

NORTHERN INDIANA COMMUNITY FOUNDATION, INC.

FINANCIAL STATEMENTS AND ACCOUNTANTS'  
AUDIT REPORT

December 31, 2009

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**Board of Directors  
Northern Indiana Community Foundation, Inc.**

We have audited the accompanying statement of financial position of Northern Indiana Community Foundation, Inc. as of December 31, 2009 and the related statements of activities 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 Northern Indiana 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 in the United States of America.

*Estep Burkey Simmons, LLC*

Muncie, Indiana  
April 21, 2010

## Northern Indiana Community Foundation, Inc.

## STATEMENT OF FINANCIAL POSITION

December 31, 2009

## ASSETS

## CURRENT ASSETS

Cash and cash equivalents	\$ 558,183
Interest and dividends receivable	2,186
Investment - charitable remainder trust	106,210
Investments	17,446,767
Beneficial interest in charitable remainder trust	119,525
Prepaid expenses	<u>2,795</u>
Total current assets	18,235,666

## PROPERTY AND EQUIPMENT

Office and computer equipment	85,428
Less accumulated depreciation	<u>80,555</u>
	<u>4,873</u>
	<u>\$ 18,240,539</u>

## LIABILITIES AND NET ASSETS

## CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 2,325
Grants payable	202,865
Charitable remainder trust liability	<u>106,210</u>
Total current liabilities	311,400

## AGENCY FUNDS

	<u>2,020,690</u>
Total liabilities	2,332,090

## NET ASSETS

Unrestricted	5,684,716
Temporarily restricted	887,560
Permanently restricted	<u>9,336,173</u>
	<u>15,908,449</u>
	<u>\$ 18,240,539</u>

The accompanying notes are an integral part of this statement.

## Northern Indiana Community Foundation, Inc.

## STATEMENT OF ACTIVITIES

Years Ended December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and support				
Contributions	\$ 1,587,065	\$ 758,078	\$ 743,403	\$ 3,088,546
Investment income	199,857	169,494		369,351
Realized losses on investments	(145,998)	(242,469)		(388,467)
Unrealized gains on investments	1,480,016	1,493,944		2,973,960
Administrative fees	223,966			223,966
Other income	2,400			2,400
Change in value of split-interest agreements		3,032		3,032
	<u>3,347,306</u>	<u>2,182,079</u>	<u>743,403</u>	<u>6,272,788</u>
Net assets released from restrictions:				
Restrictions satisfied by payments	408,644	(408,644)		
Expenses				
Program services:				
Grants and scholarships	1,788,539			1,788,539
Direct program support	237,255			237,255
Other program support	45,231			45,231
Supporting services:				
Operating expenses	260,096			260,096
Investment fees	28,798			28,798
Administrative fees	201,078			201,078
Fundraising expenses	74,408			74,408
	<u>2,635,405</u>			<u>2,635,405</u>
<b>CHANGE IN NET ASSETS</b>	1,120,545	1,773,435	743,403	3,637,383
Net assets at beginning of year	4,612,159	(864,360)	8,523,267	12,271,066
Transfer of net assets	<u>(47,988)</u>	<u>(21,515)</u>	<u>69,503</u>	
Net assets at end of year	<u>\$ 5,684,716</u>	<u>\$ 887,560</u>	<u>\$ 9,336,173</u>	<u>\$ 15,908,449</u>

The accompanying notes are an integral part of this statement.

## Northern Indiana Community Foundation, Inc.

## STATEMENT OF CASH FLOWS

Years Ended December 31, 2009

Cash flows from operating activities:	
Change in net assets	\$ 3,637,383
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	3,468
Realized and unrealized (gains) losses	(2,585,493)
Beneficial interest in charitable remainder trust	(3,032)
(Increase) decrease in assets:	
Interest and dividends receivable	18,207
Investment - charitable remainder trust	21,004
Prepaid expense	(409)
Increase (decrease) in liabilities:	
Accounts payable	(374)
Grants payable	2,243
Charitable remainder trust liability	(21,004)
Agency funds	711,321
	<u>1,783,314</u>
Net cash provided by operating activities	1,783,314
Cash flows from investing activities:	
Net change in investments	<u>(1,969,415)</u>
Net cash used in investing activities	<u>(1,969,415)</u>
Net decrease in cash and cash equivalents	(186,101)
Cash and cash equivalents at beginning of year	<u>744,284</u>
Cash and cash equivalents at end of year	<u><u>\$ 558,183</u></u>

The accompanying notes are an integral part of this statement.

## Northern Indiana Community Foundation, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009

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

1. Nature of Activities

The Northern Indiana Community Foundation, Inc. (Foundation) is a not-for-profit corporation organized under the laws of the State of Indiana. The Foundation was organized to act for the primary benefit of the citizens of Fulton, Miami, and Starke counties plus surrounding regions. A community foundation is established to provide a permanent and growing endowment to benefit the communities, while providing ethical philanthropic leadership for the enrichment and assistance to human services, education, revitalization, social, art, and cultural endeavors. Individuals, families, businesses, private foundations, and non-profit organizations may donate to the community foundation.

2. 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.

3. Cash and Cash Equivalents

The Foundation maintains its cash in accounts at local 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.

4. Investments

In accordance with the Not-for-Profit Entities - Investments - Debt and Equity Securities topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), investments are recorded at fair value. The changes in the difference between market value and cost are reflected in the financial statements as net realized and unrealized gains or losses on investments. Investment income, net realized and unrealized gains or losses are classified as unrestricted, temporarily restricted or permanently restricted revenue or expenses, depending on the existence and/or nature of any donor restrictions.

5. Equipment and Depreciation

Purchased equipment is stated at cost. Donated equipment is recorded as support at the estimated fair-market 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. Depreciation is computed according to the estimated useful lives of the respective assets using the straight-line method.

6. 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.

## Northern Indiana Community Foundation, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009

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

7. Concentration of Credit Risk

The Foundation maintains its cash in bank deposit accounts at high credit quality financial institutions. The accounts are held in trust form and are fully insured.

8. Contributed Services

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

9. Compensated Absences

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

10. Adoption of New Accounting Standards

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.

## Northern Indiana Community Foundation, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009

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

10. Adoption of New Accounting Standards - continued

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.

11. Estimates

The preparation of financial statements in conformity with accounting 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 by type of investment. The investments are held in insured bank and uninsured trust accounts at Indiana financial institutions.

	Cost	Unrealized Gains (Losses)	Fair Value
Certificate of deposit	\$202,698		\$ 202,698
Equities	47,681	\$ 5,634	53,315
Mutual funds - equities	12,237,069	(199,653)	12,037,416
Mutual funds - bonds	4,286,584	237,375	4,523,959
US Treasury notes	107,484	(3,105)	104,379
Land	525,000		525,000
	<u>\$17,406,516</u>	<u>\$40,251</u>	<u>\$17,446,767</u>

## Northern Indiana 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.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Investment income	\$ 199,857	\$ 169,494	\$ 369,351
Realized losses	(145,998)	(242,469)	(388,467)
Unrealized gains	1,480,016	1,493,944	2,973,960
	<u>\$1,533,875</u>	<u>\$1,420,969</u>	<u>\$ 2,954,844</u>

The Foundation's investments, excluding its money market funds and certificates of deposit, are measured at fair value on a recurring basis at December 31, 2009, utilizing the following input levels:

	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
Investments	\$16,921,767	\$525,000	\$-0-	\$-0-

## NOTE C - LEASES

The Foundation leases operating facilities under operating lease arrangements. These leases expire at various dates through 2012. Rental expense for these leases included in the statement of activities for the year ended December 31, 2009 was \$28,499.

Future minimum rental payments required under the operating leases that have remaining terms in excess of one year as of December 31, 2009 are as follows:

2010	\$17,689
2011	1,939
2012	<u>1,454</u>
	<u>\$21,082</u>

## Northern Indiana Community Foundation, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009

## NOTE D - RESTRICTIONS ON NET ASSETS

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

Temporarily restricted net assets are composed of the following types of funds at December 31, 2009:

Donor designated funds	\$891,613
Field of interest funds	21,290
Scholarship funds	<u>(25,343)</u>
	<u>\$887,560</u>

Permanently restricted net assets are composed of the following types of funds at December 31, 2009:

Designated	\$2,603,284
Field of interest funds	449,936
Scholarship funds	3,917,733
Community funds	<u>2,365,220</u>
	<u>\$9,336,173</u>

At December 31, 2009, net assets were allocated to individual counties and to Foundation operations as follows:

Fulton County	\$ 9,119,696
Miami County	3,969,512
Starke County	2,571,463
Foundation operations	<u>247,778</u>
	<u>\$15,908,449</u>

## NOTE E - EMPLOYEE BENEFITS

The Foundation has a Simplified Employee Pension Plan (SEP). The Foundation remits 5% of the base salary of each eligible employee on a monthly basis. An employee becomes eligible for the SEP upon completion of one year of employment. The employee must be twenty one years of age and receive more than \$450 in wages annually. Employer contributions to the SEP during the year ended December 31, 2009 were \$8,494.

## Northern Indiana Community Foundation, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009

## NOTE F - EXTERNAL GRANTS

External grant revenues are recognized as earned as the eligible expenses are incurred. Grant revenue for the year ended December 31, 2009 includes:

<u>Project Name</u>	<u>Grantor</u>	<u>2009</u>
Woodlawn	Brent L. Blacketer Memorial Fund	\$ 78,411
Camp-We-Can	Indiana Youth Institute	<u>14,977</u>
		<u>\$ 93,388</u>

## NOTE G - BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUST

During 1998, a donor established a trust with a local bank naming the Foundation as the lead beneficiary of a charitable remainder unitrust. Under this type of charitable remainder trust, the donor is to receive distributions in the amount of 5% of the fair market value of the trust annually until death. Upon the death of the donor, the remaining assets in the trust pass to the Foundation for a temporarily restricted use. Based on the donor's life expectancy and 3.6% discount rate, the present value of future benefits expected to be received by the Foundation was estimated to be \$119,525 at December 31, 2009, and is recorded as a temporarily restricted asset. The change in value of the split interest agreement for the year ended December 31, 2009 was \$3,032 and is reflected in the statement of activities.

## NOTE H - TRUSTEE OF CHARITABLE REMAINDER UNITRUST

The Foundation was named trustee of the two charitable remainder unitrusts, with responsibilities to maintain assets, distribute quarterly payments to a beneficiary, and upon the death of the beneficiary, distribute the remainder of the Trusts to the other charitable organizations named in the Trusts. The Foundation accepted this responsibility, and in return, receives a quarterly administrative fee from one of the Trusts.

The fair value of the invested assets of the two Trusts was \$106,210 at December 31, 2009 and is classified on the statement of financial position as an asset and corresponding liability.

## NOTE I - AGENCY 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 year ended December 31, 2009, the following activity occurred in the agency funds held by the Foundation. These amounts are not reflected on the statement of activities.

## Northern Indiana Community Foundation, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009

## NOTE I - AGENCY FUNDS - Continued

	<u>2009</u>	
Support and revenue		
Contributions and pledges	\$ 436,817	
Investment income	45,249	
Realized losses on investments	(36,647)	
Unrealized gains on investments	<u>337,681</u>	
		783,100
Expenses		
Grants expense	46,483	
Administrative fees	22,416	
Investment fees	<u>2,716</u>	
		<u>71,615</u>
Increase in agency funds		711,485
Balance at beginning of year		<u>1,309,205</u>
Balance at end of year		<u><u>\$ 2,020,690</u></u>

## NOTE J - SUBSEQUENT EVENTS

In accordance with FASB ASC Topic 855, Subsequent Events, the Foundation has evaluated subsequent events through April 21, 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.