

OWEN COUNTY COMMUNITY FOUNDATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2004

OWEN COUNTY COMMUNITY FOUNDATION, INC.

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of the
Owen County Community Foundation, Inc.
Spencer, Indiana

We have audited the accompanying statement of financial position of the Owen County Community Foundation, Inc. as of December 31, 2004, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization'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 the Owen County Community Foundation, Inc. as of December 31, 2004, 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.

Blue & Co., LLC

August 26, 2005

OWEN COUNTY COMMUNITY FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2004

ASSETS

Cash	\$	78,263
Contributions receivable, net		71,435
Charitable trust		240,819
Investments		3,245,872
Office equipment, net		13,692
Restricted investments		<u>111,491</u>
	\$	<u>3,761,572</u>

LIABILITIES AND NET ASSETS

Liabilities

Custodial funds	\$	111,491
Liability under charitable trust		<u>160,392</u>
Total liabilities		271,883

Net assets

Unrestricted:		
Undesignated		981,083
Board designated funds		630,483
Scholarship funds		466,523
Field of interest funds		261,819
Donor designated funds		965,936
Donor advised funds		<u>22,783</u>
Total unrestricted		3,328,627
Temporarily restricted		135,062
Permanently restricted		<u>26,000</u>
Total net assets		<u>3,489,689</u>
	\$	<u>3,761,572</u>

See accompanying notes to financial statements.

OWEN COUNTY COMMUNITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2004

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues				
Contributions	\$ 280,937	\$ 51,235	\$ -0-	\$ 332,172
Investment return, net	174,323	16,484	-0-	190,807
Change in value of split-interest agreement	6,508	-0-	-0-	6,508
In-kind income	20,874	-0-	-0-	20,874
Administrative fees	-0-	-0-	-0-	-0-
Other income	35,967	-0-	-0-	35,967
Net assets released from restrictions	4,955	(4,955)	-0-	-0-
Total support and revenues	523,564	62,764	-0-	586,328
Program expenses				
Grants	39,673	-0-	-0-	39,673
Operating expenses				
Salaries and wages	59,186	-0-	-0-	59,186
Payroll taxes and employee benefits	4,909	-0-	-0-	4,909
Administrative fees	33,419	-0-	-0-	33,419
In-kind rent	20,400	-0-	-0-	20,400
Postage and printing	10,108	-0-	-0-	10,108
Professional fees	6,414	-0-	-0-	6,414
Advertising	4,982	-0-	-0-	4,982
Meetings and conferences	4,744	-0-	-0-	4,744
Events	3,999	-0-	-0-	3,999
Depreciation	3,344	-0-	-0-	3,344
Insurance	2,520	-0-	-0-	2,520
Telephone	1,789	-0-	-0-	1,789
Travel and entertainment	1,650	-0-	-0-	1,650
Office supplies	1,112	-0-	-0-	1,112
Dues and subscriptions	389	-0-	-0-	389
Repairs and maintenance	130	-0-	-0-	130
Miscellaneous	53	-0-	-0-	53
Total operating expenses	159,148	-0-	-0-	159,148
Total expenses	198,821	-0-	-0-	198,821
Change in net assets	324,743	62,764	-0-	387,507
Net assets, beginning of year	3,003,884	72,298	26,000	3,102,182
Net assets, end of year	\$ 3,328,627	\$ 135,062	\$ 26,000	\$ 3,489,689

See accompanying notes to financial statements.

OWEN COUNTY COMMUNITY FOUNDATION, INC.

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2004

Operating activities

Change in net assets	\$ 387,507
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	3,344
Realized and unrealized gains (losses) on investments	(135,066)
Change in discount of contributions receivable	9,365
Change in value of split-interest agreement	(6,508)
Changes in assets and liabilities:	
Contributions receivable	(80,800)
Accounts payable	(823)
Accrued expenses	(3,162)
Custodial funds	(135,311)
Liability under charitable trust	<u>(4,205)</u>
Net cash flows from operating activities	34,341

Investing activities

Change in investments	(188,131)
Change in restricted investments	<u>135,311</u>
Net cash flows from investing activities	<u>(52,820)</u>

Net change in cash (18,479)

Cash, beginning of year 96,742

Cash, end of year \$ 78,263

See accompanying notes to financial statements.

OWEN COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2004

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Owen County Community Foundation, Inc. ("OCCF") is a not-for-profit entity that began operations in February 1994. OCCF is located in Spencer, Indiana, and was organized to assist donors in building an enduring source of charitable assets to benefit the Owen County area.

Management's Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported amounts of support, revenues and expenses. Actual results could vary from the estimates that were used.

Basis of Presentation

Net assets, support, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of OCCF are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions. OCCF maintains unrestricted funds as follows:

Undesignated – includes all administrative and programming functions of the Organization, as well as gifts that are not subject to donor-imposed restrictions.

Board Designated Funds – used to fund specific community needs as designated by the Board.

Scholarship Funds – these contributions are designated to support scholarships with defined criteria as identified by the donor.

Field of Interest Funds – these contributions are designated to support a specific area of need, as identified by the donor.

Donor Designated Funds – these contributions are designated to support specific charitable organizations identified by the donor.

OWEN COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2004

Donor Advised Funds – these contributions are designated to support organizations or areas of need as recommended by the donor through his or her ongoing involvement in the distribution process.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions relating to a stipulated purpose or a specified time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed restrictions that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the OCCF. Included in this classification are endowment funds that are subject to the restrictions of gift instruments requiring that the principal be maintained in perpetuity and invested for the purpose of producing present and future income.

Investments and Investment Return

OCCF carries its investments at fair market value for financial reporting purposes. Changes in unrealized appreciation or depreciation of investments are reflected in the Statement of Activities in the period in which such changes occur.

Office Equipment

Office equipment, including expenditures that substantially increase the useful lives of existing assets, is recorded at cost except for donations, which are recorded at the fair market value at the date of the donation. Costs of ordinary maintenance and repairs are expensed as incurred.

Office equipment is being depreciated over its estimated useful life ranging from three to five years using the straight-line method.

Restricted Investments

Restricted investments consist of monies received from Independent Colleges of Indiana for the Lilly Scholarship program and from organizations that have named themselves as the beneficiary of the income from the fund. These amounts are also reported as custodial funds at December 31, 2004.

Support, Revenue and Expense Recognition

Contributions, which include unconditional promises to give (contributions receivable), are recognized as revenues in the period the contribution is received or the promise is made. Contributions received with donor imposed restrictions are reported as restricted support and increase temporarily or permanently restricted net assets.

OWEN COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2004

Support and revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

All other support and revenue is recorded when earned.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the notes of the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

OCCF is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal taxes on related income pursuant to Section 501(a) of the Code.

2. CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable consist of the following at December 31, 2004:

Unconditional contributions receivable	\$ 80,800
Less unamortized discount	<u>(9,365)</u>
Net unconditional contributions receivable	<u>\$ 71,435</u>
Amounts due in:	
Less than one year	\$ 20,200
One to five years	<u>60,600</u>
	<u>\$ 80,800</u>

Qualifying contributions receivable were discounted at 5%.

Management estimates an allowance for doubtful contributions receivable based on an evaluation of historical losses, current economic conditions, and other factors unique to the OCCF's donors. No allowance for doubtful contributions receivable was determined to be necessary at December 31, 2004.

OWEN COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2004

3. CHARITABLE TRUST

OCCF is the trustee and has been named the beneficiary of a Charitable Remainder Unitrust. The trust will terminate upon the earlier of the death of the beneficiaries or September 2017 at which time the trust assets will revert to OCCF. The trust agreement stipulates that a certain portion of the trust's assets are to be paid out each year to third party beneficiaries named by the donor until the trust terminates.

OCCF has recorded a liability for the present value of the amounts to be paid to the third party beneficiaries at December 31, 2004, under this trust. In calculating its present value, a 5% discount rate was assumed, as well as an 8% return on investment. The date of the termination of the trust was determined based on expiration of a fifteen year payout to the beneficiaries. The present value of the amounts to be paid to third party beneficiaries was \$160,392 and is included in Liability under Charitable Trust in the Statement of Financial Position at December 31, 2004. The fair market value of the trust assets, less the related liability, is included in temporarily restricted net assets.

4. INVESTMENTS

Investments consist of the following at December 31, 2004:

Cash and money market funds	\$ 45,000
Certificates of deposit	499,842
Government bonds	375,874
Domestic corporate bonds	384,295
Domestic equity securities	<u>2,052,352</u>
	<u>\$ 3,357,363</u>

The following schedule summarizes the investment return and its classification in the Statement of Activities for the year ended December 31, 2004:

Interest and dividend income	\$ 77,007
Realized losses on investments	(16,975)
Unrealized gains on investments	152,041
Investment fees	<u>(21,266)</u>
	<u>\$ 190,807</u>

OWEN COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2004

5. CUSTODIAL FUNDS

OCCF has entered into agreements to serve as fiscal agent of funds for certain individuals and organizations. In addition, OCCF is required to account for certain funds as liabilities due to either the reciprocal nature of the funds or the lack of variance power granted to OCCF. These funds are pooled with the OCCF's endowment for investment purposes. A corresponding liability of \$111,491 is recognized in the Statement of Financial Position for the fair market value of these custodial funds at December 31, 2004.

6. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes at December 31, 2004:

Time restrictions related to:	
Charitable trust	\$ 80,427
Contributions receivable	51,235
Designated purpose restrictions related to scholarships for Owen County residents	<u>3,400</u>
	<u>\$ 135,062</u>

Permanently restricted net assets are restricted for the following purpose at December 31, 2004:

Scholarships for Owen County residents	<u>\$ 26,000</u>
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7. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions in 2004 for the following purposes:

Payments from charitable trust	\$ 4,205
Scholarships for Owen County residents	<u>750</u>
	<u>\$ 4,955</u>

OWEN COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2004

8. FUNCTIONAL EXPENSES

OCCF serves as a vehicle for residents of Owen County to donate to various organizations and projects in the county. Expenses related to providing this service for the year ended December 31, 2004, are classified as follows:

Program expenses	\$ 105,922
Fundraising	63,806
General and administrative expenses	<u>29,093</u>
	<u>\$ 198,821</u>

9. RELATED PARTY TRANSACTIONS

OCCF received \$41,892 in contributions from members of the OCCF's board of directors and staff during 2004. At December 31, 2004, there were contributions receivable of \$28,800 from members of the OCCF's Board of Directors and staff.

10. CONCENTRATIONS OF CREDIT RISK

OCCF maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. OCCF has not experienced any losses in such accounts. OCCF believes it is not exposed to any significant credit risk on cash.

Marketable securities and money market funds are maintained with one investment firm. Such balances exceed the Securities Investor Protection Corporation insured limits of up to \$500,000.