

HENDRICKS COUNTY COMMUNITY FOUNDATION, INC.

FINANCIAL STATEMENTS AND REPORT OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2008



**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, 2008, 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, 2008, 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 26, 2009

## Hendricks County Community Foundation, Inc.

## STATEMENT OF FINANCIAL POSITION

December 31, 2008

(With comparative totals at December 31, 2007)

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,633,928	\$ 1,087,178
Pledges receivable	2,900	600
Investments	4,333,725	6,903,913
Cash surrender value of life insurance	45,108	29,780
Property and equipment, net	12,227	6,411
	<u>\$ 6,027,888</u>	<u>\$ 8,027,882</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 17,452	\$ 12,438
Grants and scholarships payable	50,507	57,102
Funds held as agency partner funds	251,667	331,515
	<u>319,626</u>	<u>401,055</u>
<b>NET ASSETS, as restated for 2007</b>		
Unrestricted	291,628	616,145
Temporarily restricted	(695,503)	1,100,919
Permanently restricted	6,112,137	5,909,763
	<u>5,708,262</u>	<u>7,626,827</u>
	<u>\$ 6,027,888</u>	<u>\$ 8,027,882</u>

The accompanying notes are an integral part of this statement.

## Hendricks County Community Foundation, Inc.

## STATEMENT OF ACTIVITIES

Year Ended December 31, 2008

(With comparative totals at December 31, 2007)

	2008			2007	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Support and revenue					
Contributions and pledges	\$ 69,382	\$ 732,274	\$ 202,374	\$ 1,004,030	\$ 1,052,331
Administrative fee income	64,403			64,403	65,662
Special events, net of \$38,078 and \$29,885 of expense, respectively	25,480	48,241		73,721	14,598
Investment income, net of fees	(83,870)	(1,767,225)		(1,851,095)	40,265
	75,395	(986,710)	202,374	(708,941)	1,172,856
Net assets released from restrictions					
Restrictions satisfied by payments	809,712	(809,712)			
Expenses					
Program services					
Grants and scholarships	774,767			774,767	413,583
Program expense	57,395			57,395	138,597
Supporting services					
Management and general	173,938			173,938	101,562
Administrative fees	64,402			64,402	65,662
Fundraising and development	139,121			139,121	58,810
	1,209,624			1,209,624	778,214
<b>CHANGE IN NET ASSETS</b>	(324,517)	(1,796,422)	202,374	(1,918,565)	394,642
Net assets at beginning of year, as restated	616,145	1,100,919	5,909,763	7,626,827	7,232,185
Net assets at end of year	\$ 291,628	\$ (695,503)	\$ 6,112,137	\$ 5,708,262	\$ 7,626,827

The accompanying notes are an integral part of this statement.

## Hendricks County Community Foundation, Inc.

## STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2008

(With comparative totals at December 31, 2007)

	2008			2007	
	Program Services	Management and General	Fundraising	Total	Total
Grants, scholarships and awards	\$ 774,767			\$ 774,767	\$ 413,583
Salaries and wages	58,263	\$ 58,263	\$ 29,132	145,658	111,911
Payroll taxes	5,981	5,981	2,991	14,953	8,087
Employee benefits	1,013	1,013	506	2,532	2,132
Depreciation		3,000		3,000	2,201
Occupancy		7,800		7,800	7,800
Equipment rental and maintenance		2,625		2,625	2,700
Meetings and conferences	4,705	4,705	2,353	11,763	22,143
Print materials			23,556	23,556	21,208
Professional fees		33,712		33,712	21,345
Office expense		6,635		6,635	5,080
Insurance		3,868		3,868	3,577
Postage	3,513	3,513	1,755	8,781	12,784
Communications and technical support	4,977	4,977	2,488	12,442	8,396
Advertising and promotions			37,032	37,032	63,526
Donor development and nonprofit networking			13,724	13,724	1,955
Special events			38,078	38,078	29,885
Administrative fees		64,402		64,402	65,662
Other expenses					
Auto expense	1,555	1,555	778	3,888	1,953
Bank charges		1,748		1,748	1,436
Dues and subscriptions		1,747		1,747	735
Licenses and fees					
Scholarship-related expenses	2,194			2,194	
Insurance - donor-related		32,796		32,796	
	856,968	238,340	152,393	1,247,701	808,099
Less: direct expenses of special events netted with revenues on the statement of activities	(24,806)		(13,272)	(38,078)	(29,885)
	<u>\$ 832,162</u>	<u>\$ 238,340</u>	<u>\$ 139,121</u>	<u>\$ 1,209,623</u>	<u>\$ 778,214</u>

The accompanying notes are an integral part of this statement.

## Hendricks County Community Foundation, Inc.

## STATEMENT OF CASH FLOWS

Year Ended December 31, 2008

(With comparative totals at December 31, 2007)

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ (1,918,565)	\$ 394,642
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,000	2,201
Realized (gains) losses on investments	268,165	(156,331)
Unrealized (gains) losses on investments	1,808,024	245,018
Donated stock	(68,417)	(43,193)
(Increase) decrease in assets		
Pledges receivable	(2,300)	5,950
Cash surrender value of life insurance	(15,328)	(5,904)
Increase (decrease) in operating liabilities:		
Accounts payable	5,014	12,438
Grants and scholarships payable	(6,595)	42,674
Funds held as agency partner funds	167,436	(61,298)
	<u>240,434</u>	<u>436,197</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of investments	(7,602,404)	(3,140,748)
Proceeds from sales of investments	7,917,536	2,918,642
Purchase of property and equipment	(8,816)	(3,680)
	<u>306,316</u>	<u>(225,786)</u>
Net cash provided by (used in) investing activities		
Net increase in cash and cash equivalents	546,750	210,411
Cash and cash equivalents at beginning of year	<u>1,087,178</u>	<u>876,767</u>
Cash and cash equivalents at end of year	<u>\$ 1,633,928</u>	<u>\$ 1,087,178</u>
<u>Supplemental Disclosure</u>		
Non-cash contributions	\$ 24,976	\$ 43,193

The accompanying notes are an integral part of this statement.

## Hendricks County Community Foundation, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008

## 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, 2007, 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, 2008 and 2007, 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, 2008

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

7. Fair Value Measurement

In 2008, the Foundation adopted the provisions of *Statement of Financial Accounting Standards (SFAS) No. 157*, "Fair Value Measurements." SFAS No. 157 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.

8. Fair Value Measurement - continued

SFAS No. 157 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.

9. 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.

10. 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.

11. Contributed Services

During the year ended December 31, 2008 and 2007, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

## Hendricks County Community Foundation, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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

12. Compensated Absences

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

13. Net Assets

The Foundation has adopted the provisions of SFAS No. 117, *Financial Statements for Not-for-Profit Organizations*. 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.

14. 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.

15. Advertising

Advertising expenses totaled \$39,232 and \$55,110 for the years ended December 31, 2008 and 2007, respectively. The Foundation's policy is to record advertising expenditures in the period in which they are incurred.

16. 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.

## Hendricks County Community Foundation, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008

## NOTE B - INVESTMENTS

The following is an analysis of the cost and fair value at December 31, 2008 and 2007 by type of investment. The investments are held in uninsured accounts and local financial institutions.

	2008		
	Cost	Unrealized Losses	Fair Value
Money market funds	\$ 58,983		\$ 58,983
Mutual funds	5,543,895	\$(1,280,948)	4,262,947
U.S. Government obligations	13,672	(1,877)	11,795
	<u>\$5,616,550</u>	<u>\$(1,282,825)</u>	<u>\$4,333,725</u>
	2007		
	Cost	Unrealized Gains (Losses)	Fair Value
Money market funds	\$ 57,064		\$ 57,064
Stocks	4,449,077	\$540,188	4,989,265
Mutual funds	5,035	(5)	5,030
U.S. Government obligations	1,055,771	(14,892)	1,040,879
Corporate bonds	781,659	30,016	811,675
	<u>\$6,348,606</u>	<u>\$555,307</u>	<u>\$6,903,913</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31, 2008 and 2007.

	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)
Investment management fees	(1,514)	(22,826)	(24,340)
	<u>\$(83,870)</u>	<u>\$(1,767,225)</u>	<u>\$(1,851,095)</u>

## Hendricks County Community Foundation, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008

## NOTE B - INVESTMENTS - Continued

	2007		
	Unrestricted	Temporarily Restricted	Total
Investment return	\$18,969	\$202,855	\$221,824
Realized gains on investments	55,151	106,945	162,096
Unrealized losses on investments	(52,084)	(202,216)	(254,300)
Investment management fees	(7,272)	(82,083)	(89,355)
	<u>\$14,764</u>	<u>\$ 25,501</u>	<u>\$ 40,265</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, 2008 and 2007, utilizing the following input levels:

	2008			Total
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
Investments	\$4,106,256	\$121,336	\$106,133	\$4,333,725
	2007			Total
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
Investments	\$6,455,771	\$448,142	\$0-	\$6,903,913

## 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 2009 and deemed fully collectible; accordingly, no allowance for uncollectible pledges has been provided. Pledges receivable at December 31, 2008 and 2007 totaled \$2,900 and \$600, respectively.

## NOTE D - PROPERTY AND EQUIPMENT

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

	2008	2007
Software	\$30,380	\$30,380
Office furniture	8,724	8,724
Office equipment	21,503	12,687
Leasehold improvements	1,700	1,700
	<u>62,307</u>	<u>53,491</u>
Less accumulated depreciation	50,080	47,080
	<u>\$12,227</u>	<u>\$ 6,411</u>

## Hendricks County Community Foundation, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008

## 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, 2008 and 2007 totaled \$(695,503) and \$1,100,919, 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>2008</u>	<u>2007</u>
Donor advised	\$1,847,146	\$1,778,755
Designated	1,000,175	977,697
Agency	113,472	125,874
Field of interest	178,024	152,551
Legacy	36,579	24,738
Scholarship	888,557	833,860
Unrestricted	1,577,410	1,566,855
Administrative	470,774	449,433
	<u>\$6,112,137</u>	<u>\$5,909,763</u>

## NOTE F - AGENCY PARTNER FUNDS

In accordance with *Statements of Financial Accounting Standards (SFAS) No. 136*, "Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Other," 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, 2008 and 2007, the following activity occurred in the agency funds held by the Foundation. These amounts are not reflected on the statement of activities.

	<u>2008</u>	<u>2007</u>
Support and revenue		
Contributions and pledges	\$ 24,997	\$ 14,868
Investment income	12,235	9,520
Realized gains (losses) on investments	(11,297)	5,766
Unrealized losses on investments	<u>(97,427)</u>	<u>(9,282)</u>
	(71,492)	20,872
Expenses		
Grants expense	4,409	41,747
Foundation administrative fees	2,888	3,522
Bank fees	<u>1,059</u>	<u>4,339</u>
	<u>8,356</u>	<u>49,608</u>
Decrease in agency funds	(79,848)	(28,736)
Balance at beginning of year, as restated	<u>331,515</u>	<u>360,251</u>
Balance at end of year	<u>\$ 251,667</u>	<u>\$ 331,515</u>

## Hendricks County Community Foundation, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008

## 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, 2008, \$64,403 is included as support and revenue and 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, 2009	\$ 2,820
2010	2,820
2011	2,820
2012	2,820
2013	<u>235</u>
	<u>\$11,515</u>

Total lease expense for the years ended December 31, 2008 and 2007 was \$10,425 and \$10,500, respectively.

## NOTE I - NON-CASH TRANSACTIONS

The Foundation received contributions of stock in the amount of \$24,976 and \$43,193 for the years ended December 31, 2008 and 2007, respectively. These contributions have been treated as non-cash transactions for the purpose of the statement of cash flows.

## NOTE J - RESTATEMENT

During 2008, the Foundation identified various agency partner funds for which the provisions of SFAS No. 136 had not been applied. The Foundation had previously reported the support, revenue and expense transactions for these funds on the statement of activities instead of as a liability on the statement of financial position. The Foundation also reclassified the net asset restrictions for certain other funds to be in compliance with donor restrictions. This restatement decreased December 31, 2007 unrestricted net assets by \$181,040, increased temporarily restricted net assets by \$308,071, and decreased permanently restricted net assets by \$374,315.