

# **CASS COUNTY COMMUNITY FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2010 AND 2009**

# CASS COUNTY COMMUNITY FOUNDATION, INC.

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FORTY YEARS &amp; COUNTING

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## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors  
Cass County Community Foundation, Inc.  
Logansport, Indiana

We have audited the accompanying statements of financial position of the Cass 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 Organization'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 audits 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 the Cass 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.

*Blue & Co., LLC*

May 14, 2011

# CASS COUNTY COMMUNITY FOUNDATION, INC.

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2010 AND 2009

### ASSETS

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 626,745	\$ 508,445
Certificate of deposit	29,178	29,178
Investments	10,536,208	9,233,600
Property and equipment, net	21,557	25,053
Restricted investments	<u>745,451</u>	<u>689,510</u>
	<u>\$ 11,959,139</u>	<u>\$ 10,485,786</u>

### LIABILITIES AND NET ASSETS

Liabilities		
Accrued expenses	\$ 2,243	\$ 1,907
Custodial funds	<u>745,451</u>	<u>689,510</u>
Total liabilities	747,694	691,417
Net assets		
Unrestricted	170,576	219,495
Temporarily restricted	10,890,715	9,424,720
Permanently restricted	<u>150,154</u>	<u>150,154</u>
Total net assets	<u>11,211,445</u>	<u>9,794,369</u>
	<u>\$ 11,959,139</u>	<u>\$ 10,485,786</u>

*See accompanying notes to financial statements.*

# CASS COUNTY COMMUNITY FOUNDATION, INC.

## STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2010 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2009)

	2010			2009	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>Support and revenues</b>					
Contributions	\$ 17,365	\$ 642,301	\$ -0-	\$ 659,666	\$ 99,464
Investment return, net	4,002	1,265,930	-0-	1,269,932	1,084,760
Administrative fees	122,633	-0-	-0-	122,633	120,172
Net assets released from restrictions	442,236	(442,236)	-0-	-0-	-0-
<b>Total support and revenues</b>	<b>586,236</b>	<b>1,465,995</b>	<b>-0-</b>	<b>2,052,231</b>	<b>1,304,396</b>
<b>Expenses</b>					
Grants	323,222	-0-	-0-	323,222	272,085
Salaries and wages	104,533	-0-	-0-	104,533	106,868
Payroll taxes and employee benefits	16,171	-0-	-0-	16,171	14,556
Meetings and conferences	1,507	-0-	-0-	1,507	1,511
Accounting fees	11,300	-0-	-0-	11,300	11,300
Legal fees	400	-0-	-0-	400	7
Insurance	3,025	-0-	-0-	3,025	3,023
Telephone	2,334	-0-	-0-	2,334	2,265
Marketing and hospitality	12,352	-0-	-0-	12,352	12,725
Postage	2,687	-0-	-0-	2,687	1,941
Printing and publications	7,727	-0-	-0-	7,727	6,074
Rent	4,656	-0-	-0-	4,656	5,210
Travel and entertainment	2,164	-0-	-0-	2,164	3,403
Office supplies	4,933	-0-	-0-	4,933	3,059
Depreciation	3,496	-0-	-0-	3,496	4,700
Equipment rent	17,138	-0-	-0-	17,138	24,121
Administrative fees	115,224	-0-	-0-	115,224	112,683
Donor development	738	-0-	-0-	738	17,347
Miscellaneous	1,548	-0-	-0-	1,548	1,337
<b>Total expenses</b>	<b>635,155</b>	<b>-0-</b>	<b>-0-</b>	<b>635,155</b>	<b>604,215</b>
Change in net assets	(48,919)	1,465,995	-0-	1,417,076	700,181
<b>Net assets, beginning of year</b>	<b>219,495</b>	<b>9,424,720</b>	<b>150,154</b>	<b>9,794,369</b>	<b>9,094,188</b>
<b>Net assets, end of year</b>	<b>\$ 170,576</b>	<b>\$ 10,890,715</b>	<b>\$ 150,154</b>	<b>\$ 11,211,445</b>	<b>\$ 9,794,369</b>

*See accompanying notes to financial statements.*

# CASS COUNTY COMMUNITY FOUNDATION, INC.

## STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and revenues</b>				
Contributions	\$ 96,069	\$ 3,395	\$ -0-	\$ 99,464
Investment return, net	8,956	1,075,804	-0-	1,084,760
Administrative fees	120,172	-0-	-0-	120,172
Net assets released from restrictions	<u>367,773</u>	<u>(367,773)</u>	-0-	<u>-0-</u>
Total support and revenues	592,970	711,426	-0-	1,304,396
<b>Expenses</b>				
Grants	272,085	-0-	-0-	272,085
Salaries and wages	106,868	-0-	-0-	106,868
Payroll taxes and employee benefits	14,556	-0-	-0-	14,556
Meetings and conferences	1,511	-0-	-0-	1,511
Accounting fees	11,300	-0-	-0-	11,300
Legal fees	7	-0-	-0-	7
Insurance	3,023	-0-	-0-	3,023
Telephone	2,265	-0-	-0-	2,265
Marketing and hospitality	12,725	-0-	-0-	12,725
Postage	1,941	-0-	-0-	1,941
Printing and publications	6,074	-0-	-0-	6,074
Rent	5,210	-0-	-0-	5,210
Travel and entertainment	3,403	-0-	-0-	3,403
Office supplies	3,059	-0-	-0-	3,059
Depreciation	4,700	-0-	-0-	4,700
Equipment rent	24,121	-0-	-0-	24,121
Administrative fees	112,683	-0-	-0-	112,683
Donor development	17,347	-0-	-0-	17,347
Miscellaneous	<u>1,337</u>	<u>-0-</u>	<u>-0-</u>	<u>1,337</u>
Total expenses	<u>604,215</u>	<u>-0-</u>	<u>-0-</u>	<u>604,215</u>
Change in net assets	(11,245)	711,426	-0-	700,181
<b>Net assets, beginning of year</b>	<u>230,740</u>	<u>8,713,294</u>	<u>150,154</u>	<u>9,094,188</u>
<b>Net assets, end of year</b>	<u>\$ 219,495</u>	<u>\$ 9,424,720</u>	<u>\$ 150,154</u>	<u>\$ 9,794,369</u>

*See accompanying notes to financial statements.*

# CASS COUNTY COMMUNITY FOUNDATION, INC.

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<b>Operating activities</b>		
Change in net assets	\$ 1,417,076	\$ 700,181
Adjustments to reconcile change in net assets to net cash and cash equivalents from operating activities:		
Depreciation	3,496	4,700
Realized losses on investments	50,467	26,786
Unrealized gains on investments	(883,380)	(702,431)
Changes in assets and liabilities:		
Restricted cash and investments	(55,941)	(46,318)
Accrued expenses	336	28
Custodial funds	<u>55,941</u>	<u>46,318</u>
Net cash and cash equivalents from operating activities	587,995	29,264
<b>Investing activities</b>		
Net change in investments	<u>(469,695)</u>	<u>(311,717)</u>
Net change in cash and cash equivalents	118,300	(282,453)
<b>Cash and cash equivalents, beginning of year</b>	<u>508,445</u>	<u>790,898</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 626,745</u>	<u>\$ 508,445</u>

*See accompanying notes to financial statements.*

# CASS COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

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### 1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Operations

Cass County Community Foundation, Inc. ("CCCF") was incorporated in November 2000 to assist donors in building an enduring source of charitable assets; to provide responsible financial management; and to develop partnerships by giving to human services, educational, and cultural endeavors throughout Cass County.

#### 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 support, revenues and expenses. Actual results could vary from the estimates that were used.

#### Basis of Presentation

Net assets, support, investment return, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. While most gift instruments give CCCF's Board of Directors the right to vary the terms of the gift, this only allows for a limited right of modification and does not relieve the restrictions imposed by the donor. Accordingly, the net assets of CCCF are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions and primarily made up of CCCF's operating fund.

Temporarily restricted net assets – Net assets not yet appropriated for expenditure by CCCF's Board of Directors in accordance with their spending policy or that have 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 or amounts have been allocated for expenditure by the Board of Directors, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements 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 CCCF. 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.

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# CASS COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

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### Cash and Cash Equivalents

Cash and cash equivalents consist primarily of money market investments and exclude amounts held by CCCF's fund managers and included in investments.

### Investments and Investment Return

CCCF carries its investments at fair value for financial reporting purposes. Changes in unrealized appreciation or depreciation of investments are reflected in the Statements of Activities in the periods in which such changes occur.

Interest and dividend income and net unrealized and realized gains and losses on investments are recognized as unrestricted or temporarily restricted based upon the existence or absence of donor-imposed restrictions or the related fund classification in accordance with CCCF's spending policy.

### Property and Equipment

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

The property and equipment of CCCF are being depreciated over their estimated useful lives ranging from three to seven years using the straight-line method.

### Restricted Investments

Restricted investments consist of monies received from organizations that have named themselves as the beneficiary of the income from funds they established for their own benefit. These amounts are also reported as custodial funds at December 31, 2010 and 2009.

### Support, Revenues and Expense Recognition

Contributions are recognized as revenues in the period the contribution is received or the promise is made.

Support and revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions or are subject to the Foundation spending policy. 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 revenues are recorded when earned.

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# CASS COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

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### Administrative Fees

Administrative fees are expensed from the funds to support the operations of CCCF. Administrative fees from all funds are reflected as revenue on the Statements of Activities. The administrative fees from custodial funds are not included as expenses on the Statements of Activities because they are included in the change in custodial funds.

### Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the notes to financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. While the methods of allocation are considered appropriate, other methods could produce different results.

### Income Taxes

CCCF 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.

### Subsequent Events

CCCF has evaluated events or transactions occurring subsequent to the Statement of Financial Position date for recognition and disclosure in the accompanying financial statements through the date the financial statements are available to be issued, which is May 14, 2011.

## 2. INVESTMENTS

Investments, including restricted investments, consist of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Domestic corporate bonds	\$ 325,183	\$ 411,569
Domestic common stocks	5,605,855	5,075,846
Foreign common stocks	1,109,104	651,279
Government fixed income securities	2,021,228	1,485,674
Domestic preferred stocks	2,155,736	2,226,168
Money market funds	<u>64,553</u>	<u>72,574</u>
	<u>\$ 11,281,659</u>	<u>\$ 9,923,110</u>

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# CASS COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

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The following schedule summarizes the investment return, excluding the investment return related to the restricted investments which is a part of the change in custodial funds, and its classification in the Statements of Activities for the years ended December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Interest and dividend income	\$ 480,651	\$ 457,817
Realized losses on investments	(50,467)	(26,786)
Unrealized gains on investments	883,380	702,431
Investment and other fees	<u>(43,632)</u>	<u>(48,702)</u>
	<u>\$ 1,269,932</u>	<u>\$ 1,084,760</u>

### 3. RISKS AND UNCERTAINTIES

The Organization holds a variety of investments (Note 2). Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

### 4. FAIR VALUE OF FINANCIAL INSTRUMENTS

Assets that are measured at fair value are categorized according to a fair value hierarchy that prioritizes the inputs to valuation techniques, giving the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable value inputs. If the inputs used fall within different levels of the hierarchy, the categorization is based upon the lowest level input that is significant to the fair value measurement. The hierarchy of inputs is as follows:

- Level 1 – Unadjusted quoted prices for identical assets and liabilities in active markets
- Level 2 – Quoted prices for similar assets and liabilities in active markets (other than those included in Level 1) which are observable for the asset or liability, either directly or indirectly
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

# CASS COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

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Investments and restricted investments are financial assets measured at fair value in the Statements of Financial Position and are classified as Level 1 according to the fair value hierarchy as of December 31, 2010 and 2009. Fair values for investments and restricted investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

### 5. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Land held for sale	\$ 12,053	\$ 12,053
Office and computer equipment	<u>55,208</u>	<u>55,208</u>
	67,261	67,261
Less accumulated depreciation	<u>45,704</u>	<u>42,208</u>
	<u>\$ 21,557</u>	<u>\$ 25,053</u>

### 6. CUSTODIAL FUNDS

Custodial funds represent funds placed on deposit with CCCF by other organizations based on their individual board resolutions. CCCF accounts for these transfers as a liability in accordance with applicable accounting standards. Income is added to these funds periodically in accordance with CCCF's investment allocation policies. Contributions by, investment interest credits for, and distributions to those organizations are reflected as adjustments to the liability account and are not reflected in the Statements of Activities.

Following is a progression of custodial funds during 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Beginning balance	\$ 689,510	\$ 643,192
Contributions	112	-0-
Investment return, net	92,620	82,583
Administrative fees	(7,410)	(7,489)
Grant payments	<u>(29,381)</u>	<u>(28,776)</u>
Ending balance	<u>\$ 745,451</u>	<u>\$ 689,510</u>

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# CASS COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

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### 7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Designated purpose restrictions related to:		
Sustaining Resource Development	\$ -0-	\$ 8,631
Endowment funds not yet appropriated for expenditure	<u>10,890,715</u>	<u>9,416,089</u>
	<u>\$ 10,890,715</u>	<u>\$ 9,424,720</u>

### 8. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions or based on CCCF's spending policy during the years ended December 31, 2010 and 2009 as follows:

	<u>2010</u>	<u>2009</u>
Designated purpose restrictions related to:		
Sustaining Resource Development	\$ 8,631	\$ 69,736
Endowment funds appropriated for expenditure	<u>433,605</u>	<u>298,037</u>
	<u>\$ 442,236</u>	<u>\$ 367,773</u>

### 9. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets include designated purpose restrictions related to providing scholarships in Cass County and total \$150,154 at December 31, 2010 and 2009. There were no changes in permanently restricted net assets during 2010 and 2009.

### 10. ENDOWMENT

The majority of CCCF's funds consist of endowed funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

# CASS COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

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The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring endowment funds to be classified as temporarily restricted net assets until those amounts are appropriated for expenditure by CCCF in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, CCCF 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 CCCF and the donor-restricted endowment fund
- (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 CCCF
- (7) The investment policies of CCCF

CCCF has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for granting purposes while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that CCCF must use for a donor-specified purpose. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce long-term growth of capital without undue exposure to risk. CCCF expects its endowment funds, over time, to provide an average rate of return of approximately 8 percent annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, CCCF relies on a total return strategy in which investment decisions shall be made with the intent of maximizing the long-term total return of the portfolio through market value changes (realized and unrealized) and through earned income (dividends and interest).

CCCF has a policy of appropriating for distribution each year a minimum of 3 or 4 percent of its endowment funds’ average fair value, depending on the type of fund, over the prior 20 quarters, or a lesser percentage as voted upon annually by the Board of Directors. In establishing this policy, CCCF considered the long-term expected return on its endowment.

Temporarily and permanently restricted net assets at December 31, 2010 and 2009 consisted of donor restricted funds only.

# CASS COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

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Changes in temporarily restricted net assets for the years ending December 31, 2010 and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
Endowment net assets, beginning of year	\$ 9,416,089	\$ 8,634,927
Contributions and other revenue	642,301	3,395
Investment return, net	1,265,930	1,075,804
Appropriation of endowment assets for expenditure	<u>(433,605)</u>	<u>(298,037)</u>
Endowment net assets, end of year	<u>\$ 10,890,715</u>	<u>\$ 9,416,089</u>

### 11. COMMITMENT

The Organization made a commitment for software services with annual payments of \$15,160 through December 2013. Subscription expense related to similar services was \$13,536 and \$13,016 for the years ended December 31, 2010 and 2009, respectively. Future minimum subscription payments subsequent to December 31, 2010 under this commitment are as follows:

<u>Year Ending December 31,</u>	
2011	\$ 15,160
2012	15,160
2013	<u>15,160</u>
	<u>\$ 45,480</u>

# CASS COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

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### 12. FUNCTIONAL EXPENSES

CCCF serves as a vehicle for residents of Cass County to donate to various organizations and projects in the county. Expenses related to providing this service for the years ended December 31, 2010 and 2009 are classified as follows:

	<u>2010</u>	<u>2009</u>
Development of Cass County	\$ 517,756	\$ 482,321
Fundraising	63,177	63,486
General and administrative expenses	<u>54,222</u>	<u>58,408</u>
	<u>\$ 635,155</u>	<u>\$ 604,215</u>

### 13. CONCENTRATIONS OF CREDIT RISK

CCCF maintains its cash in bank deposit accounts insured by the Federal Deposit Insurance Corporation at its current coverage levels. CCCF has not experienced any losses in such accounts. CCCF believes it is not exposed to any significant credit risk on cash.

CCCF's investments are managed by one investment firm. Certain balances exceed the Securities Investor Protection Corporation insured limits of up to \$500,000.