

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

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2008 AND 2007**

# OWEN COUNTY COMMUNITY FOUNDATION, INC.

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## REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying statements of financial position of the Owen 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. 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 Owen County Community Foundation, Inc. as of December 31, 2008 and 2007, 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.

As discussed in Note 2 to the financial statements, the Owen County Community Foundation, Inc. adopted FASB Staff Position 117-1 in 2008 by restating its 2007 financial statements included therein.

*Blue & Co., LLC*

July 10, 2009

# OWEN COUNTY COMMUNITY FOUNDATION, INC.

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2008 AND 2007

### ASSETS

	2008	2007 As Restated
Cash and cash equivalents	\$ 74,656	\$ 133,501
Certificates of deposit	416,903	398,749
Contributions receivable	24,700	32,450
Charitable trust	173,376	240,872
Investments	2,562,643	3,788,375
Office equipment, net	4,982	6,925
Restricted investments	31,367	46,785
	<u>\$ 3,288,627</u>	<u>\$ 4,647,657</u>

### LIABILITIES AND NET ASSETS

#### Liabilities

Grants payable	\$ 7,000	\$ 500
Charitable gift annuities payable	33,947	21,223
Custodial funds	31,367	46,785
Deferred revenue	40,128	-0-
Liability under charitable trust	80,860	124,474
Total liabilities	193,302	192,982

#### Net assets

Unrestricted:		
Operating	277,703	353,678
Board designated	112,476	168,175
Total unrestricted net assets	390,179	521,853
Temporarily restricted	2,679,146	3,906,822
Permanently restricted	26,000	26,000
Total net assets	<u>3,095,325</u>	<u>4,454,675</u>
	<u>\$ 3,288,627</u>	<u>\$ 4,647,657</u>

See accompanying notes to financial statements.

# OWEN COUNTY COMMUNITY FOUNDATION, INC.

## STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2008 (WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2007)

	2008			2007 As Restated	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>Support and revenues</b>					
Contributions	\$ 76,132	\$ 130,417	\$ -0-	\$ 206,549	\$ 404,019
Grant revenue	9,872	-0-	-0-	9,872	-0-
Investment return, net	(97,177)	(1,166,278)	-0-	(1,263,455)	10,896
Change in value of split-interest agreement	-0-	35,438	-0-	35,438	5,088
In-kind income	20,400	-0-	-0-	20,400	20,400
Administrative fees	54,432	-0-	-0-	54,432	56,150
Other income	3,238	-0-	-0-	3,238	2,798
Net assets released from restrictions	<u>227,253</u>	<u>(227,253)</u>	-0-	<u>-0-</u>	<u>-0-</u>
Total support and revenues	294,150	(1,227,676)	-0-	(933,526)	499,351
<b>Expenses</b>					
Grants	168,179	-0-	-0-	168,179	139,144
Natural disaster grant expense	9,872	-0-	-0-	9,872	-0-
Salaries and wages	96,157	-0-	-0-	96,157	92,339
Payroll taxes and employee benefits	7,358	-0-	-0-	7,358	7,054
Administrative fees	54,031	-0-	-0-	54,031	55,465
In-kind rent	20,400	-0-	-0-	20,400	20,400
Postage and printing	17,029	-0-	-0-	17,029	23,626
Professional fees	12,735	-0-	-0-	12,735	9,890
Advertising	16,462	-0-	-0-	16,462	9,839
Meetings and conferences	2,006	-0-	-0-	2,006	2,455
Events	750	-0-	-0-	750	9,749
Depreciation	4,335	-0-	-0-	4,335	3,905
Insurance	3,001	-0-	-0-	3,001	2,938
Telephone	3,050	-0-	-0-	3,050	2,219
Travel and entertainment	5,058	-0-	-0-	5,058	1,412
Office supplies	3,502	-0-	-0-	3,502	2,815
Dues and subscriptions	899	-0-	-0-	899	2,945
Repairs and maintenance	967	-0-	-0-	967	120
Miscellaneous	33	-0-	-0-	33	66
Total expenses	<u>425,824</u>	<u>-0-</u>	<u>-0-</u>	<u>425,824</u>	<u>386,381</u>
Change in net assets	(131,674)	(1,227,676)	-0-	(1,359,350)	112,970
<b>Net assets, beginning of year</b>	<u>521,853</u>	<u>3,906,822</u>	<u>26,000</u>	<u>4,454,675</u>	<u>4,341,705</u>
<b>Net assets, end of year</b>	<u>\$ 390,179</u>	<u>\$ 2,679,146</u>	<u>\$ 26,000</u>	<u>\$ 3,095,325</u>	<u>\$ 4,454,675</u>

*See accompanying notes to financial statements.*

# OWEN COUNTY COMMUNITY FOUNDATION, INC.

## STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2007 (AS RESTATED)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and revenues</b>				
Contributions	\$ 86,511	\$ 317,508	\$ -0-	\$ 404,019
Investment return, net	(1,575)	12,471	-0-	10,896
Change in value of split-interest agreement	-0-	5,088	-0-	5,088
In-kind income	20,400	-0-	-0-	20,400
Administrative fees	56,150	-0-	-0-	56,150
Other income	2,727	71	-0-	2,798
Net assets released from restrictions	<u>186,259</u>	<u>(186,259)</u>	<u>-0-</u>	<u>-0-</u>
<b>Total support and revenues</b>	<b>350,472</b>	<b>148,879</b>	<b>-0-</b>	<b>499,351</b>
<b>Expenses</b>				
Grants	139,144	-0-	-0-	139,144
Salaries and wages	92,339	-0-	-0-	92,339
Payroll taxes and employee benefits	7,054	-0-	-0-	7,054
Administrative fees	55,465	-0-	-0-	55,465
In-kind rent	20,400	-0-	-0-	20,400
Postage and printing	23,626	-0-	-0-	23,626
Professional fees	9,890	-0-	-0-	9,890
Advertising	9,839	-0-	-0-	9,839
Meetings and conferences	2,455	-0-	-0-	2,455
Events	9,749	-0-	-0-	9,749
Depreciation	3,905	-0-	-0-	3,905
Insurance	2,938	-0-	-0-	2,938
Telephone	2,219	-0-	-0-	2,219
Travel and entertainment	1,412	-0-	-0-	1,412
Office supplies	2,815	-0-	-0-	2,815
Dues and subscriptions	2,945	-0-	-0-	2,945
Repairs and maintenance	120	-0-	-0-	120
Miscellaneous	<u>66</u>	<u>-0-</u>	<u>-0-</u>	<u>66</u>
<b>Total expenses</b>	<b><u>386,381</u></b>	<b><u>-0-</u></b>	<b><u>-0-</u></b>	<b><u>386,381</u></b>
<b>Change in net assets</b>	<b><u>\$ (35,909)</u></b>	<b><u>\$ 148,879</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ 112,970</u></b>
<b>Net assets, beginning of year</b>				
As previously reported	\$ 4,031,384	\$ 277,255	\$ 26,000	\$ 4,334,639
Effect of restatement	<u>(3,473,622)</u>	<u>3,480,688</u>	<u>-0-</u>	<u>7,066</u>
As restated	557,762	3,757,943	26,000	4,341,705
Change in net assets	<u>(35,909)</u>	<u>148,879</u>	<u>-0-</u>	<u>112,970</u>
<b>Net assets, end of year</b>	<b><u>\$ 521,853</u></b>	<b><u>\$ 3,906,822</u></b>	<b><u>\$ 26,000</u></b>	<b><u>\$ 4,454,675</u></b>

*See accompanying notes to financial statements.*

# OWEN COUNTY COMMUNITY FOUNDATION, INC.

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007 As Restated
<b>Operating activities</b>		
Change in net assets	\$ (1,359,350)	\$ 112,970
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	4,335	3,905
Realized and unrealized losses on investments	1,366,380	119,452
Change in discount of contributions receivable	-0-	(3,351)
Change in value of split-interest agreement	(35,438)	(5,088)
Changes in assets and liabilities:		
Contributions receivable	7,750	20,150
Change in restricted investments	15,418	3,753
Grants payable	6,500	(200)
Charitable gift annuities payable	12,724	(361)
Custodial funds	(15,418)	(3,753)
Deferred revenue	40,128	-0-
Liability under charitable trust	59,320	(4,210)
Net cash flows from operating activities	102,349	243,267
<b>Investing activities</b>		
Purchase of equipment	(2,392)	-0-
Purchase of certificates of deposit	(321,316)	(284,117)
Maturities of certificates of deposit	303,162	327,626
Change in investments	(140,648)	(214,164)
Net cash flows from investing activities	(161,194)	(170,655)
Net change in cash and cash equivalents	(58,845)	72,612
<b>Cash and cash equivalents, beginning of year</b>	133,501	60,889
<b>Cash and cash equivalents, end of year</b>	\$ 74,656	\$ 133,501

*See accompanying notes to financial statements.*

# OWEN COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

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

#### Nature of Operations

The Owen County Community Foundation, Inc. ("OCCF") is a not-for-profit entity that began operations in February 1994. OCCF is located in Spencer, Indiana, and was organized to help make the Owen County communities become better places to grow, work, and live.

#### Management's Estimates

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

#### Basis of Presentation

Net assets, support, investment return, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. While most gift instruments give OCCF'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 OCCF are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions and primarily made up of OCCF's operating fund and administrative endowment. OCCF maintains unrestricted funds as follows:

*Operating* – used to fund current operations of OCCF

*Board Designated Funds* – used to fund future operations of OCCF as designated by the Board

# OWEN COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

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Temporarily restricted net assets – Net assets not yet appropriated for expenditure by OCCF'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 Statement of Activities as net assets released from restrictions.

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

### Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Foundation considers cash equivalents to include all unrestricted investments with an original maturity of ninety days or less, but excludes cash equivalents held by various managers included in investments.

### Investments and Investment Return

OCCF carries its investments at fair market value for financial reporting purposes. Changes in unrealized appreciation or depreciation of investments are reflected in the Statements of Activities in the period 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 OCCF's spending policy.

### Office Equipment

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

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

# OWEN COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

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### Restricted Investments

Restricted investments consist of monies received from organizations that have named themselves as the beneficiary of the income from the fund. These amounts are also reported as custodial funds at December 31, 2008 and 2007.

### Support, Revenue and Expense Recognition

Contributions, which include unconditional promises to give (pledges receivable), 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 OCCF's 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 support and revenue is recorded when earned.

### Functional Allocation of Expenses

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

### Income Taxes

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

### Accounting For Uncertainty In Income Taxes

The Financial Accounting Standards Board ("FASB") has issued Interpretation No. 48 ("FIN 48"), which clarifies generally accepted accounting principles for recognition, measurement, presentation, and disclosure relating to uncertain tax positions. FIN 48 applies to business enterprises, not-for-profit entities, and pass-through entities, such as S corporations and limited liability companies. As permitted by FIN 48 (as amended), OCCF has elected to defer the application of FIN 48 until issuance of its December 31, 2009 financial statements. For financial statements covering periods prior to calendar 2009, OCCF evaluates uncertain tax positions in accordance with existing generally accepted accounting principles and makes such accruals and disclosures as might be required thereunder.

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# OWEN COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

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### 2. ADOPTION OF ACCOUNTING STANDARD

In 2008, the FASB issued FASB Staff Position (FSP) 117-1, *Endowments of Not-for-Profit Organizations*, which affects non-profit organizations that have board designated or donor restricted endowments. OCCF has adopted the FSP as of January 1, 2008 and has restated its financial statements as of and for the year ended December 31, 2007 as prescribed in the implementation guidance of the FSP. The reclassification of net assets from unrestricted to temporarily restricted at January 1, 2007 was \$3,473,622.

In conjunction with the adoption of the FSP, OCCF also modified its interpretation of the classification of certain funds previously classified as custodial funds. OCCF also restated its 2007 financial statements for this matter increasing the previously reported change in net assets by \$3,769 and the opening temporarily restricted net assets at January 1, 2007 by \$7,066.

### 3. CERTIFICATES OF DEPOSIT

Certificates of deposit consist of the following at December 31, 2008 and 2007:

2008			2007		
Amount	Maturity	Interest Rate	Amount	Maturity	Interest Rate
\$ 24,579	3/14/10	2.23%	\$ 23,894	3/14/08	4.19%
24,999	3/14/09	4.23%	23,913	3/14/09	4.23%
24,999	3/14/10	4.23%	23,913	3/14/10	4.23%
25,033	3/14/11	4.28%	23,934	3/14/11	4.28%
24,770	3/19/12	3.74%	23,827	3/19/12	3.74%
114,450	10/4/09	2.08%	111,496	4/4/08	2.62%
112,244	10/4/09	2.62%	108,075	10/4/08	4.18%
65,829	4/13/10	2.23%	59,697	4/13/08	4.10%
<u>\$ 416,903</u>			<u>\$ 398,749</u>		

# OWEN COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

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### 4. CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable consist of the following at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Amounts due in:		
Less than one year	\$ 3,250	\$ 31,950
One to five years	<u>21,450</u>	<u>500</u>
	<u>\$ 24,700</u>	<u>\$ 32,450</u>

Contributions receivable have not been discounted.

Management estimates an allowance for doubtful contributions receivable based on an evaluation of historical losses, current economic conditions, and other factors unique to OCCF's donors. No allowance for doubtful contributions receivable was determined to be necessary at December 31, 2008 and 2007.

### 5. INVESTMENTS

Investments, including restricted investments, consist of the following at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Cash and money market funds	\$ 937,929	\$ 6,376
Government fixed income securities	33,699	-0-
Domestic equity mutual funds	704,459	2,015,852
International equity mutual funds	-0-	717,077
Domestic fixed income mutual funds	217,290	786,346
International fixed income mutual funds	-0-	306,109
Domestic equity securities	565,746	3,400
Foreign equity securities	<u>134,887</u>	<u>-0-</u>
	<u>\$ 2,594,010</u>	<u>\$ 3,835,160</u>

# OWEN COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

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The following schedule summarizes the investment return and its classification in the Statements of Activities for the years ended December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Interest and dividend income	\$ 129,750	\$ 154,471
Realized gains (losses) on investments	(167,742)	201,441
Unrealized losses on investments	(1,198,638)	(320,893)
Investment fees	<u>(26,825)</u>	<u>(24,123)</u>
	<u>\$ (1,263,455)</u>	<u>\$ 10,896</u>

### 6. RISKS AND UNCERTAINTIES

OCCF holds investments (Note 5). 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.

### 7. FAIR VALUE OF FINANCIAL INSTRUMENTS

Effective January 1, 2008, OCCF adopted FASB Statement No. 157 (FAS 157), *Fair Value Measurements (as amended)*, which provides a comprehensive framework for measuring fair value and expands required disclosures concerning fair value measurements. Specifically, FAS 157 sets forth a definition of fair value and establishes a hierarchy prioritizing 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. The adoption of FAS 157 did not have a material impact on OCCF's financial statements.

FAS 157 defines levels within the hierarchy of inputs 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 assets 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.

# OWEN COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

The following table sets forth financial assets and liabilities measured at fair value in the Statement of Financial Position and the respective levels to which the fair value measurements are classified within the fair value hierarchy as of December 31, 2008:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
<b>Assets:</b>			
Certificates of deposit	\$ 416,903	\$ -0-	\$ 416,903
Charitable trust	173,376	173,376	-0-
Investments	2,562,643	2,562,643	-0-
Restricted investments	31,367	31,367	-0-
<b>Liabilities:</b>			
Charitable gift annuities payable	33,947	-0-	33,947
Liability under charitable trust	80,860	-0-	80,860

The fair value of certificates of deposit approximates their cost. Fair values for investments, charitable trust, and restricted investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value for the charitable gift annuities payable is determined by calculating the present value of future payments to beneficiaries using published life expectancy tables with a discount rate ranging between 5.7 percent and 9.5 percent. Fair value for the liability under charitable trust is determined by calculating the present value of the annuity using published life expectancy tables with a discount rate of 5 percent and a return on investment of 8 percent.

## 8. OFFICE EQUIPMENT

A summary of office equipment is as follows:

	2008	2007
Office equipment	\$ 29,332	\$ 26,940
Less accumulated depreciation	(24,350)	(20,015)
	\$ 4,982	\$ 6,925

# OWEN COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

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### 9. CHARITABLE TRUST

OCCF is the trustee and has been named the beneficiary of a Charitable Remainder Unitrust. The trust will terminate upon the earlier of the death of the beneficiaries or September 2017 at which time the trust assets will revert to OCCF. OCCF's interest under this trust was \$173,376 and \$240,872 at December 31, 2008 and 2007, respectively. The trust agreement stipulates that a certain portion of the trust's assets are to be paid out each year to third party beneficiaries named by the donor until the trust terminates.

OCCF has recorded a liability for the present value of the amounts to be paid to the third party beneficiaries at December 31, 2008 and 2007, under this trust. In calculating its present value, a 5% discount rate was assumed, as well as an 8% return on investment. The date of the termination of the trust was determined based on the expiration of the fifteen-year payout to the beneficiaries. The present value of the amounts to be paid to third party beneficiaries was \$80,860 and \$124,474 and is included in Liability under Charitable Trust in the Statements of Financial Position at December 31, 2008 and 2007, respectively. The fair value of the trust assets, less the related liability, is included in temporarily restricted net assets.

### 10. CHARITABLE GIFT ANNUITIES

OCCF has four charitable gift annuities, from which OCCF received \$26,697 on two single-life annuities, and \$25,000 on two joint property gift annuities. OCCF is required to make payments to the donors: two in the quarterly amounts of \$119 and \$309 for the single-life annuities, and a quarterly amount of \$165 and semiannual amount of \$450 on the two joint property gift annuities. Upon the death of the specified persons, the remaining amount of the gift is to be used by OCCF for unrestricted purposes. OCCF has recognized a liability for the present value of the amount expected to be paid to the third-party beneficiaries at December 31, 2008 and 2007, under these agreements. The liability was calculated based on the life expectancy of the beneficiary, derived from the applicable one life annuity expected return multiples for the single-life annuities, and based on the life expectancy of both stated beneficiaries, derived from the applicable joint annuity expected return multiples for the joint property gift annuities. The present value was calculated using an IRS discount rate of 9.5% and 5.7% on the single-life annuities and 6.6% on the joint property gift annuities. The present value of amounts to be paid to the third party beneficiaries was \$33,947 and \$21,223 at December 31, 2008 and 2007, respectively.

# OWEN COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

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### 11. CUSTODIAL FUNDS

Custodial funds represents funds placed on deposit with OCCF by other 501(c)(3) organizations based on their individual board resolutions. OCCF accounts for these transfers as a liability in accordance with Statement of Financial Accounting Standards No. 136. Income is added to these funds periodically in accordance with OCCF'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 on the Statements of Activities. Following is a progression of custodial funds during 2008 and 2007:

	2008	2007 As Restated
Beginning balance	\$ 46,785	\$ 50,541
Contributions	6,000	7,811
Investment return, net	(13,907)	35
Grant payments	(2,063)	(7,711)
Administrative fees	(401)	(435)
Other expenses	(5,047)	(3,456)
Ending balance	<u>\$ 31,367</u>	<u>\$ 46,785</u>

### 12. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes at December 31, 2008 and 2007:

	2008	2007 As Restated
Time restrictions related to:		
Charitable trusts	\$ 92,516	\$ 116,398
Pledges receivable	21,450	500
Designated purpose restrictions related to Sustaining Resource Development	34,888	101,058
Endowment funds appropriated for expenditure	<u>2,530,292</u>	<u>3,688,866</u>
	<u>\$ 2,679,146</u>	<u>\$ 3,906,822</u>

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# OWEN COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

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### 13. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions for the years ended December 31, 2008 and 2007 were as follows:

	2008	2007 As Restated
Designated purpose restrictions related to Sustaining Resource Development Endowment funds not yet appropriated for expenditure	\$ 66,170	\$ 45,258
	<u>161,083</u>	<u>141,001</u>
	<u>\$ 227,253</u>	<u>\$ 186,259</u>

### 14. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of scholarships for Owen County residents of \$26,000. There were no changes in permanently restricted net assets during 2008 and 2007.

### 15. ENDOWMENT

The majority of OCCF's funds consist of endowed funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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 OCCF in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, OCCF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

# OWEN COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

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- (1) The duration and preservation of the fund
- (2) The purposes of OCCF 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 OCCF
- (7) The investment policies of OCCF

OCCF 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 OCCF must use for a donor-specified purpose as well as board-designated funds. 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. OCCF expects its endowment funds, over time, to provide an average rate of return of approximately 6 percent annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, OCCF 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).

OCCF has a policy of appropriating for distribution each year 5 percent of its of the annual earnings of the endowment, net of foundation fees and expenses and funds set aside for fund appreciation, or a lesser percentage as voted upon annually by the Board of Directors. In establishing this policy, OCCF considered the long-term expected return on its endowment.

Endowed funds by net asset type at December 31, 2008 and 2007 were as follows:

	2008		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Board Designated Funds	\$ 112,476	\$ -0-	\$ -0-
Donor Restricted Funds	<u>-0-</u>	<u>2,679,146</u>	<u>26,000</u>
	<u>\$ 112,476</u>	<u>\$ 2,679,146</u>	<u>\$ 26,000</u>

# OWEN COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

	2007		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Board Designated Funds	\$ 168,175	\$ -0-	\$ -0-
Donor Restricted Funds	<u>-0-</u>	<u>3,906,822</u>	<u>26,000</u>
	<u>\$ 168,175</u>	<u>\$ 3,906,822</u>	<u>\$ 26,000</u>

Changes in endowed funds for the years ending December 31, 2008 and 2007 were as follows:

	2008		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year	\$ 168,175	\$ 3,906,822	\$ 26,000
Contributions and other revenues	-0-	165,855	-0-
Investment return, net	(47,677)	(1,166,278)	-0-
Release of designated purpose restrictions	-0-	(66,170)	-0-
Appropriation of endowment assets for expenditure	<u>(8,022)</u>	<u>(161,083)</u>	<u>-0-</u>
Endowment net assets, end of year	<u>\$ 112,476</u>	<u>\$ 2,679,146</u>	<u>\$ 26,000</u>

	2007		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year	\$ 176,383	\$ 3,757,943	\$ 26,000
Contributions and other revenues	-0-	322,667	-0-
Investment return, net	556	12,471	-0-
Release of designated purpose restrictions	-0-	(45,258)	-0-
Appropriation of endowment assets for expenditure	<u>(8,764)</u>	<u>(141,001)</u>	<u>-0-</u>
Endowment net assets, end of year	<u>\$ 168,175</u>	<u>\$ 3,906,822</u>	<u>\$ 26,000</u>

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## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

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### 16. FUNCTIONAL EXPENSES

OCCF serves as a vehicle for residents of Owen County to donate to various organizations and projects in the county. Expenses related to providing this service for the years ended December 31, 2008 and 2007, are classified as follows:

	<u>2008</u>	<u>2007</u>
Program expenses	\$ 279,794	\$ 243,821
Fundraising	103,367	102,547
General and administrative expenses	<u>42,663</u>	<u>40,014</u>
	<u>\$ 425,824</u>	<u>\$ 386,381</u>

### 17. RENT

OCCF uses its existing office space with no rental charge. As such OCCF has recognized in-kind revenue and expense in 2008 and 2007 of \$20,400 which approximates the fair value of the space.

### 18. RELATED PARTY TRANSACTIONS

OCCF received \$7,037 and \$18,807 in contributions from members of OCCF's board of directors and staff during 2008 and 2007, respectively. At December 31, 2008 and 2007, there were contributions receivable of \$8,650 and \$3,100 from members of OCCF's Board of Directors and staff, respectively.

### 19. CONCENTRATIONS OF CREDIT RISK

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

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