

HENDRICKS COUNTY COMMUNITY FOUNDATION, INC.

FINANCIAL STATEMENTS AND REPORT OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2009



**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, 2009, 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, 2009, 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  
April 30, 2010

## Hendricks County Community Foundation, Inc.

## STATEMENT OF FINANCIAL POSITION

December 31, 2009

(With comparative totals at December 31, 2008)

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,537,101	\$ 1,692,911
Pledges receivable	91,016	2,900
Investments	5,882,916	4,274,742
Prepaid expenses	650	-
Cash surrender value of life insurance	47,948	45,108
Annuity	166,996	-
Property and equipment, net	9,584	12,227
	<u>\$ 7,736,211</u>	<u>\$ 6,027,888</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 6,346	\$ 17,452
Grants and scholarships payable	53,711	50,507
Annuity liability	153,166	-
Funds held as agency partner funds	323,994	251,667
	<u>537,217</u>	<u>319,626</u>
<b>NET ASSETS</b>		
Unrestricted	208,858	291,628
Temporarily restricted	712,511	(695,503)
Permanently restricted	6,277,625	6,112,137
	<u>7,198,994</u>	<u>5,708,262</u>
	<u>\$ 7,736,211</u>	<u>\$ 6,027,888</u>

The accompanying notes are an integral part of this statement.

## Hendricks County Community Foundation, Inc.

## STATEMENT OF ACTIVITIES

For the year ended December 31, 2009  
(With comparative totals at December 31, 2008)

	2009			2008	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Support and revenue:					
Contributions and pledges	\$ 124,324	\$ 487,812	\$ 114,060	\$ 726,196	\$ 1,004,030
Administrative fee income	61,834			61,834	64,403
Special events, net of \$38,511 and \$38,078 of expense, respectively	24,233	59,575		83,808	73,721
Investment income, net of fees	363	1,351,031		1,351,394	(1,851,095)
	210,754	1,898,418	114,060	2,223,232	(708,941)
Net assets released from restrictions:					
Restrictions satisfied by payments	451,908	(451,908)			
Expenses:					
Program services					
Grants and scholarships	402,490			402,490	774,767
Program expense	78,186			78,186	57,395
Supporting services					
Management and general	113,616			113,616	173,939
Administrative fees	58,812			58,812	64,402
Fundraising and development	79,396			79,396	139,121
	732,500			732,500	1,209,624
<b>CHANGE IN NET ASSETS</b>	(69,838)	1,446,510	114,060	1,490,732	(1,918,565)
Net assets at beginning of year	291,628	(695,503)	6,112,137	5,708,262	7,626,827
Transfer of net assets	(12,932)	(38,496)	51,428		
Net assets at end of year	\$ 208,858	\$ 712,511	\$ 6,277,625	\$ 7,198,994	\$ 5,708,262

The accompanying notes are an integral part of this statement.

## Hendricks County Community Foundation, Inc.

## STATEMENT OF FUNCTIONAL EXPENSES

December 31, 2009

(With comparative totals at December 31, 2008)

	2009			2008	
	Program Services	Management and General	Fundraising	Total	Total
Grants, scholarships and awards	\$ 402,490			\$ 402,490	\$ 774,767
Salaries and wages	53,908	\$ 53,908	\$ 26,955	134,771	145,658
Payroll taxes	4,080	4,080	2,039	10,199	14,953
Employee benefits	1,056	1,056	528	2,640	2,532
Depreciation		2,318		2,318	3,000
Occupancy		7,800		7,800	7,800
Equipment rental and maintenance		2,945		2,945	2,625
Meetings and conferences	2,569	2,569	1,284	6,422	11,763
Print materials			22,202	22,202	23,556
Professional fees		9,785		9,785	33,712
Staff education and development		2,783		2,783	
Office expense		8,060		8,060	6,635
Insurance		3,724		3,724	3,868
Postage	1,463	1,463	731	3,657	8,781
Communications and technical support	5,764	5,764	2,883	14,411	12,442
Advertising and promotions			18,732	18,732	37,032
Donor development and networking			3,921	3,921	13,724
Special events	30,396		7,599	37,995	38,078
Administrative fees		58,812		58,812	64,402
Other expenses:					
Auto expense	1,606	1,606	802	4,014	3,889
Bank charges		1,655		1,655	1,748
Dues and subscriptions		2,478		2,478	1,747
Scholarship-related expenses	7,575			7,575	2,194
Insurance - donor-related		1,622		1,622	32,796
	510,907	172,428	87,676	771,011	1,247,702
Less: direct expenses of special events netted with revenues on the statement of activities	(30,231)		(8,280)	(38,511)	(38,078)
	\$ 480,676	\$ 172,428	\$ 79,396	\$ 732,500	\$ 1,209,624

The accompanying notes are an integral part of this statement.

## Hendricks County Community Foundation, Inc.

## STATEMENT OF CASH FLOWS

December 31, 2009

(With comparative totals at December 31, 2008)

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,490,732	\$ (1,918,565)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,318	3,000
Realized losses on investments	221,838	268,165
Unrealized (gains) losses on investments	(1,405,708)	1,808,024
Donated stock	(21,390)	(68,417)
(Increase) decrease in assets:		
Pledges receivable	(88,116)	(2,300)
Annuity receivable	(166,996)	
Prepaid expenses	(650)	
Cash surrender value of life insurance	(2,840)	(15,328)
Increase (decrease) in operating liabilities:		
Accounts payable	(11,106)	5,014
Grants and scholarships payable	3,204	(6,595)
Charitable gift annuity liability	153,166	
Funds held as agency partner funds	72,327	167,436
	<u>246,779</u>	<u>240,434</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of investments	(2,220,295)	(7,543,421)
Proceeds from sales of investments	1,817,706	8,020,451
Purchase of property and equipment		(8,816)
	<u>(402,589)</u>	<u>468,214</u>
Net cash provided by (used in) investing activities		
Net increase (decrease) in cash and cash equivalents	(155,810)	708,648
Cash and cash equivalents at beginning of year	<u>1,692,911</u>	<u>984,263</u>
Cash and cash equivalents at end of year	<u>\$ 1,537,101</u>	<u>\$ 1,692,911</u>
<u>Supplemental Disclosure</u>		
Non-cash contributions	\$ 21,390	\$ 68,417

The accompanying notes are an integral part of this statement.

## Hendricks County Community Foundation, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009

## 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, 2008, from which the summarized information was derived.

4. Promises to Give

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, 2009 and 2008, 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, 2009

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

7. Fair Value Measurement

In 2008, the Foundation adopted 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.

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 Foundation adopted 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.

In 2009, the Foundation adopted 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.

In June 2009, the FASB issued Accounting Standards Update No. 2009-01, Topic 105, *Generally Accepted Accounting Principles*, which designated the ASC as the new source of authoritative U.S. Generally Accepted Accounting Principles (GAAP) recognized by the FASB to be applied to nongovernmental entities. For the Foundation, the ASC became effective for the financial statements issued after September 15, 2009. Implementation of this standard did not impact financial position, activities or changes in net assets.

## Hendricks County Community Foundation, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009

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

8. 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.

9. 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.

10. Contributed Services

During the year ended December 31, 2009 and 2008, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

11. Compensated Absences

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

12. 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, 2009

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

13. 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.

14. Advertising

Advertising expenses totaled \$18,732 and \$39,232 for the years ended December 31, 2009 and 2008, respectively. The Foundation's policy is to record advertising expenditures in the period in which they are incurred.

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 following is an analysis of the cost and fair value at December 31, 2009 and 2008 by type of investment. The investments are held in uninsured trust accounts and local financial institutions.

	2009		
	<u>Cost</u>	<u>Unrealized Gains (Losses)</u>	<u>Fair Value</u>
Certificates of deposit	\$ 188,566	\$ -0-	\$ 188,566
U.S. Government obligations	24,980	(191)	24,789
Mutual funds	5,431,784	237,777	5,669,561
	<u>\$5,645,330</u>	<u>\$ 237,586</u>	<u>\$5,882,916</u>
	2008		
	<u>Cost</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Certificates of deposit	\$ 185,803	\$ -0-	\$ 185,803
U.S. Government obligations	13,672	(1,877)	11,795
Mutual funds	5,358,092	(1,280,948)	4,077,144
	<u>\$5,557,567</u>	<u>\$(1,282,825)</u>	<u>\$4,274,742</u>

## Hendricks County Community Foundation, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009

## NOTE B - INVESTMENTS - Continued

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31, 2009 and 2008.

	2009		
	Unrestricted	Temporarily Restricted	Total
Investment return	\$ 363	\$ 181,795	\$ 182,158
Realized losses on investments		(221,838)	(221,838)
Unrealized gains on investments		1,405,708	1,405,708
Administration and investment management fees		(14,634)	(14,634)
	<u>\$ 363</u>	<u>\$1,351,031</u>	<u>\$1,351,394</u>
	2008		
	Unrestricted	Temporarily Restricted	Total
Investment return	\$ 5,389	\$ 244,045	\$ 249,434
Realized losses on investments	(55,412)	(212,753)	(268,165)
Unrealized losses on investments	(32,333)	(1,775,691)	(1,808,024)
Administration and investment management fees	(1,514)	(22,826)	(24,340)
	<u>\$(83,870)</u>	<u>\$(1,767,225)</u>	<u>\$(1,851,095)</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, 2009 and 2008, utilizing the following input levels:

	2009			Total
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
Investments	\$5,370,093	\$205,500	\$118,757	\$5,694,350
	2008			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Investments	\$3,861,470	\$121,336	\$106,133	\$4,088,939

## NOTE C - 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, 2009 and 2008 totaled \$91,016 and \$2,900, respectively.

## Hendricks County Community Foundation, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009

## NOTE C - PLEDGES RECEIVABLE - Continued

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

Year ending December 31, 2010	\$46,708
2011	\$44,308
2012 - 2014	\$ -0-

## NOTE D - PROPERTY AND EQUIPMENT

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

	<u>2009</u>	<u>2008</u>
Software	\$30,380	\$30,380
Office furniture	8,724	8,724
Office equipment	18,043	21,503
Leasehold improvements	1,700	1,700
	<u>58,847</u>	<u>62,307</u>
Less accumulated depreciation	<u>49,263</u>	<u>50,080</u>
	<u>\$9,584</u>	<u>\$12,227</u>

## NOTE E - RESTRICTIONS ON NET ASSETS

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

Temporarily restricted net assets at December 31, 2009 and 2008 totaled \$712,511 and \$(695,503), respectively, 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,

	<u>2009</u>	<u>2008</u>
Donor advised	\$1,887,058	\$1,847,146
Designated	1,029,130	1,000,175
Agency	115,690	113,472
Field of interest	209,815	178,024
Legacy	50,229	36,579
Scholarship	930,947	888,557
Unrestricted	1,582,974	1,577,410
Administrative	<u>471,782</u>	<u>470,774</u>
	<u>\$6,277,625</u>	<u>\$6,112,137</u>

## NOTE F - 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.

During the years ended December 31, 2009 and 2008, the following activity occurred in the agency funds held by the Foundation. These amounts are not reflected on the statement of activities.

## Hendricks County Community Foundation, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009

## NOTE F - AGENCY PARTNER FUNDS - Continued

	<u>2009</u>	<u>2008</u>
Support and revenue		
Contributions and pledges	\$ 5,483	\$ 24,997
Investment income	8,785	12,235
Realized losses on investments	(11,340)	(11,297)
Unrealized gains (losses) on investments	<u>73,448</u>	<u>(97,427)</u>
	76,376	(71,492)
Expenses		
Grants expense	89	4,409
Foundation administrative fees	3,022	2,888
Bank trustee fees	<u>938</u>	<u>1,059</u>
	<u>4,049</u>	<u>8,356</u>
Increase (decrease) in agency funds	72,327	(79,848)
Balance at beginning of year	<u>251,667</u>	<u>331,515</u>
Balance at end of year	<u><u>\$ 323,994</u></u>	<u><u>\$ 251,667</u></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, 2009, \$61,834 is included as support and revenue and \$58,812 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 - 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, 2010	\$ 2,820
2011	2,820
2012	2,820
2013	235
2014	<u>-0-</u>
	<u>\$8,695</u>

Total lease expense for the years ended December 31, 2009 and 2008 was \$10,745 and \$10,425, respectively.

## NOTE I - NON-CASH TRANSACTIONS

The Foundation received contributions of stock in the amount of \$21,390 and \$68,417 for the years ended December 31, 2009 and 2008, respectively. These contributions have been treated as non-cash transactions for the purpose of the statement of cash flows.

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE J - SUBSEQUENT EVENTS

In accordance with FASB ASC Topic 855, Subsequent Events, the Foundation has evaluated subsequent events through April 30, 2010, which is the date these financial statements were issued. All subsequent events requiring recognition as of December 31, 2009, have been incorporated into these financial statements herein.