

# 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. (the "Foundation") as of December 31, 2007, 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, 2007, 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.

Information for the year ended December 31, 2006 is presented for comparative purposes only and was extracted from the financial statements for that year, on which an unqualified opinion dated June 22, 2007 was expressed.

*Greenwalt Sponsel & Co., Inc.*

June 26, 2008

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**HENDRICKS COUNTY COMMUNITY FOUNDATION, INC.***Statements of Financial Position**December 31, 2007 and 2006*

	<u>2007</u>	<u>2006</u>
<b><u>ASSETS</u></b>		
<b>Cash and Cash Equivalents</b>		
Unrestricted cash and cash equivalents	\$ 330,349	\$ 132,208
Restricted cash and cash equivalents	653,914	744,559
<i>Total cash and cash equivalents</i>	984,263	876,767
<b>Other Assets</b>		
Pledges receivable	600	6,550
Investments (Note 3)	7,006,828	6,730,818
Cash surrender value of life insurance	29,780	23,876
Net property and equipment (Note 1)	6,411	4,932
<i>Total assets</i>	<u>\$ 8,027,882</u>	<u>\$ 7,642,943</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Liabilities</b>		
Grants payable	\$ 44,602	\$ -
Accounts payable	12,438	-
Scholarships payable	12,500	14,428
Funds held as agency partner funds	84,231	120,310
<i>Total liabilities</i>	153,771	134,738
<b>Commitments (Note 5)</b>		
<b>Net Assets</b>		
Unrestricted	797,185	826,351
Temporarily restricted (Note 1)	792,848	1,129,340
Permanently restricted (Note 1)	6,284,078	5,552,514
<i>Total net assets</i>	<u>7,874,111</u>	<u>7,508,205</u>
	<u>\$ 8,027,882</u>	<u>\$ 7,642,943</u>

**HENDRICKS COUNTY COMMUNITY FOUNDATION, INC.***Statement of Activities**For the Year Ended December 31, 2007**With Comparative Totals for the Year Ended December 31, 2006*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2007 Total</u>	<u>2006 Total</u>
<b>Revenues and Support</b>					
Contributions	\$ 99,106	\$ 218,625	\$ 731,564	\$ 1,049,295	\$ 2,020,317
Administrative fees	65,662	-	-	65,662	61,541
Special events net of \$29,885 and \$18,970 of expense, respectively	13,173	1,425	-	14,598	27,927
Grants	-	12,000	-	12,000	12,000
Investment income, net of fees (Note 3)	14,764	(38,496)	-	(23,732)	560,679
Other income	5,904	-	-	5,904	-
Net assets released from restrictions	530,046	(530,046)	-	-	-
	<u>728,655</u>	<u>(336,492)</u>	<u>731,564</u>	<u>1,123,727</u>	<u>2,682,464</u>
<i>Total revenue and gains</i>					
<b>Expenses</b>					
Program services	593,928	-	-	593,928	415,774
Management and general	105,083	-	-	105,083	90,224
Fundraising	58,810	-	-	58,810	42,250
	<u>757,821</u>	<u>-</u>	<u>-</u>	<u>757,821</u>	<u>548,248</u>
<i>Total expenses</i>					
<b>Change in Net Assets</b>	(29,166)	(336,492)	731,564	365,906	2,134,216
<b>Net Assets, Beginning of Year</b>	<u>826,351</u>	<u>1,129,340</u>	<u>5,552,514</u>	<u>7,508,205</u>	<u>5,373,989</u>
<b>Net Assets, End of Year</b>	<u>\$ 797,185</u>	<u>\$ 792,848</u>	<u>\$ 6,284,078</u>	<u>\$ 7,874,111</u>	<u>\$ 7,508,205</u>

**HENDRICKS COUNTY COMMUNITY FOUNDATION, INC.***Statement of Functional Expenses**For the Year Ended December 31, 2007**With Comparative Totals for the Year Ended December 31, 2006*

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2007 Total</u>	<u>2006 Total</u>
Grants, scholarships and awards	\$ 455,330	\$ -	\$ -	\$ 455,330	\$ 286,839
Salaries and wages	45,521	46,286	20,647	112,454	94,046
Payroll taxes	3,917	3,982	1,777	9,676	7,194
Depreciation	891	906	404	2,201	3,213
Occupancy	3,157	3,211	1,432	7,800	7,800
Equipment rental and maintenance	675	2,025	-	2,700	1,125
Meetings, conferences and newsletters	24,197	10,082	6,049	40,328	34,777
Professional fees	-	21,345	-	21,345	23,153
Office expense	6,882	6,997	3,121	17,000	6,840
Insurance	1,431	1,788	358	3,577	12,251
Postage	6,392	1,278	5,114	12,784	4,662
Communications	5,457	840	2,099	8,396	9,842
Advertising	35,822	5,510	13,778	55,110	44,773
Special events	-	-	29,885	29,885	18,970
Other	4,256	833	4,031	9,120	11,733
	<u>593,928</u>	<u>105,083</u>	<u>88,695</u>	<u>787,706</u>	<u>567,218</u>
Less direct expenses of special events netted with revenues on the statement of activities	<u>-</u>	<u>-</u>	<u>(29,885)</u>	<u>(29,885)</u>	<u>(18,970)</u>
<i>Total expenses</i>	<u>\$ 593,928</u>	<u>\$ 105,083</u>	<u>\$ 58,810</u>	<u>\$ 757,821</u>	<u>\$ 548,248</u>

**HENDRICKS COUNTY COMMUNITY FOUNDATION, INC.***Statements of Cash Flows**For the Years Ended December 31, 2007 and 2006**Page 1 of 2***INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

	<u>2007</u>	<u>2006</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from grantors, contributors and others	\$ 1,134,197	\$ 2,029,895
Cash paid for grants, scholarships, and operating expenses	(766,472)	(669,394)
Investment income, net of fees	68,472	80,365
	<u>436,197</u>	<u>1,440,866</u>
<i>Net cash and cash equivalents provided by operating activities</i>		
	<u>436,197</u>	<u>1,440,866</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(3,140,748)	(3,735,440)
Proceeds from sales of investments	2,815,727	2,061,684
Purchase of property and equipment	(3,680)	(1,002)
	<u>(328,701)</u>	<u>(1,674,758)</u>
<i>Net cash and cash equivalents used in investing activities</i>		
	<u>(328,701)</u>	<u>(1,674,758)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	107,496	(233,892)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>876,767</u>	<u>1,110,659</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 984,263</u>	<u>\$ 876,767</u>

HENDRICKS COUNTY COMMUNITY FOUNDATION, INC.

Statements of Cash Flows, Continued

For the Years Ended December 31, 2007 and 2006

Page 2 of 2

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

	<u>2007</u>	<u>2006</u>
Change in Net Assets	\$ 365,906	\$ 2,134,216
<b>Adjustments to Reconcile Change in Net Assets to Cash and Cash Equivalents Provided by Operating Activities</b>		
Depreciation	2,201	3,213
Realized gain on investments	(162,096)	(91,248)
Unrealized loss (gain) on investments	254,300	(389,066)
Donated stock	(43,193)	(129,860)
<i>(Increase) decrease in operating assets:</i>		
Pledges receivable	5,950	19,000
Cash surrender value of life insurance	(5,904)	-
<i>Increase (decrease) in operating liabilities:</i>		
Accounts payable	12,438	(45,665)
Grants payable	44,602	(9,200)
Funds held as agency partner funds	(36,079)	-
Scholarships payable	(1,928)	(50,524)
<i>Total adjustments</i>	<u>70,291</u>	<u>(693,350)</u>
<b>Cash and Cash Equivalents Provided by Operating Activities</b>	<u>\$ 436,197</u>	<u>\$ 1,440,866</u>

# HENDRICKS COUNTY COMMUNITY FOUNDATION, INC.

Notes to Financial Statements

December 31, 2007

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## 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 \$249,600 and \$310,679 at December 31, 2007 and 2006, respectively. The Foundation maintained cash balances in excess of federally insured limits at December 31, 2007, 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:

	<u>2007</u>	<u>2006</u>
Software	\$ 30,380	\$ 30,380
Office furniture	8,724	8,724
Office equipment	12,687	9,007
Leasehold improvements	1,700	1,700
	<u>53,491</u>	<u>49,811</u>
Accumulated depreciation	(47,080)	(44,879)
Net property and equipment	<u>\$ 6,411</u>	<u>\$ 4,932</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, 2007*

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## 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, 2007 and 2006, the Foundation had temporarily restricted net assets of \$829,656 and \$1,166,266, respectively.

#### 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 temporarily restricted to support activities as designated by various fund agreements. At December 31, 2007 and 2006, the Foundation had permanently restricted net assets of \$6,290,323 and \$5,558,259 respectively.

### *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 \$600 and \$6,550 at December 31, 2007 and 2006, respectively. All amounts were due in less than one year.

### *Donated Assets*

Donated marketable securities and donated property and equipment are recorded as contributions at their fair values at the date of donation.

### *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.

**HENDRICKS COUNTY COMMUNITY FOUNDATION, INC.**

*Notes to Financial Statements*

*December 31, 2007*

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

*Advertising*

Advertising expenses totaled \$55,110 and \$44,773 for the years ended December 31, 2007 and 2006, respectively. 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 organization 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.

**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 \$653,914 and \$744,559 at December 31, 2007 and 2006, respectively.

**3. INVESTMENTS**

Fair value of investments at December 31 is as follows:

	<u>2007</u>	<u>2006</u>
Stock funds	\$ 5,046,328	\$ 4,637,293
Bond funds	1,852,554	1,892,135
Certificates of deposit	102,915	201,390
Mutual funds	5,031	-
	<u>\$ 7,006,828</u>	<u>\$ 6,730,818</u>

Total cost of investments at December 31, 2007 and 2006 was \$6,490,589 and \$5,911,186, respectively.

Investment income for the years ended December 31 was as follows:

	<u>2007</u>		<u>2006</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Interest	\$ 10,082	\$ 79,471	\$ 8,920	\$ 89,744
Dividends	8,887	125,049	11,728	106,555
Net realized gains	55,151	106,945	5,209	86,039
Net unrealized gains (losses)	(52,084)	(202,216)	39,447	349,619
Fund administration fees	-	(65,662)	-	(61,597)
Investment management fees	(7,272)	(82,083)	(6,784)	(68,201)
	<u>\$ 14,764</u>	<u>\$ (38,496)</u>	<u>\$ 58,520</u>	<u>\$ 502,159</u>

# HENDRICKS COUNTY COMMUNITY FOUNDATION, INC.

Notes to Financial Statements

December 31, 2007

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## 4. AGENCY PARTNER FUNDS

The Foundation follows SFAS No. 136, *Transfer of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. SFAS No. 136 specifically requires that if a non-profit organization establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability.

## 5. OPERATING LEASES

The Foundation leases office space for \$650 a month which expired 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 years ended December 31, 2007 and 2006 was \$10,500 and \$10,500, respectively.

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

2008	\$ 2,700
2009	<u>2,700</u>
	<u>\$ 5,400</u>

## 6. NON-CASH TRANSACTIONS

The Foundation received contributions of stock of \$43,193 and \$129,860 for the years ended December 31, 2007 and 2006, respectively. These contributions have been treated as non-cash transactions for the purpose of the Statement of Cash Flows

## 7. RESTATEMENT

During 2007, the Foundation discovered that it had not followed SAS No. 136 in its treatment of agency partner funds. The Foundation had previously treated the funds as contributions instead of a liability. 2007 and 2006 have been restated to reflect the agency funds as a liability on the statement of financial position. This restatement decreased the December 31, 2006 temporarily restricted and permanently restricted net assets by \$13,540 and \$64,139, respectively.

# GS&Co Greenwalt Sponsel & Co., Inc.

Business & Financial Advisors

Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

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

Our audit of the December 31, 2007 financial statements was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. Our report on the basic financial statements appears on page 1. The accompanying information shown in Exhibit I is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the same auditing procedures applied in the 2007 audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Information for the year ended December 31, 2006 is presented for comparative purposes only and was extracted from the financial statements for that year, on which an unqualified opinion dated June 22, 2007 was expressed.

*Greenwalt Sponsel & Co., Inc.*

June 26, 2008

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HENDRICKS COUNTY COMMUNITY FOUNDATION, INC.

Expense Graph

For the Years Ended December 31, 2007 and 2006

Exhibit I

