

HENDRICKS COUNTY COMMUNITY FOUNDATION, INC.

FINANCIAL STATEMENTS AND REPORT OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2010

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Report of Independent Certified Public Accountants

**Board of Directors  
Hendricks County Community Foundation, Inc.**

We have audited the accompanying statement of financial position of Hendricks County Community Foundation, Inc. (a nonprofit organization) as of December 31, 2010, 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 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 Hendricks County Community Foundation, Inc. as of December 31, 2010, 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.

*Estep Burkey Simmons, LLC*

Muncie, Indiana  
October 28, 2011

## Hendricks County Community Foundation, Inc.

## STATEMENT OF FINANCIAL POSITION

December 31, 2010

(With comparative totals at December 31, 2009)

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 887,493	\$ 1,537,101
Pledges receivable	43,958	91,016
Investments	7,277,396	5,882,916
Prepaid expenses	-	650
Cash surrender value of life insurance	51,697	47,948
Annuity	150,976	166,996
Property and equipment, net	7,409	9,584
	<u>\$ 8,418,929</u>	<u>\$ 7,736,211</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 4,773	\$ 6,346
Grants and scholarships payable	73,344	53,711
Annuity liability	147,449	153,166
Funds held as agency partner funds	373,676	323,994
	<u>599,242</u>	<u>537,217</u>
<b>NET ASSETS</b>		
Unrestricted	162,587	208,858
Temporarily restricted	1,036,896	712,511
Permanently restricted	6,620,204	6,277,625
	<u>7,819,687</u>	<u>7,198,994</u>
	<u>\$ 8,418,929</u>	<u>\$ 7,736,211</u>

The accompanying notes are an integral part of this statement.

## Hendricks County Community Foundation, Inc.

## STATEMENT OF ACTIVITIES

Year Ended December 31, 2010

(With comparative totals at December 31, 2009)

	2010			2009	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Support and revenue:					
Contributions and pledges	\$ 86,775	\$ 266,721	\$ 128,372	\$ 481,868	\$ 726,196
Administrative fee income	68,104			68,104	61,834
Special events, net of \$64,647 and \$38,511 of expense, respectively	50,191	120,326		170,517	83,808
Investment income, net of fees	209	819,947		820,156	1,351,394
Change in value of annuity		25,848		25,848	
	205,279	1,232,842	128,372	1,566,493	2,223,232
Net assets released from restrictions:					
Restrictions satisfied by payments	647,332	(647,332)			
Expenses:					
Program services					
Grants and scholarships	617,682			617,682	402,490
Program expense	76,537			76,537	78,186
Supporting services					
Management and general	112,336			112,336	113,616
Administrative fees	64,918			64,918	58,812
Fundraising and development	74,327			74,327	79,396
	945,800			945,800	732,500
<b>CHANGE IN NET ASSETS</b>	(93,189)	585,510	128,372	620,693	1,490,732
Net assets at beginning of year	208,858	712,511	6,277,625	7,198,994	5,708,262
Transfer of net assets	46,918	(261,125)	214,207		
Net assets at end of year	\$ 162,587	\$ 1,036,896	\$ 6,620,204	\$ 7,819,687	\$ 7,198,994

The accompanying notes are an integral part of this statement.

## Hendricks County Community Foundation, Inc.

## STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2010  
(With comparative totals at December 31, 2009)

	2010			2009	
	Program Services	Management and General	Fundraising	Total	Total
Grants, scholarships and awards	\$ 617,682			\$ 617,682	\$ 402,490
Salaries and wages	55,462	\$ 55,462	\$ 27,731	138,655	134,771
Payroll taxes	4,511	4,511	2,255	11,277	10,199
Employee benefits	904	904	453	2,261	2,640
Depreciation		2,175		2,175	2,318
Occupancy		7,800		7,800	7,800
Equipment rental and maintenance		3,209		3,209	2,945
Meetings and conferences	668	668	334	1,670	6,422
Print materials			12,892	12,892	22,202
Professional fees		8,225		8,225	9,785
Staff education and development		5,745		5,745	2,783
Office expense		6,903		6,903	8,060
Insurance		3,722		3,722	3,724
Postage	1,230	1,230	616	3,076	3,657
Communications and technical support	5,954	5,954	2,976	14,884	14,411
Advertising and promotions			22,100	22,100	18,732
Donor development and networking			4,373	4,373	3,921
Special events	49,268		15,379	64,647	37,995
Administrative fees		64,918		64,918	58,812
Other expenses:					
Auto expense	1,194	1,194	597	2,985	4,014
Bank charges		2,778		2,778	1,655
Dues and subscriptions		1,856		1,856	2,478
Scholarship-related expenses	6,614			6,614	7,575
Insurance - donor-related					1,622
	743,487	177,254	89,706	1,010,447	771,011
Less: direct expenses of special events netted with revenues on the statement of activities	(49,268)		(15,379)	(64,647)	(38,511)
	<u>\$ 694,219</u>	<u>\$ 177,254</u>	<u>\$ 74,327</u>	<u>\$ 945,800</u>	<u>\$ 732,500</u>

The accompanying notes are an integral part of this statement.

## Hendricks County Community Foundation, Inc.

## STATEMENT OF CASH FLOWS

Year Ended December 31, 2010

(With comparative totals at December 31, 2009)

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ 620,693	\$ 1,490,732
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,175	2,318
Realized (gains) losses on investments	(88,720)	221,838
Unrealized gains on investments	(548,542)	(1,405,708)
Donated stock		(21,390)
(Increase) decrease in assets:		
Pledges receivable	47,058	(88,116)
Annuity receivable	16,020	(166,996)
Prepaid expenses	650	(650)
Cash surrender value of life insurance	(3,749)	(2,840)
Increase (decrease) in operating liabilities:		
Accounts payable	(1,573)	(11,106)
Grants and scholarships payable	19,633	3,204
Charitable gift annuity liability	(5,717)	153,166
Funds held as agency partner funds	49,682	72,327
	<u>107,610</u>	<u>246,779</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of investments	(10,098,946)	(2,220,295)
Proceeds from sales of investments	9,341,728	1,817,706
	<u>(757,218)</u>	<u>(402,589)</u>
Net cash used in investing activities		
Net decrease in cash and cash equivalents	(649,608)	(155,810)
Cash and cash equivalents at beginning of year	1,537,101	1,692,911
Cash and cash equivalents at end of year	<u>\$ 887,493</u>	<u>\$ 1,537,101</u>
<u>Supplemental Disclosure</u>		
Non-cash contributions	\$ -	\$ 21,390

The accompanying notes are an integral part of this statement.

## Hendricks County Community Foundation, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

1. Nature of Activities

The Hendricks County Community Foundation, Inc. (Foundation) is a not-for-profit corporation organized under the laws of the State of Indiana. The Foundation was organized to help 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".

2. Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and reflect all significant receivables, payables and other liabilities.

3. Financial Statement Presentation

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

4. Contributions

Contributions are recognized when the donor makes a promise to give to the Foundation that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the financial year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

5. Cash and Cash Equivalents

The Foundation maintains its cash in accounts at high credit financial institutions, which are insured by agencies of the U.S. Government. For purposes of the statement of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Foundation maintained cash balances in excess of federally insured limits at December 31, 2010, and from time to time during the year.

6. Investments

Investments consist primarily of marketable equity and debt securities that are stated at fair value based on quoted market prices. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the risks associated with investment securities and the uncertainty related to changes in the fair value of investment securities, it is at least reasonably possible that changes in fair value could materially affect the net assets of the Foundation.

Investment income, net realized and unrealized gains or losses are included in the statement of activities. Realized gains and losses are determined using the specific-identification method.

## Hendricks County Community Foundation, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

## NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - Continued

7. Equipment and Depreciation

Purchased equipment is stated at cost. Donated equipment is recorded as support at the estimated fair value at the date of gift. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Expenditures for routine maintenance and repairs are expensed as incurred. Depreciation is computed according to the estimated useful lives of the respective assets using the straight-line method.

8. Income Taxes

The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision has been made for income taxes.

9. Contributed Services

During the year ended December 31, 2010, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

10. Compensated Absences

The Foundation's liability for compensated absences is immaterial; accordingly, no provision has been made for compensated absences.

11. Net Assets

The Foundation has adopted the provisions of FASB ASC 958-205-05. Under the provisions, net assets are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, 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 classified 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.

**Permanently Restricted**

Permanently restricted net assets include assets where the donor has stipulated that the assets should be maintained in perpetuity, the income from which is temporarily restricted to support activities as designated by various fund agreements.

## Hendricks County Community Foundation, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

## NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - Continued

12. Expense Allocation

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

13. Advertising

Advertising expenses totaled \$22,100 for the year ended December 31, 2010. The Foundation's policy is to record advertising expenditures in the period in which they are incurred.

14. Uncertain Tax Positions

The Foundation follows the Income Tax topic of the FASB ASC. The Foundation now recognizes a tax benefit only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. The Foundation has examined this issue and has determined there are no material contingent tax liabilities.

15. Estimates

The preparation of financial statements in conformity with account principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## NOTE B - INVESTMENTS

The Foundation follows the provisions of the Fair Value Measurements and Disclosures topic of the FASB ASC. FASB ASC-820-10-35-19 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FASB ASC 820-10-35-37 establishes a hierarchy of inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Foundation. Unobservable inputs are inputs that reflect the Foundation's assumptions about the assumptions that market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

## Hendricks County Community Foundation, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

## NOTE B - INVESTMENTS - Continued

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The following is an analysis of the cost and fair value at December 31, 2010 and by type of investment. The investments are held in uninsured trust accounts and local financial institutions.

	<u>Cost</u>	<u>Unrealized Gains (Losses)</u>	<u>Fair Value</u>
Certificate of deposit	\$ 164,624		\$ 164,624
Corporate bonds and notes	286,700	\$ (367)	286,333
Equities	224,694	37,308	262,002
Mutual funds	5,826,471	737,966	6,564,437
	<u>\$ 6,502,489</u>	<u>\$ 774,907</u>	<u>\$ 7,277,396</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2010.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Investment return	\$ 209	\$ 193,963	\$ 194,172
Realized gains on investments		88,720	88,720
Unrealized gains on investments		548,542	548,542
Investment management fees		(11,278)	(11,278)
	<u>\$ 209</u>	<u>\$ 819,947</u>	<u>\$ 820,156</u>

The Foundation's investments, excluding its cash and equivalents and certificates of deposit are measured at fair value on a recurring basis at December 31, 2010, utilizing the following input levels:

	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
Investments	\$6,562,974	\$356,785	\$193,013	\$7,112,772

## Hendricks County Community Foundation, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

## NOTE B - INVESTMENTS - Continued

The following schedule provides further detail of the Level 3 fair value measurements using significant unobservable inputs at December 31, 2010:

Beginning balance	\$ 118,757
Additions	
Realized and unrealized gains	<u>74,256</u>
Ending balance	<u>\$ 193,013</u>

## NOTE C - RISKS AND UNCERTAINTIES

The Foundation holds a variety of investments (Note B). Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

## NOTE D - PLEDGES RECEIVABLE

Pledges receivable represent promises to give which have been made by donors but have not yet been received by the Foundation. Pledges are due on various dates through December 2011 and deemed fully collectible; accordingly, no allowance for uncollectible pledges has been provided. Pledges receivable at December 31, 2010 totaled \$43,958.

The following summarizes the amounts due to the Foundation for the next five years.

Year ending December 31, 2011	\$43,958
2012	\$0
2013 - 2015	\$0

## NOTE E - PROPERTY AND EQUIPMENT

The amounts of property and equipment, net of depreciation, consist of the following at December 31, 2010.

Software	\$ 30,380
Office furniture	8,724
Office equipment	18,043
Leasehold improvements	<u>1,700</u>
	58,847
Less accumulated depreciation	<u>51,438</u>
	<u>\$ 7,409</u>

## Hendricks County Community Foundation, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

**NOTE F - RESTRICTIONS ON NET ASSETS**

The Foundation follows the topic Donor-Restricted Endowment Fund under *FASB ASC 958*. *FASB ASC 958* provides guidance on the net asset classification of donor-restricted endowment funds for organizations subject to an enacted version of UPMIFA. Upon adoption, there was no change in the Foundation's net asset classification. In accordance with the Foundation's fund agreements, charitable endowments are classified as permanently restricted net assets. All other Foundation net assets are considered unrestricted or temporarily restricted.

Donor restrictions have been imposed on a significant portion of the Foundation's net assets.

Temporarily restricted net assets at December 31, 2010 totaled \$1,036,896, and may be expended for specific purposes as specified by various donors.

Permanently restricted net assets are composed of the following types of funds at December 31, 2010.

Donor advised	\$ 1,922,860
Designated	1,255,461
Agency	116,059
Field of interest	213,710
Legacy	59,888
Scholarship	994,052
Unrestricted	1,586,115
Administrative	<u>472,059</u>
	<u>\$ 6,620,204</u>

**NOTE G - ADMINISTRATION MANAGEMENT**

The Foundation assesses an administrative charge on endowment and pass-through funds. This charge is used primarily to support the operations of the Foundation.

For the year ended December 31, 2010, \$68,104 is included as support and revenue and \$64,918 as an expense. Due to the fact that administrative charges to various funds are considered a significant measure of the operations of community foundations, these fees have not been eliminated in the financial statements.

**NOTE H - AGENCY PARTNER FUNDS**

In accordance with *FASB ASC-958-20-15*, the Foundation reports contributions as a liability when the donor has specified an unaffiliated beneficiary and not granted variance power over the gift. The Foundation reports these as Agency Funds on its statement of financial position.

## Hendricks County Community Foundation, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

## NOTE H - AGENCY PARTNER FUNDS - Continued

During the year ended December 31, 2010, the following activity occurred in the agency funds held by the Foundation. These amounts are not reflected on the statement of activities.

## Support and revenue:

Contributions and pledges	\$ 19,237	
Investment income	10,248	
Realized gains on investments	4,721	
Unrealized gains on investments	26,298	
	<u>60,504</u>	\$ 60,504

## Expenses:

Grants expense	7,035	
Bank trustee fees	604	
Administrative fees	3,183	
	<u>10,822</u>	

Increase in agency funds	49,682
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Balance at beginning of year	<u>323,994</u>
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Balance at end of year	<u><u>\$ 373,676</u></u>
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## NOTE I - OPERATING LEASES

The Foundation leases office space for \$650 a month. The original lease expired in April 2006 and automatically extends in two month increments indefinitely. The Foundation also leases office equipment with monthly payments of \$235 per month expiring in February 2013. Future minimum lease payments are as follows.

December 31, 2011	\$ 2,820
2012	2,820
2013	235
2014	-
2015	-
	<u>5,875</u>
	<u><u>\$ 5,875</u></u>

Total lease expense for the year ended December 31, 2010 was \$11,009.

## NOTE J - SUBSEQUENT EVENTS

In accordance with FASB ASC Topic 855, Subsequent Events, the Foundation has evaluated subsequent events through October 28, 2011, which is the date these financial statements were issued. All subsequent events requiring recognition as of December 31, 2010, have been incorporated into these financial statements herein.