FINANCIAL STATEMENTS AND ACCOUNTANTS' REVIEW REPORT

PULASKI COUNTY COMMUNITY FOUNDATION, INC.

December 31, 2008 and 2007

Estep Burkey Simmons, LLC
Certified Public Accountants
& Consultants

Board of Directors
Pulaski County Community Foundation, Inc.

We have reviewed the accompanying statements of financial position of Pulaski County Community Foundation, Inc. as of December 31, 2008 and 2007, and the related statements of activities and cash flows for the years then ended in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Pulaski County Community Foundation, Inc.

A review consists principally of inquiries of organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles.

Estep Burkey Simmons, LLC

Muncie, Indiana
July 8, 2009

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Pulaski County Community Foundation

STATEMENTS OF FINANCIAL POSITION

December 31,
(See Accountants' Review Report)

ASSETS

	2008	2007
CURRENT ASSETS		
Cash	326,776	370,217
Administrative fees receivable	375	812
Investments	4,758,406	6,141,313
Prepaid expenses	2,000	-
Total current assets	5,087,557	6,512,342
FURNITURE AND EQUIPMENT	19,481	15,527
Less accumulated depreciation	12,076	10,154
	7,405	5,373
	$ 5,094,962	$ 6,517,715

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	$ 2,452	$ 1,251
Accrued liabilities	2,028	876
Scholarships payable	5,875	5,825
Annuity reserves	87,366	91,477
Total current liabilities	97,721	99,429
AGENCY FUNDS	328,049	31,707
Total liabilities	425,770	131,136
NET ASSETS		
Unrestricted	393,495	420,684
Temporarily restricted	(515,216)	1,297,473
Permanantly restricted	4,790,913	4,668,422
	4,669,192	6,386,579
	$ 5,094,962	$ 6,517,715

The accompanying notes are an integral part of these statements.

Pulaski County Community Foundation

STATEMENT OF ACTIVITIES

Years Ended December 31,
(See Accountants' Review Report)

	2008			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Support and revenue				
Contributions	$ 8,757	$ 17,093	$ 116,711	$ 142,561
Administrative fee income	64,027			64,027
Interest and dividends	20,748	222,061		242,809
Realized gains on investmens		673,414		673,414
Unrealized losses on investments		(2,448,324)		(2,448,324)
Change in value of split-interest agreements		4,111		4,111
Other income	142			142
	93,674	(1,531,645)	116,711	(1,321,260)
Net assets released from restrictions				
Restrictions satisfied by payments	268,974	(268,974)		
Expenses				
Program services				
Grants and scholarships	179,209			179,209
Program expenses	55,503			55,503
Supporting services				
Operating expenses	64,179			64,179
Administrative fee expense	63,701			63,701
Investment fees	26,105			26,105
Fundraising expenses	7,430			7,430
	396,127			396,127
INCREASE (DECREASE) IN NET ASSETS	(33,479)	(1,800,619)	116,711	(1,717,387)
Net assets at beginning of year	420,684	1,297,473	4,668,422	6,386,579
Transfer of net assets	6,290	(12,070)	5,780	
Net assets at end of year	$ 393,495	$ (515,216)	$ 4,790,913	$ 4,669,192

The accompanying notes are an integral part of these statements.

2007			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 6,525	$ 27,311	$ 147,752	$ 181,588
71,886			71,886
16,954	342,416		359,370
	100,623		100,623
	(62,602)		(62,602)
	2,047		2,047
16			16
95,381	409,795	147,752	652,928
281,062	(281,062)		
187,055			187,055
56,574			56,574
74,427			74,427
71,886			71,886
33,912			33,912
8,571			8,571
432,425			432,425
(55,982)	128,733	147,752	220,503
446,004	1,199,402	4,520,670	6,166,076
30,662	(30,662)		
$ 420,684	$ 1,297,473	$ 4,668,422	$ 6,386,579

Pulaski County Community Foundation

STATEMENTS OF CASH FLOWS

Years Ended December 31,
(See Accountants' Review Report)

	2008	2007
Cash flows from operating activities:		
Change in net assets	$ (1,717,387)	$ 220,503
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	(1,922)	(2,386)
Realized gains on investments	(673,414)	(100,623)
Unrealized losses on investments	2,448,324	62,602
Change in value of split-interest agreements	(4,111)	(2,047)
(Increase) decrease in assets:		
Administrative fees receivable	(375)	(812)
Interest receivable		1,725
Increase (decrease) in liabilities:		
Accounts payable	1,203	299
Accrued liabilities	1,152	(854)
Scholarships payable	50	2,950
Annuity reserves	4,111	50,298
Agency funds	236,572	1,745
Net cash provided by operating activities	294,203	233,400
Cash flows from investing activities:		
Net change in investments	(337,644)	(245,964)
Net cash used in investing activities	(337,644)	(245,964)
Net decrease in cash and cash equivalents	(43,441)	(12,564)
Cash and cash equivalents at beginning of year	370,217	382,781
Cash and cash equivalents at end of year	$ 326,776	$ 370,217

The accompanying notes are an integral part of these statements.

Pulaski County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007
(See Accountants' Review Report)

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities

Pulaski County Community Foundation, Inc. (Foundation) was incorporated as a not-for-profit organization on November 30, 2001, under the laws of the State of Indiana. The Foundation is a public foundation located in Winamac, Indiana, which secures permanent funds to serve the philanthropic goals of donors who wish to better their community by providing them with flexible, efficient, and tax-effective ways to achieve the greatest possible impact. Support consists of donations from private and public organizations or individuals. Other sources of revenue are primarily investment earnings from the endowed funds held by the Foundation.

2. Contributions

In accordance with *Statement of Financial Accounting Standards (SFAS) No. 116*, "Accounting for Contributions Received and Contributions Made," contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

3. 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.

4. Cash and Cash Equivalents

The Foundation maintains its cash in accounts at financial institutions which are insured by agencies of the U.S. Government. The Foundation does not classify money market funds held for investment as cash equivalents.

5. 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 support and revenue, expenses and change in fund balances. Realized gains and losses are determined using the specific-identification method.

6. Concentration of Credit Risk

The Foundation maintains its cash in bank deposit accounts at high credit quality financial institutions. The balances, at times, may exceed federally insured limits. At December 31, 2008 and 2007, the Foundation exceeded the insured limit by approximately $8,903 and $213,394, respectively.

Pulaski County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007
(See Accountants' Review Report)

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.

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.

8. Property, Equipment and Depreciation

Purchased property and equipment is stated at cost. Donated property and equipment is recorded as support and revenue at the estimated fair-market value at the date of gift. Depreciation is computed according to the estimated useful lives of the respective assets, which range from three to forty years, 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. The Foundation is not considered to be a private foundation.

10. Contributed Services

The value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Pulaski County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007
(See Accountants' Review Report)

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

11. Compensated Absences

The Foundation's policy for compensated absences requires employees to take their paid time off during the year for which it is earned. Therefore, no accumulation results and no accrual are necessary.

12. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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, 2008 and 2007, by type of investment. The investments are held in uninsured trust accounts at various financial institutions.

	2008		
	Cost	Unrealized Gains (Losses)	Fair Value
Money market funds	$ 133,973		$ 133,973
Certificate of deposit	158,920	133	159,053
Mutual funds	5,813,595	$(1,348,215)	4,465,380
	$6,106,488	$(1,348,082)	$4,758,406

	2007		
	Cost	Unrealized Gains	Fair Value
Money market funds	$ 121,537		$ 121,537
Certificate of deposit	199,809		199,809
Mutual funds	4,784,045	$1,035,922	5,819,967
	$5,105,391	$1,035,922	$6,141,313

Pulaski County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007
(See Accountants' Review Report)

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, 2008 and 2007.

	2008		
	Unrestricted	Temporarily Restricted	Total
Investment return	$ 20,748	$ 222,061	$ 242,809
Realized gains on investments		673,414	673,414
Unrealized losses on investments		(2,448,324)	(2,448,324)
	$ 20,748	$ (1,552,849)	$ (1,532,101)

	2007		
	Unrestricted	Temporarily Restricted	Total
Investment return	$ 16,954	$ 342,416	$ 359,370
Realized gains on investments		100,623	100,623
Unrealized losses on investments		(62,602)	(62,602)
	$ 16,954	$ 380,437	$ 397,391

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			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Investments	$4,465,380	$-0-	$-0-	$4,465,380

	2007			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Investments	$4,465,380	$-0-	$-0-	$5,819,967

Pulaski County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007
(See Accountants' Review Report)

NOTE C – SPLIT-INTEREST AGREEMENTS

The Foundation administers three split-interest agreements which require future payments to contributors or their named beneficiaries. The assets received are recorded at their fair value. The fair market value of assets held for the charitable remainder trusts totaled $242,274 and $293,431 at December 31, 2008 and 2007, respectively. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of future payment obligations at December 31, 2008 and 2007 was $87,366 and $91,477, respectively. The liabilities were determined using discount rates ranging from 4.0% to 6.2%.

The change in the actuarial value of the annuity obligations resulted in a decrease in liabilities and an increase in revenue of $4,111 at December 31, 2008, and an increase in liabilities and a decrease in revenue of $2,047 at December 31, 2007.

NOTE D - AGENCY 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.

	2008		2007	
Support and revenue				
Contributions and pledges	$ 307,768		$957	
Investment income	1,411		1,792	
Realized gain on investments	3,744		610	
Unrealized losses on investments	(15,159)		(360)	
		297,764		2,999
Expenses				
Payouts	939		742	
Investment trustee fees	158		182	
Administrative fees	325		330	
		1,422		1,254
Increase in agency funds		296,342		1,745
Balance at beginning of year		31,707		29,962
Balance at end of year		$ 328,049		$31,707

Pulaski County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007
(See Accountants' Review Report)

NOTE E - RESTRICTED NET ASSETS

Donor restrictions have been imposed on a significant portion of the Foundation's net assets for the following areas of interest at December 31, 2008 and 2007.

	2008		2007	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Endowments	$(412,463)	$3,829,456	$1,077,804	$3,755,173
Scholarships	(128,055)	761,994	129,246	713,786
Charitable remainder trusts	(22,965)	151,120	15,047	199,463
Charitable gift annuities	2,130	48,343		
Growing and pass-through funds	46,137		75,376	
	$(515,216)	$4,790,913	$1,297,473	$4,668,422

NOTE F - ADMINISTRATION MANAGEMENT

The Foundation assesses an administrative charge of 1.0% to 2.0% on endowment and pass-through funds. The amount assessed to the funds is based upon the principal balance of the fund. This amount is used primarily to support the operations of the Foundation.

For the years ended December 31, 2008 and 2007, $64,027and $71,886, respectively, is included as support and revenue and $64,179 and $71,886, respectively is included 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 G - OPERATING LEASE AGREEMENT

On April 17, 2007, the Foundation entered into a three-year operating lease for its office facility. The lease required annual payments of $6,000 payable in installments of $500 per month. Rent expense at December 31, 2008 and 2007 was $6,000 and $6,000, respectively.

Future minimum payments on the above lease are as follows.

Year ending December 31, 2009	$4,000
2010	2,000
2011	-0-
2012	-0-
2013	-0-
	$6,000

NOTE H - BEQUESTS

Bequests from estates are recorded when the Foundation is notified by the executor or other representative of a deceased person of an amount due the Foundation from an estate. The Foundation is aware that it has been named as beneficiary of certain estates, however the Foundation has not received any distributions. Since no amounts are known, nothing has been recognized in the financial statements as of December 31, 2008.

Pulaski County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007
(See Accountants' Review Report)

NOTE I - RELATED-PARTY TRANSACTIONS

During 2008 and 2007, officers and board members made donations to the Foundation totaling $57,100 and $5,915, respectively.