

DUBOIS COUNTY COMMUNITY FOUNDATION, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

DUBOIS COUNTY COMMUNITY FOUNDATION, INC.

FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Dubois County Community Foundation, Inc.
Jasper, Indiana

We have audited the accompanying financial statements of Dubois County Community Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statement of activities, statement of change in net assets, and statement of cash flows for the year ended December 31, 2013, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to

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the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dubois County Community Foundation, Inc. as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Buechlein + Associates, P.C.
Certified Public Accountants

Jasper, Indiana

August 11, 2014

DUBOIS COUNTY COMMUNITY FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION

	DECEMBER 31, 2013
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,932,102
Unconditional promises to give, current portion	913
Accrued interest	3,411
Note receivable, current portion	57,522
Total current assets	1,993,948
PROPERTY AND EQUIPMENT	
Office equipment	112,595
Buildings and improvements	653,779
Land	68,194
Software (net of amortization - \$35,624)	1,681
Less accumulated depreciation	(81,755)
Net property and equipment	754,494
OTHER ASSETS	
Long-term investments	22,539,856
Unconditional promises to give, less current portion	88,312
Note receivable, less current portion	116,583
Total other assets	22,744,751
Total assets	\$ 25,493,193

SEE INDEPENDENT AUDITORS' REPORT
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	<u>DECEMBER 31, 2013</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Payroll liabilities	\$ 3,611
Accounts payable	18,695
Grants payable	7,600
Accrued wages	<u>24,600</u>
Total current liabilities	54,506
LONG-TERM LIABILITIES	
Agency endowment commitments	<u>639,878</u>
Total long-term liabilities	<u>639,878</u>
Total liabilities	694,384
NET ASSETS	
Unrestricted	24,471,209
Permanently restricted	<u>327,600</u>
Total net assets	<u>24,798,809</u>
Total liabilities and net assets	<u>\$ 25,493,193</u>

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DUBOIS COUNTY COMMUNITY FOUNDATION, INC.
STATEMENT OF ACTIVITIES

	<u>YEAR ENDED</u> <u>DECEMBER 31, 2013</u>
UNRESTRICTED NET ASSETS	
Support and revenue	
Contributions and grants	\$ 1,760,597
Interest and dividends	322,546
Unrealized gain on investments, net	2,729,348
Realized gain on investments, net	222,683
Management fees	7,735
Other income	<u>8,613</u>
Increase in unrestricted net assets	5,051,522
Expenses	
Grants	383,373
Miscellaneous program expenses	84,727
Personnel expense	334,890
Administrative expense	113,964
Occupancy expense	8,262
Development expense	<u>46,091</u>
Decrease in unrestricted net assets	<u>971,307</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u><u>\$ 4,080,215</u></u>

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DUBOIS COUNTY COMMUNITY FOUNDATION, INC.
STATEMENT OF CHANGE IN NET ASSETS

	<u>UNRESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
BALANCE, DECEMBER 31, 2012	\$ 20,390,994	\$ 327,600	\$ 20,718,594
Change in net assets	<u>4,080,215</u>	<u>-</u>	<u>4,080,215</u>
BALANCE, DECEMBER 31, 2013	<u>\$ 24,471,209</u>	<u>\$ 327,600</u>	<u>\$ 24,798,809</u>

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DUBOIS COUNTY COMMUNITY FOUNDATION, INC.
STATEMENT OF CASH FLOWS

	<u>YEAR ENDED</u> <u>DECEMBER 31, 2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 4,080,215
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:-	
Depreciation and amortization	30,069
Unrealized gains on investments, net	(2,729,348)
Realized gains on investments, net	(222,683)
(Increase) decrease in operating assets	
Unconditional promises to give	(7,254)
Accrued interest	(3,236)
Accounts receivable	1,480
Prepaid expenses	504
Increase (decrease) in operating liabilities	
Accounts payable	5,829
Grants payable	7,600
Accrued wages	17,790
Taxes payable	2,220
Agency endowment commitments	125,408
Deferred revenue	(38,145)
Net cash provided by operating activities	1,270,449
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments received on loans	57,014
Net cash provided by financing activities	57,014
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of long-term investments	(3,899,768)
Purchase of fixed assets	(9,411)
Proceeds from sale of investments	3,152,350
Net cash used by investing activities	(756,829)
INCREASE IN CASH AND CASH EQUIVALENTS	570,634
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	1,361,468
CASH AND CASH EQUIVALENTS - END OF PERIOD	\$ 1,932,102

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DUBOIS COUNTY COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES

Dubois County Community Foundation, Inc. (the Foundation) was formed in 1996 as a not-for-profit organization. On June 1, 2012, Dubois County Community Foundation, Inc. and Huntingburg Foundation, Inc. merged. The merged entities continue to operate under the name Dubois County Community Foundation, Inc.

The Foundation is operated at all times exclusively for religious, charitable, scientific, literacy, educational, and other purposes described in Section 501(c)(3) of the Internal Revenue Code of 1986. The Foundation engages in programs and activities benefiting primarily the residents of Dubois County, Indiana. The Foundation is supported through individual and corporate contributions and matching grants.

BASIS OF ACCOUNTING

The financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

PROMISES TO GIVE

Contributions are recognized when the donor makes a promise to give to the Foundation that is unconditional in substance.

FINANCIAL STATEMENT PRESENTATION

The accompanying financial statements are prepared consistent with the Presentation of Financial Statements Topic of the Financial Accounting Standards Board Accounting Standards Codification, the Foundation shall report all unrestricted, temporarily restricted, and permanently restricted net assets. The Foundation did not have any temporarily restricted net assets at December 31, 2013. If it is no longer possible for the donor's intent to be met, the board of directors of the Foundation have the authority to remove the donor's stipulations.

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DUBOIS COUNTY COMMUNITY FOUNDATION, INC.
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PROPERTY AND EQUIPMENT

The Foundation follows the practice of capitalizing property and equipment with cost in excess of \$1,000. Property and equipment are stated at cost if purchased or at fair market value if contributed. Depreciation is computed using the straight-line method over the estimated useful lives of buildings (40 years), land improvements (20 years), and furniture and equipment (10 years). Depreciation expense for the year ended December 31, 2013, is \$29,662.

CASH FLOW INFORMATION

The Foundation considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

INVESTMENT SECURITIES

As required by the Not-for-Profit Investments – Debt and Equity Securities Topic of the Financial Accounting Standards Board Accounting Standards Codification, the Foundation's investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values based on quoted prices in active markets (Level 1) in the statement of financial position. Unrealized gains and losses are included in the change in unrestricted net assets.

INCOME TAX STATUS

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made in these financial statements. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

The Foundation files income tax returns in the U.S. federal jurisdiction and Indiana state jurisdiction. The Foundation is no longer subject to U.S. federal, state, and local tax examinations by tax authorities for years prior to 2010.

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DUBOIS COUNTY COMMUNITY FOUNDATION, INC.
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CONCENTRATION OF RISK

At various times during the fiscal year, the Foundation's cash in bank balances exceeded the federally insured limits. At December 31, 2013, the Foundation's uninsured cash balance was \$1,667,217.

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.

CONTRIBUTIONS

As required by the Not-for-Profit Revenue Recognition Topic of the Financial Accounting Standards Board Accounting Standards Codification, contributions of assets to a not-for-profit organization that accepts the assets and agrees to use those assets, the return on investment of those assets, or both on behalf of a specified unaffiliated beneficiary, must recognize the fair value of those assets as a commitment to the specified beneficiary.

2. INVESTMENTS

Investments are stated at fair value except real estate, which is valued at cost and consist primarily of mutual funds. Fair values and unrealized appreciation (depreciation) at December 31, 2013, are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Mutual funds	\$ 19,359,648	\$ 22,170,846	\$ 2,811,198
Cash surrender value life insurance	41,410	41,410	-
Land	327,600	327,600	-
Total	<u>\$ 19,728,658</u>	<u>\$ 22,539,856</u>	<u>\$ 2,811,198</u>

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DUBOIS COUNTY COMMUNITY FOUNDATION, INC.
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The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2013:

	<u>Unrestricted</u>
Interest and dividend income	\$ 322,546
Net current unrealized gain	2,729,348
Net realized gains	<u>222,683</u>
Total investment return	<u>\$ 3,274,577</u>

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with Fair Value Measurements Topic of the FASB Accounting Standards Codification, the following tables represent the Foundation's fair value hierarchy for its financial assets measured at fair value on a recurring basis at December 31, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$22,170,846	\$ -	\$ -	\$22,170,846
Cash surrender value				
life insurance	-	-	41,410	41,410
Land	-	-	327,600	327,600
Total assets at fair value	<u>\$22,170,846</u>	<u>\$ -</u>	<u>\$ 369,010</u>	<u>\$22,539,856</u>

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Effect of Level 3 Inputs on Net Assets or Liabilities

	Cash Surrender Value <u>Life Insurance</u>	<u>Land</u>
Beginning balance	\$ 40,065	\$ 327,600
Purchases, issuances, and settlements	<u>1,345</u>	<u>-</u>
Ending balance	<u>\$ 41,410</u>	<u>\$ 327,600</u>

4. PROMISES TO GIVE

Unconditional promises to give due beyond the current year ended are reflected at the present value of estimated future cash flows:

	<u>December 31, 2013</u>
Unrestricted promises	\$ 89,446
Less unamortized discount	<u>(221)</u>
Net unconditional promises to give	<u>\$ 89,225</u>
Current	\$ 913
Non-current	<u>88,312</u>
	<u>\$ 89,225</u>
Amounts due before discount in:	
Less than one year	\$ 913
One to five years	2,866
More than five years	<u>85,446</u>
	<u>\$ 89,225</u>

The discount rate used was 0.32%.

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5. SPLIT INTEREST AGREEMENTS

The Foundation currently is the beneficiary of one charitable remainder trust which is recorded at the present value of the remainder interest as an unconditional promise to give. This trust is held by an independent trustee and has increased in value by \$6,464 to a net present value of \$85,466.

6. ENDOWMENTS

The Foundation's endowments consist of 341 individual funds established for a variety of purposes. As required by general accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

INTERPRETATION OF RELEVANT LAW

The Board of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as permitting the Board to accumulate or appropriate endowment funds as it determines, so long as the Board acts in good faith and with the care a prudent person acting in a like position would use under similar circumstances. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

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RETURN OBJECTIVES AND RISK PARAMETERS

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the Foundation's endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of the Foundation, the endowment assets are invested in a manner that is intended to maximize return within reasonable and prudent levels of risk. The Foundation expects the endowment funds, over time, to provide an average rate of return of approximately 8.4% annually. Actual returns in any given year may vary from this amount.

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

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

**SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVE
RELATES TO THE SPENDING**

The Foundation has a spending policy to spend 4.5% of a 3-year moving average of quarterly market values. In establishing this policy, the Foundation considered an investment horizon of greater than five years, so that interim fluctuations should be viewed with the appropriate perspective. In relation to the expected rate of return, this policy is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

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Endowment net asset composition by type of fund as of December 31, 2013 is as follows:

	Unrestricted
Donor advised endowment funds	\$ 3,786,013
Unrestricted endowment funds	19,059,801
Total endowment funds	\$ 22,845,814

Changes in endowment net assets as of December 31, 2013 are as follows:

	Unrestricted
Endowment net assets, beginning of period	\$ 18,680,511
Contributions	1,678,501
Investment income	542,917
Net appreciation	2,725,074
Amounts appropriated for expenditure	(781,189)
Endowment net assets, end of period	\$ 22,845,814

7. RELATED-PARTY TRANSACTIONS

The Foundation paid investment fees of \$15,860 for the year ended December 31, 2013, to a company in which two members of the Board of Directors are employed. The Foundation considers these transactions to be arms-length transactions. At December 31, 2013, \$1,531 of these investment fees have been accrued but not yet paid.

8. NOTE RECEIVABLE

The Foundation currently has one note receivable with a current value of \$174,105. This note has payments due of \$59,071 annually through 2016, with an annual interest rate of .89%.

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9. ADVERTISING COSTS

The Foundation's advertising costs are expensed as incurred. The advertising costs for year ended December 31, 2013, are \$9,509.

10. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through August 11, 2014, the date which the financial statements were available to be issued.

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