

PULASKI COUNTY COMMUNITY FOUNDATION, INC.

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2010 and 2009



Report of Independent Certified Public Accountants

**Board of Directors
Pulaski County Community Foundation, Inc.**

We have audited the accompanying statements of financial position of Pulaski County Community Foundation, Inc. as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years 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 audits.

We conducted our audits 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 audits provide 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 Pulaski County Community Foundation, Inc. as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Estep Burkey Simmons, LLC

Muncie, Indiana
July 6, 2011

Pulaski County Community Foundation, Inc.

STATEMENTS OF FINANCIAL POSITION

December 31,

	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 131,840	\$ 360,105
INVESTMENTS		
	6,354,845	5,653,099
FURNITURE AND EQUIPMENT		
Less accumulated depreciation	21,220	21,220
	<u>16,952</u>	<u>14,428</u>
	<u>4,268</u>	<u>6,792</u>
	<u>\$ 6,490,953</u>	<u>\$ 6,019,996</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 1,495	\$ 593
Accrued liabilities	4,777	1,526
Scholarships payable	<u>6,911</u>	<u>10,235</u>
Total current liabilities	13,183	12,354
ANNUITY RESERVES		
	67,988	92,322
AGENCY FUNDS		
	<u>455,688</u>	<u>408,719</u>
Total liabilities	536,859	513,395
NET ASSETS		
Unrestricted	357,828	318,581
Temporarily restricted	655,799	309,831
Permanently restricted	<u>4,940,467</u>	<u>4,878,189</u>
	<u>5,954,094</u>	<u>5,506,601</u>
	<u>\$ 6,490,953</u>	<u>\$ 6,019,996</u>

The accompanying notes are an integral part of these statements.

Pulaski County Community Foundation, Inc.

STATEMENTS OF ACTIVITIES

Years Ended December 31,

	2010			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and revenue				
Contributions	\$ 14,801	\$ 38,522	\$ 63,997	\$ 117,320
Administrative fee income	69,426			69,426
Interest and dividends	9,683	161,113		170,796
Realized gains (losses) on investments		31,594		31,594
Unrealized gains on investments		428,572		428,572
Change in value of split-interest agreements		24,335		24,335
Loss on disposal of equipment				
Other income	185			185
	<u>94,095</u>	<u>684,136</u>	<u>63,997</u>	<u>842,228</u>
Net assets released from restrictions				
Restrictions satisfied by payments	361,693	(361,693)		
Expenses				
Program services				
Grants and scholarships	166,811			166,811
Program expenses				
Supporting services				
Operating expenses	129,610			129,610
Administrative fee expense	65,247			65,247
Investment fees	28,882			28,882
Fundraising expenses	4,185			4,185
	<u>394,735</u>	<u></u>	<u></u>	<u>394,735</u>
INCREASE (DECREASE) IN NET ASSETS	61,053	322,443	63,997	447,493
Net assets at beginning of year	318,581	309,831	4,878,189	5,506,601
Transfer of net assets	<u>(21,806)</u>	<u>23,525</u>	<u>(1,719)</u>	<u></u>
Net assets at end of year	<u>\$ 357,828</u>	<u>\$ 655,799</u>	<u>\$ 4,940,467</u>	<u>\$ 5,954,094</u>

The accompanying notes are an integral part of these statements.

2009			
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 6,639	\$ 50,256	\$ 87,276	\$ 144,171
33,359			33,359
8,468	160,588		169,056
	(826,030)		(826,030)
	1,668,537		1,668,537
	(4,957)		(4,957)
(140)			(140)
<u>19</u>			<u>19</u>
48,345	1,048,394	87,276	1,184,015
230,409	(230,409)		
178,417			178,417
16,032			16,032
98,282			98,282
31,576			31,576
14,873			14,873
<u>7,426</u>			<u>7,426</u>
<u>346,606</u>			<u>346,606</u>
(67,852)	817,985	87,276	837,409
393,495	(515,216)	4,790,913	4,669,192
<u>(7,062)</u>	<u>7,062</u>		
<u>\$ 318,581</u>	<u>\$ 309,831</u>	<u>\$ 4,878,189</u>	<u>\$ 5,506,601</u>

Pulaski County Community Foundation, Inc.

STATEMENTS OF CASH FLOWS

Years Ended December 31,

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ 447,493	\$ 837,409
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,525	2,412
Realized (gains) losses on investments	(31,594)	826,030
Unrealized gains on investments	(428,572)	(1,668,537)
Change in value of split-interest agreements	(24,335)	4,957
Loss on disposal of equipment		140
Decrease in assets:		
Administrative fees receivable		375
Prepaid expenses		2,000
Increase (decrease) in liabilities:		
Accounts payable	902	(1,859)
Accrued liabilities	3,251	(502)
Scholarships payable	(3,324)	4,360
Agency funds	46,969	80,670
Net cash provided by operating activities	<u>13,315</u>	<u>87,455</u>
Cash flows from investing activities:		
Purchase of equipment		(1,940)
Net change in investments	<u>(241,580)</u>	<u>(186,159)</u>
Net cash used in investing activities	<u>(241,580)</u>	<u>(188,099)</u>
Net decrease in cash and cash equivalents	(228,265)	(100,644)
Cash and cash equivalents at beginning of year	<u>360,105</u>	<u>460,749</u>
Cash and cash equivalents at end of year	<u>\$ 131,840</u>	<u>\$ 360,105</u>

The accompanying notes are an integral part of these statements.

Pulaski County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

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

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 financial institutions which are insured by agencies of the U.S. Government.

4. 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 net assets. Realized gains and losses are determined using the specific-identification method.

5. 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, 2010 and 2009, the Foundation did not exceed the insured limit.

6. 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.

Pulaski County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

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

7. Grants and scholarships

Grants and scholarships, including multi-year awards, are recorded as an expense and a payable when grants are approved and communicated to the grantees. Grants and scholarships expense for the years ended December 31, 2010 and 2009 was \$166,811 and \$178,417, respectively.

8. Net Assets and Spending Policy

The financial statements have been prepared in accordance with FASB ASC 958-205-05. Under the provisions, net assets are classified based upon the existence or absence of donor-imposed restrictions. Net assets are classified as unrestricted, temporarily restricted, or permanently restricted and are detailed as follows:

Unrestricted net assets represent the part of the net assets of the Foundation that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets represent the part of the net assets of the Foundation resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by the passage of time or by actions of the Foundation.

Permanently restricted net assets represent the part of the net assets of the Foundation resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

The Foundation's endowment consists of over 80 individual funds established for a variety of purposes. The endowment includes both funds established by donors and funds designated by the Board to function as endowments. The Foundation maintains variance power over all of the endowment funds (including those established by donors) as provided within the fund agreements. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions. While the Foundation ultimately has variance power over all of the assets maintained in endowment funds, the Foundation considers the following factors in making a determination to appropriate or accumulate endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

The primary investment objective of the Foundation is to maximize total return of the Portfolio net of inflation, spending, and expenses, over a full market cycle without undue exposure to risk. It is expected that the Portfolio will outperform this weighted benchmark index over a full market cycle. The benchmark index is comprised of each asset class index weighted by its target allocation.

The distribution rate is based upon a total return approach, which utilizes both income and capital appreciation to be withdrawn for spending. The target spending amount for the Foundation will be 3.0% of the previous twelve-quarter, moving average of the Portfolio's market value. The formula shall be applied to the twelve quarters ending each fiscal year prior to payout.

Pulaski County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

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

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.

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. Uncertain Tax Positions

The Foundation follows 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.

13. 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 Foundation follows 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.

Pulaski County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE B - INVESTMENTS - Continued

- 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.

The following is an analysis of the cost and fair value at December 31, 2010 and 2009, by type of investment. The investments are held in uninsured trust accounts at various financial institutions.

	2010		
	Cost	Unrealized Gains	Fair Value
Mutual funds	\$ 5,105,769	\$ 1,249,076	\$ 6,354,845
	2009		
	Cost	Unrealized Gains	Fair Value
Certificate of deposit	\$ 51,439		\$ 51,439
Mutual funds	5,105,769	\$ 495,891	5,601,660
	<u>\$ 5,157,208</u>	<u>\$ 495,891</u>	<u>\$ 5,653,099</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31, 2010 and 2009.

	2010		
	Unrestricted	Temporarily Restricted	Total
Investment return	\$ 9,683	\$ 161,113	\$ 170,796
Realized gains on investments		31,594	31,594
Unrealized gains on investments		428,572	428,572
	<u>\$ 9,683</u>	<u>\$ 621,279</u>	<u>\$ 630,962</u>

Pulaski County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE B - INVESTMENTS - Continued

	2009		
	Unrestricted	Temporarily Restricted	Total
Investment return	\$ 8,468	\$ 160,588	\$ 169,056
Realized losses on investments		(826,030)	(826,030)
Unrealized losses on investments		1,668,537	1,668,537
	<u>\$ 8,468</u>	<u>\$ 1,003,095</u>	<u>\$ 1,011,563</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, 2010 and 2009, utilizing the following input levels:

	2010			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Investments	\$6,354,845	\$0	\$0	\$6,354,845

	2009			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Investments	5,601,660	\$0	\$0	\$5,601,660

NOTE C - SPLIT-INTEREST AGREEMENTS

The Foundation administers two 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 \$190,619 and \$269,416 at December 31, 2010 and 2009, 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, 2010 and 2009 was \$67,988 and \$92,322, 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 \$24,335 at December 31, 2010, and an increase in liabilities and a decrease in revenue of \$4,957 at December 31, 2009.

NOTE D - 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.

Pulaski County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE D - AGENCY FUNDS - Continued

During the years ended December 31, 2010 and 2009, the following activity occurred in the agency funds held by the Foundation. These amounts are not reflected on the statement of activities.

	2010	2009
Support and revenue		
Contributions and pledges	\$ 6,288	\$ 7,735
Investment income	12,736	12,260
Realized gains (losses) on investments	1,522	(64,633)
Unrealized gains on investments	33,460	129,044
	<u>\$ 54,006</u>	<u>\$ 84,406</u>
Expenses		
Grants expense	461	759
Bank trustee fees	2,397	1,194
Administrative fees	4,179	1,783
	<u>7,037</u>	<u>3,736</u>
Increase in agency funds	46,969	80,670
Balance at beginning of year	<u>408,719</u>	<u>328,049</u>
Balance at end of year	<u>\$ 455,688</u>	<u>\$ 408,719</u>

NOTE E - RESTRICTED NET ASSETS

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.

Donor restrictions have been imposed on a significant portion of the Foundation's net assets for the following areas of interest at December 31, 2010 and 2009.

	2010		2009	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Endowments	\$ 520,942	\$ 3,946,727	\$ 253,313	\$ 3,856,643
Scholarship	81,778	864,254	10,606	822,083
Charitable remainder trust	2,864	81,143	(12,165)	151,120
Charitable gift annuities	(34,644)	48,343	(24,520)	48,343
Growing and pass-through funds	84,859		82,597	
	<u>\$ 655,799</u>	<u>\$ 4,940,467</u>	<u>\$ 309,831</u>	<u>\$ 4,878,189</u>

Pulaski County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

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, 2010 and 2009, \$69,426 and \$33,359, respectively, is included as support and revenue and \$65,247 and \$31,576, 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 December 15, 2010, the Foundation entered into a one year operating lease for its office facility. The lease requires annual payments of \$6,000 payable in installments of \$500 per month. Rent expense at December 31, 2010 and 2009 was \$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, 2010.

NOTE I - RELATED-PARTY TRANSACTIONS

During 2010 and 2009, officers and board members made donations to the Foundation totaling \$27,965 and \$8,720, respectively.

NOTE J - SUBSEQUENT EVENTS

In accordance with FASB ASC Topic 855, Subsequent Events, the Foundation has evaluated subsequent events through July 6, 2011, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2010, have been incorporated into these financial statements herein.