and cash equivalents 1,110,659

Other Assets

Pledges receivable	25,550
Investments (Note 3)	4,446,888
Cash surrender value of life insurance	23,876
Net property and equipment (Note 1)	7,143

\$ 5,614,116

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 45,665
Grants payable	9,200
Scholarships payable	64,952

Total liabilities 119,817

Commitments (Note 4)

Net Assets

Unrestricted	755,877
Temporarily restricted (Note 1)	797,372
Permanently restricted (Note 1)	3,941,050

Total net assets 5,494,299

\$ 5,614,116

HENDRICKS COUNTY COMMUNITY FOUNDATION, INC.

Statement of Activities

For the Year Ended December 31, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and Support				
Contributions	\$ 364,991	\$ 94,461	\$ 296,492	\$ 755,944
Administrative fees	27,547	-	-	27,547
Special events net of \$13,376 of expenses	26,448	-	-	26,448
Grants	253,827	19,210	-	273,037
Investment income, net of fees (Note 3)	58,986	74,394	-	133,380
Net assets released from restrictions	100,536	(100,536)	-	-
	<u>832,335</u>	<u>87,529</u>	<u>296,492</u>	<u>1,216,356</u>
<i>Total revenue and gains</i>				
Expenses				
Program services	235,178	-	-	235,178
Management and general	57,626	-	-	57,626
Fundraising	24,618	-	-	24,618
	<u>317,422</u>	<u>-</u>	<u>-</u>	<u>317,422</u>
<i>Total expenses</i>				
Change in Net Assets	514,913	87,529	296,492	898,934
Net Assets, Beginning of Year	<u>240,964</u>	<u>709,843</u>	<u>3,644,558</u>	<u>4,595,365</u>
Net Assets, End of Year	<u>\$ 755,877</u>	<u>\$ 797,372</u>	<u>\$ 3,941,050</u>	<u>\$ 5,494,299</u>

HENDRICKS COUNTY COMMUNITY FOUNDATION, INC.*Statement of Functional Expenses**For the Year Ended December 31, 2005*

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants, scholarships and awards	\$ 158,968	\$ -	\$ -	\$ 158,968
Salaries and wages	33,944	25,820	10,571	70,335
Payroll taxes	2,931	2,229	913	6,073
Depreciation	2,513	1,911	782	5,206
Occupancy	3,446	2,621	1,073	7,140
Equipment rental and maintenance	791	2,372	-	3,163
Meetings, conferences and newsletters	10,534	4,390	2,634	17,558
Professional fees	-	10,271	-	10,271
Office expense	4,339	3,301	1,351	8,991
Insurance	1,433	1,792	358	3,583
Postage	3,266	503	1,256	5,025
Communications	6,932	1,067	2,666	10,665
Advertising	4,661	716	1,793	7,170
Special events	-	-	13,376	13,376
Other	1,420	633	1,221	3,274
	<u>235,178</u>	<u>57,626</u>	<u>37,994</u>	<u>330,798</u>
Less direct expenses of special events netted with revenues on the statement of activities	<u>-</u>	<u>-</u>	<u>(13,376)</u>	<u>(13,376)</u>
<i>Total expenses</i>	<u>\$ 235,178</u>	<u>\$ 57,626</u>	<u>\$ 24,618</u>	<u>\$ 317,422</u>

HENDRICKS COUNTY COMMUNITY FOUNDATION, INC.

Statement of Cash Flows

For the Year Ended December 31, 2005

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INCREASE IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities

Cash received from grantors, contributors and others	\$ 934,654
Cash paid for grants, scholarships, and operating expenses	(448,397)
Investment income, net of fees	65,105

Net cash provided by operating activities 551,362

Cash Flows from Investing Activities

Purchase of investments	(1,509,422)
Proceeds from sales of investments	1,518,253
Purchase of property and equipment	(1,700)

Net cash provided by investing activities 7,131

Net Increase in Cash and Cash Equivalents 558,493

Cash and Cash Equivalents, Beginning of Year 552,166

Cash and Cash Equivalents, End of Year \$ 1,110,659

HENDRICKS COUNTY COMMUNITY FOUNDATION, INC.

Statement of Cash Flows, Continued

For the Year Ended December 31, 2005

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**RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH
AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES**

Change in Net Assets	<u>\$ 898,934</u>
Adjustments to Reconcile Change in Net Assets to Net Cash and Cash Equivalents Provided by Operating Activities	
Depreciation	5,206
Realized gain on investments	(180,800)
Unrealized loss on investments	112,525
Gift of life insurance	(23,876)
Donated stock	(112,772)
<i>(Increase) decrease in operating assets:</i>	
Pledges receivable	(25,050)
<i>Increase (decrease) in operating liabilities:</i>	
Accounts payable	45,059
Grants payable	1,511
Scholarships payable	<u>(169,375)</u>
<i>Total adjustments</i>	<u>(347,572)</u>
Net Cash and Cash Equivalents Provided by Operating Activities	<u><u>\$ 551,362</u></u>

HENDRICKS COUNTY COMMUNITY FOUNDATION, INC.

Notes to Financial Statements

December 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

Hendricks County Community Foundation, Inc. (the Foundation) helps meet the charitable needs of the community by accepting, investing and administering funds established by donors and making grants to charitable organizations. The mission of the Foundation is “Connecting Caring People with Causes That Matter”.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. 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 and the reported amounts of revenues, support, expenses and other changes during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. Cash equivalents were \$216,761 at December 31, 2005. The Foundation maintained cash balances in excess of federally insured limits at December 31, 2005, and from time to time during the year.

Property and Equipment

Expenditures for property and equipment and items which substantially increase the useful lives of existing assets are capitalized at cost and expenditures for normal maintenance and repairs are expensed as incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Property and equipment is comprised of the following at December 31, 2005:

Software	\$ 30,380
Office furniture	8,724
Office equipment	8,005
Leasehold improvements	1,700
	<hr/>
	48,809
Accumulated depreciation	(41,666)
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Net property and equipment	<u>\$ 7,143</u>

Investments

The Foundation has adopted Statement of Financial Accounting Standards (SFAS) No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Fair market value is the value of the security at market close on the date of valuation. Unrealized gains and losses are based on the differences between cost and fair value of each classification of security and are reported in the statement of activities.

HENDRICKS COUNTY COMMUNITY FOUNDATION, INC.

Notes to Financial Statements

December 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Net Assets

The Foundation has adopted the provision of SFAS No. 117, *Financial Statements for Not-for-Profit Organizations*. Under the provision, net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted

Unrestricted net assets include revenue and expenses from the regular operations of the Foundation, which are at the discretion of management and the Board of Directors.

Temporarily Restricted

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit 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 as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. At December 31, 2005, the Foundation had temporarily restricted net assets of \$797,372.

Permanently Restricted

Permanently restricted net assets include assets where the donor has stipulated that they should be maintained in perpetuity, the income from which is expendable to support activities as designated by various fund agreements. At December 31, 2005, the Foundation had permanently restricted net assets of \$3,941,050.

Contributions and Pledges

The Foundation has adopted the provision of SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Contributions are recognized when the donor makes an unconditional promise to give to the Foundation and are recorded at their fair values as revenues and assets in the year a contribution acknowledgment is received. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Pledges receivable were \$25,550 at December 31, 2005. All amounts were due in less than one year.

Expense Allocation

Expenses have been classified as program services, management and general and fundraising based on the actual direct expenditures and cost allocation based on estimates of time and usage by Foundation personnel and programs.

Advertising

Advertising expenses totaled \$7,170 for the year ended December 31, 2005. The Foundation's policy is to record advertising expenditures in the period in which they are incurred.

Tax Status

The Internal Revenue Service has determined the Foundation is a tax-exempt and not a private foundation under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision is made for federal or state income tax effects.

HENDRICKS COUNTY COMMUNITY FOUNDATION, INC.

Notes to Financial Statements

December 31, 2005

2. RESTRICTED CASH

Restricted cash is comprised of cash and cash equivalents with donor-imposed stipulations. Accordingly, these amounts have been recorded on the statement of financial position as temporarily restricted if stipulations may or will be met, or permanently restricted if stipulations neither expire nor can be fulfilled. Restricted cash was \$710,167 at December 31, 2005.

3. INVESTMENTS

Fair value of investments at December 31, 2005 is as follows:

Stock funds	\$ 2,756,324
Bond funds	<u>1,690,564</u>
	<u>\$ 4,446,888</u>

Total cost of investments at December 31, 2005 was \$4,058,537.

Investment income for the year ended December 31, 2005 was as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Interest	\$ 34,680	\$ 63,943
Dividends	20,302	31,719
Net realized gains	70,403	110,397
Net unrealized losses	(44,070)	(68,455)
Fund administration fees	-	(27,547)
Investment management fees	<u>(22,329)</u>	<u>(35,663)</u>
	<u>\$ 58,986</u>	<u>\$ 74,394</u>

4. OPERATING LEASES

The Foundation leases office space for \$650 a month which expires in April 2006 and automatically extends in two month increments indefinitely. The Foundation leases office equipment with monthly payments of \$225 per month expiring in December 2009.

Total lease expense for the year ended December 31, 2005 was \$10,303.

Future minimum lease payments are as follows for the years ending December 31:

2006	\$ 5,300
2007	2,700
2008	2,700
2009	<u>2,700</u>
	<u>\$ 13,400</u>

HENDRICKS COUNTY COMMUNITY FOUNDATION, INC.

Notes to Financial Statements

December 31, 2005

5. SCHOLARSHIPS PAYABLE

Previously, the Foundation had received a lump-sum amount from Lilly Endowment for four years of tuition for scholarship recipients. Upon receipt of the scholarship awards, the Foundation showed an account payable which was reduced by payments over the four year scholarship period. The scholarships administered by the Foundation ended in 2005. The remaining liability reflects the final payments on the 2005 scholarships that were made in 2006.

6. RECLASSIFICATIONS

The beginning of year net assets have been reclassified to match the 2005 presentation. The reclassification had no effect on net assets in total.