

**COMMUNITY FOUNDATION OF  
RANDOLPH COUNTY, INC.  
(A NONPROFIT ORGANIZATION)**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2008**

**COMMUNITY FOUNDATION OF RANDOLPH COUNTY, INC.  
(A NONPROFIT ORGANIZATION)**

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**YEAR ENDED DECEMBER 31, 2008**

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INDEPENDENT AUDITORS' REPORT

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Board of Directors  
**Community Foundation of Randolph County, Inc.**  
Winchester, Indiana

We have audited the accompanying statement of financial position of **Community Foundation of Randolph County, 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 management of **Community Foundation of Randolph County, Inc.** Our responsibility is to express an opinion on these financial statements based upon 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 **Community Foundation of Randolph County, 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.

*Brady, Ware & Schoenfeld, Inc.*

Richmond, Indiana  
June 18, 2009

**COMMUNITY FOUNDATION OF RANDOLPH COUNTY, INC.  
(A NONPROFIT ORGANIZATION)**

**STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2008**

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**ASSETS**

Cash and cash equivalents	\$ 92,371
Interest receivable	13,841
Investments	5,183,271
Unconditional promises to give	<u>8,000</u>
	5,297,483

**PROPERTY AND EQUIPMENT, NET**

<u>10,766</u>
<u>\$ 5,308,249</u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable and accrued expenses	\$ 9,339
Scholarships payable	105,000
Funds held for others	<u>329,901</u>
	<u>444,240</u>

**NET ASSETS**

Unrestricted	1,454,273
Temporarily restricted	<u>3,409,736</u>
	<u>4,864,009</u>
	<u>\$ 5,308,249</u>

**COMMUNITY FOUNDATION OF RANDOLPH COUNTY, INC.  
(A NONPROFIT ORGANIZATION)**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2008**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>PUBLIC SUPPORT AND REVENUE</b>			
Contributions and grants	\$ 14,458	\$ 126,516	\$ 140,974
Investment income	47,705	100,532	148,237
Realized loss on investments	(19,279)	(56,514)	(75,793)
Net unrealized loss on investments	(443,139)	(956,457)	(1,399,596)
Administrative fee revenue	2,231	-	2,231
Other income	<u>962</u>	<u>-</u>	<u>962</u>
Total Public Support and Revenue	(397,062)	(785,923)	(1,182,985)
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<u>233,727</u>	<u>(233,727)</u>	<u>-</u>
	<u>(163,335)</u>	<u>(1,019,650)</u>	<u>(1,182,985)</u>
<b>EXPENSES</b>			
Program services	313,921	-	313,921
Management and administrative	50,180	-	50,180
Fund development	<u>11,713</u>	<u>-</u>	<u>11,713</u>
Total Expenses	<u>375,814</u>	<u>-</u>	<u>375,814</u>
<b>CHANGE IN NET ASSETS</b>	(539,149)	(1,019,650)	(1,558,799)
<b>NET ASSETS</b>			
Beginning of year, as restated	1,993,422	2,242,064	4,235,486
Transfer of Winchester Foundation funds	<u>-</u>	<u>2,187,322</u>	<u>2,187,322</u>
End of year	<u>\$ 1,454,273</u>	<u>\$ 3,409,736</u>	<u>\$ 4,864,009</u>

COMMUNITY FOUNDATION OF RANDOLPH COUNTY, INC.  
(A NONPROFIT ORGANIZATION)

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2008

	Program Services	Management and Administrative	Fund Development	Total
Grants and scholarships	\$ 188,320	\$ -	\$ -	\$ 188,320
Salaries and wages	37,771	15,384	8,481	61,636
Payroll taxes and employee benefits	6,658	2,712	1,495	10,865
Marketing and promotion	10,220	-	-	10,220
Office rent and maintenance	4,111	1,028	-	5,139
Utilities and telephone	3,475	869	-	4,344
Equipment rental and maintenance	1,714	429	-	2,143
Insurance	2,922	730	-	3,652
Professional fees	7,678	23,036	-	30,714
Office expenses	5,028	1,257	-	6,285
Meetings and conferences	5,052	-	1,263	6,315
Travel	1,095	-	274	1,369
Investment management fees	27,716	-	-	27,716
Computer services and website	7,346	3,864	200	11,410
Membership and dues	<u>1,330</u>	<u>-</u>	<u>-</u>	<u>1,330</u>
Total Expenses Before Depreciation	310,436	49,309	11,713	371,458
Depreciation	<u>3,485</u>	<u>871</u>	<u>-</u>	<u>4,356</u>
Total Expenses	<u>\$ 313,921</u>	<u>\$ 50,180</u>	<u>\$ 11,713</u>	<u>\$ 375,814</u>

**COMMUNITY FOUNDATION OF RANDOLPH COUNTY, INC.  
(A NONPROFIT ORGANIZATION)**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2008**

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**OPERATING ACTIVITIES**

Change in net assets	\$ (1,558,799)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	4,356
Net unrealized loss on investments	1,399,596
Realized loss on investments	75,793
Donated investments	<u>(2,612)</u>
	(81,666)
Changes in operating assets and liabilities:	
Interest receivable	2,747
Unconditional promises to give	1,000
Accounts payable and accrued expenses	6,500
Scholarships payable	103,000
Funds held for others	<u>(107,998)</u>
Net Cash Used by Operating Activities	<u>(76,417)</u>

**INVESTING ACTIVITIES**

Purchases of property and equipment	(410)
Proceeds from sale of investments	2,602,608
Purchases of investments	<u>(2,725,209)</u>
Net Cash Used by Investing Activities	<u>(123,011)</u>

**NET DECREASE IN CASH AND CASH EQUIVALENTS**

(199,428)

**CASH AND CASH EQUIVALENTS**

Beginning of year	<u>291,799</u>
End of year	<u>\$ 92,371</u>

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Noncash investing activities	
Transfer of Winchester Foundation funds	\$ 2,187,322

**COMMUNITY FOUNDATION OF RANDOLPH COUNTY, INC.  
(A NONPROFIT ORGANIZATION)**

**NOTES TO FINANCIAL STATEMENTS**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Business** - Community Foundation of Randolph County, Inc. (the "Foundation") is a nonprofit organization whose mission is to seek to bring people and resources together to enrich the lives of Randolph County, Indiana residents. The Foundation is supported primarily through donor contributions and grants.

**Net Asset Classifications** - In August 2008, the Financial Accounting Standards Board issued Staff Position No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (FAS 117-1). FAS 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). FAS 117-1 also improves disclosures about an organization's endowment funds (both donor restricted endowment funds and board designated endowment funds), whether or not the organization is subject to UPMIFA.

The State of Indiana adopted UPMIFA effective July 1, 2007. The Foundation has adopted FAS 117-1 for the year ended December 31, 2007. Management has determined that the majority of the Foundation's net assets meet the definition of endowment under UPMIFA. The Foundation is governed subject to the governing documents for the Foundation and most contributions are subject to the terms of the governing documents. Certain contributions are received subject to other gift instruments or are subject to specific agreements with the Foundation.

Under the terms of the governing documents, the Board of Directors has the ability to distribute so much of the corpus of any endowment fund or separate gift, devise, bequest, or fund as the board in its sole discretion shall determine. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the Foundation and the donor-restricted endowment funds.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Foundation.
7. The investment policies of the Foundation.

As a result of the ability to distribute corpus, the Board of Directors has determined that all contributions received subject to the governing document, and subject to UPMIFA, are classified as temporarily restricted until appropriated, at which time the appropriation is reclassified to unrestricted net assets. Contributions that are subject to other gift instruments may be recorded as permanently restricted, temporarily restricted or unrestricted, depending on the specific terms of the agreement.

Generally, if the corpus of a contribution will, at some future time, become available for spending it is recorded as temporarily restricted. In addition, contributions that are promised to be given in a future period are presented as temporarily restricted. If the corpus never becomes available for spending it will be reported as permanently restricted. Permanently restricted net assets represent the fair value of the original gift as of the gift date and the original value of subsequent gifts to donor-restricted endowment funds. At December 31, 2008, the Foundation had no permanently restricted net assets.

COMMUNITY FOUNDATION OF RANDOLPH COUNTY, INC.  
(A NONPROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Unrestricted net assets include unrestricted resources, including donations, gifts and bequests, available for the use of the Foundation, over which the Board of Directors has discretionary control. The bylaws of the Foundation include a variance provision on the income of endowed gifts, giving the Board of Directors the power to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to a specified organization if, in its sole judgment, the Board determines that the restriction becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community.

During the year ended December 31, 2008, the Foundation has reviewed all endowment funds and has reclassified its net asset classifications due to the application of FAS 117-1 and UPMIFA effective December 31, 2007.

**Cash and Cash Equivalents** - The Foundation considers liquid investments with an original maturity of three months or less to be cash equivalents with the exception of those held within its investment portfolio.

**Financial 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 the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

**Functional Allocation of Expenses** - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Concentrations** - The Foundation had three contributions that represented 44% of contributions and grants revenue for the year ended December 31, 2008.

**Unconditional Promises to Give** - Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. The Foundation distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. As of December 31, 2008, \$1,000 of the Foundation's promises to give is expected to be realized in less than one year, \$5,000 is expected to be realized in one to five years, and \$2,000 is expected to be realized in greater than five years. Due to the nature of the promises to give, management believes that all amounts will be collected; therefore, no allowance for doubtful accounts is considered necessary.

**Property and Equipment** - Property and equipment are stated at cost, less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Donated assets are reflected at their estimated value at the date of receipt. Routine repairs and maintenance are expensed as incurred. Depreciation expense for 2008 was \$4,356.

**Investments** - Investments are carried at fair value.

COMMUNITY FOUNDATION OF RANDOLPH COUNTY, INC.  
(A NONPROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Endowment Investment and Spending Policies** - The Foundation has adopted investment and spending policies for endowment assets that attempt to preserve the real purchasing power of the assets, and provide a growing stream of income to be made available for spending and keeping pace with inflation in order to sustain the operations and grant-making capacity of the Foundation. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes a return objective through diversification of asset classes. The current long-term return objective is to return a minimum of 8.75% which is comprised of an annual 5% spending rate, 2.75% estimated inflation and 1% of investment fees. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds. The current spending policy is to distribute an amount equal to 5% of a five year moving average. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment assets to grow consistent with the Foundation's objective to maintain the purchasing power of endowment assets, as well as to provide additional real growth through new gifts and investment return.

**Funds Held for Others** - The Foundation receives and distributes assets under certain agency arrangements. SFAS No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*, requires that if a nonprofit organization establishes a fund at a community foundation with its own funds, and specifies itself or its affiliate as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The liability is reflected as funds held for others on the statement of financial position.

**Advertising Expense** - Advertising costs are expensed as incurred. Marketing and promotion expenses were \$10,220 for the year ended December 31, 2008.

**Tax-Exempt Status** - The Foundation, an Indiana nonprofit corporation, is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code") and has been determined not to be a private foundation under Section 509(a)(1) of the Code. Accordingly, no provision for income tax is presented in the statement of financial position.

**NOTE B - INVESTMENTS**

	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 949,127	\$ 949,127
Certificates of deposit	703,881	703,881
Equities	3,754,720	2,678,902
Corporate bonds and notes	<u>870,901</u>	<u>851,361</u>
	<u>\$ 6,278,629</u>	<u>\$ 5,183,271</u>

**COMMUNITY FOUNDATION OF RANDOLPH COUNTY, INC.  
(A NONPROFIT ORGANIZATION)**

**NOTES TO FINANCIAL STATEMENTS**

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**NOTE C - FAIR VALUE MEASUREMENTS**

The Foundation adopted Financial Accounting Standards Board statement No. 157, *Fair Value Measurements* (SFAS 157) on January 1, 2008. SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. This statement applies under other accounting pronouncements that require or permit fair value measurements. Accordingly, SFAS 157 does not require any new fair value measurements; however, the application of this statement will change certain practices.

Fair values of the Foundation's financial assets measured on a recurring basis at December 31, 2008 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<b>Assets</b>				
Equities	\$ 2,678,902	\$ 2,678,902	\$ -	\$ -
Corporate bonds and notes	<u>851,361</u>	<u>-</u>	<u>851,361</u>	<u>-</u>
	<u>\$ 3,530,263</u>	<u>\$ 2,678,902</u>	<u>\$ 851,361</u>	<u>\$ -</u>

**Level 1** - Fair values for investments are determined by reference to quoted market prices in an active market and other relevant information generated by market transactions.

**Level 2** - Fair values for investments are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the investments.

**Level 3** - Fair values for investments are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments.

**NOTE D - PROPERTY AND EQUIPMENT**

Furniture and equipment	\$ 42,550
Leasehold improvements	<u>11,215</u>
Total cost	53,765
Less accumulated depreciation	<u>42,999</u>
	<u>\$ 10,766</u>

**COMMUNITY FOUNDATION OF RANDOLPH COUNTY, INC.  
(A NONPROFIT ORGANIZATION)**

**NOTES TO FINANCIAL STATEMENTS**

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**NOTE E - SCHOLARSHIPS PAYABLE**

Scholarships authorized but unpaid are reported as liabilities. The following is a summary of scholarships authorized and payable at December 31, 2008 :

Payable in less than one year	\$ 61,000
Payable in one to three years	<u>44,000</u>
	<u>\$ 105,000</u>

**NOTE F - ENDOWMENT FUNDS AND NET ASSETS**

The following is a summary of changes in endowment net assets for the year ended December 31, 2008:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,940,489	\$ 2,177,715	\$ 4,118,204
Investment income	47,060	99,274	146,334
Net investment loss (realized and unrealized)	(454,540)	(1,012,134)	(1,466,674)
Contributions	5,005	12,472	17,477
Transfer of Winchester Foundation funds	-	2,187,322	2,187,322
Amounts appropriated for expenditure	<u>(109,086)</u>	<u>(206,318)</u>	<u>(315,404)</u>
Endowment net assets, end of year	<u>\$ 1,428,928</u>	<u>\$ 3,258,331</u>	<u>\$ 4,687,259</u>

The following is a summary of endowment net asset composition by type of fund as of December 31, 2008:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Donor designated endowment funds	\$ -	\$ 3,258,331	\$ 3,258,331
Board designated endowment funds	<u>1,428,928</u>	<u>-</u>	<u>1,428,928</u>
	<u>\$ 1,428,928</u>	<u>\$ 3,258,331</u>	<u>\$ 4,687,259</u>

**COMMUNITY FOUNDATION OF RANDOLPH COUNTY, INC.  
(A NONPROFIT ORGANIZATION)**

**NOTES TO FINANCIAL STATEMENTS**

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**NOTE F - ENDOWMENT FUNDS AND NET ASSETS - continued**

In addition to endowment net assets, the Foundation also manages other non-endowed funds. The following table summarized all Foundation net assets as of December 31, 2008:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Endowment funds	\$ 1,428,928	\$ 3,258,331	\$ 4,687,259
Non-endowment funds:			
Designated funds	-	117,233	117,233
Field of interest funds	-	9,942	9,942
Scholarship funds	-	19,727	19,727
Scholarship promotion	-	4,503	4,503
Operating	<u>25,345</u>	<u>-</u>	<u>25,345</u>
	<u>\$ 1,454,273</u>	<u>\$ 3,409,736</u>	<u>\$ 4,864,009</u>

**NOTE G - OPERATING LEASES**

The Foundation leases its office facility under a three year operating lease, which expires December 2009, with an option to renew for an additional three year period. The lease requires monthly rental payments of \$365. Rental payments for the years subsequent to 2007 may be subject to increase based upon the Consumer Price Index. Total lease expense for this operating leases was \$4,490 for the year ended December 31, 2008.

Future minimum lease payments over the subsequent year are as follows:

2009	\$ 4,380
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**NOTE H - RELATED PARTY TRANSACTIONS**

Due to the small community size of Randolph County, Indiana, several members of the Foundation's Board of Directors also serve on the Board of Directors for other local non-profit agencies. Some of these nonprofit organizations have applied for and received grants from the Foundation.

**NOTE I - TRANSFER OF WINCHESTER FOUNDATION FUNDS**

On January 28, 2008, the Randolph Circuit Court approved the transfer of funds from the Winchester Foundation to the Foundation. A total of \$2.2 million in funds were transferred in February and March of 2008. Under the terms of the transfer, the Foundation has taken custody of these assets, and will manage the funds in accordance with the stipulations prescribed by the donors at the time the original gifts were made.

**COMMUNITY FOUNDATION OF RANDOLPH COUNTY, INC.  
(A NONPROFIT ORGANIZATION)**

**NOTES TO FINANCIAL STATEMENTS**

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**NOTE J - FUNDS HELD FOR OTHERS**

During the year ended December 31, 2008, the following activities occurred in the Foundation's funds held for others. These amounts are not reflected in the statement of activities.

Contributions	\$ 15,000
Investment income	9,329
Realized gain on investments	139
Net unrealized loss on investments	<u>(52,950)</u>
	<u>(28,482)</u>
Grants	76,291
Investment management fees	994
Foundation administrative fees	<u>2,231</u>
	<u>79,516</u>
Decrease in funds held for others	(107,998)
Balance at beginning of year	<u>437,899</u>
Balance at end of year	<u>\$ 329,901</u>

**NOTE K - RECLASSIFICATION OF NET ASSETS**

As described in Note A, the Foundation's December 31, 2007 net asset balances have been reclassified in order to conform with the presentation required under FAS 117-1 and UPMIFA as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
December 31, 2007 balances, as previously reported	\$ 2,385,581	\$ 4,200	\$ 1,845,705
Reclassification of balances	<u>(392,159)</u>	<u>2,237,864</u>	<u>(1,845,705)</u>
December 31, 2007 balances, adjusted	<u>\$ 1,993,422</u>	<u>\$ 2,242,064</u>	<u>\$ -</u>