

NORTHERN INDIANA COMMUNITY FOUNDATION, INC.

FINANCIAL STATEMENTS AND ACCOUNTANTS'
AUDIT REPORT

December 31, 2010

C O N T E N T S

	Page
ACCOUNTANTS' AUDIT REPORT	3
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	4
STATEMENT OF ACTIVITIES	5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7



**Board of Directors
Northern Indiana Community Foundation, Inc.**

We have audited the accompanying statement of financial position of Northern Indiana Community Foundation, Inc. as of December 31, 2010 and the related statements of activities and cash flows for the year 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 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 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 audit provides 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 Northern Indiana Community Foundation, Inc. as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles in the United States of America.

Estep Burkey Simmons, LLC

Muncie, Indiana
April 20, 2011

Northern Indiana Community Foundation, Inc.

STATEMENT OF FINANCIAL POSITION

December 31, 2010

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,647,157
Interest and dividends receivable	16,240
Prepaid expenses	<u>2,784</u>

Total current assets	1,666,181
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INVESTMENTS

18,862,083

INVESTMENT - CHARITABLE REMAINDER TRUST

113,103

BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUST

131,293

PROPERTY AND EQUIPMENT

Office and computer equipment	89,030
Less accumulated depreciation	<u>84,482</u>

4,548

\$ 20,777,208

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 2,370
Grants payable	<u>228,729</u>

Total current liabilities	231,099
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CHARITABLE REMAINDER TRUST LIABILITY

113,103

CHARITABLE GIFT ANNUITY

15,370

AGENCY FUNDS

2,320,313

Total liabilities	2,679,885
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NET ASSETS

Unrestricted	5,948,516
Temporarily restricted	1,501,010
Permanently restricted	<u>10,647,797</u>

18,097,323\$ 20,777,208

The accompanying notes are an integral part of this statement.

Northern Indiana Community Foundation, Inc.

STATEMENT OF ACTIVITIES

Years Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and support				
Contributions	\$ 754,514	\$ 456,365	\$ 1,261,544	\$ 2,472,423
External grants	10,500			10,500
Investment income	197,665	191,405		389,070
Realized gains on investments	219,933	178,717		398,650
Unrealized gains on investments	372,634	426,398		799,032
Administrative fees	278,605			278,605
Other income	5,410			5,410
Change in value of split-interest agreements		11,768		11,768
	<u>1,839,261</u>	<u>1,264,653</u>	<u>1,261,544</u>	<u>4,365,458</u>
Net assets released from restrictions:				
Restrictions satisfied by payments	683,061	(683,061)		
Expenses				
Program services:				
Grants and scholarships	1,190,274			1,190,274
Direct program support	319,906			319,906
Other program support	43,301			43,301
Supporting services:				
Operating expenses	312,307			312,307
Investment fees	47,560			47,560
Administrative fees	246,480			246,480
Fundraising expenses	16,756			16,756
	<u>2,176,584</u>			<u>2,176,584</u>
CHANGE IN NET ASSETS	345,738	581,592	1,261,544	2,188,874
Net assets at beginning of year	5,684,716	887,560	9,336,173	15,908,449
Transfer of net assets	<u>(81,938)</u>	<u>31,858</u>	<u>50,080</u>	
Net assets at end of year	<u><u>\$ 5,948,516</u></u>	<u><u>\$ 1,501,010</u></u>	<u><u>\$ 10,647,797</u></u>	<u><u>\$ 18,097,323</u></u>

The accompanying notes are an integral part of this statement.

Northern Indiana Community Foundation, Inc.

STATEMENT OF CASH FLOWS

Years Ended December 31, 2010

Cash flows from operating activities:	
Change in net assets	\$ 2,188,874
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	3,927
Realized and unrealized gains	(1,197,682)
Beneficial interest in charitable remainder trust	(11,768)
(Increase) decrease in assets:	
Interest and dividends receivable	(14,054)
Investment - charitable remainder trust	(6,893)
Prepaid expense	11
Increase in liabilities:	
Accounts payable	45
Grants payable	25,864
Charitable remainder trust liability	6,893
Charitable gift annuity	15,370
Agency funds	299,623
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Net cash provided by operating activities	1,310,210
Cash flows from investing activities:	
Purchase of equipment	(3,603)
Net change in investments	(217,633)
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Net cash used in investing activities	(221,236)
	<hr/>
Net increase in cash and cash equivalents	1,088,974
Cash and cash equivalents at beginning of year	558,183
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Cash and cash equivalents at end of year	<u>\$ 1,647,157</u>

The accompanying notes are an integral part of this statement.

Northern Indiana Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities

The Northern Indiana Community Foundation, Inc. (Foundation) is a not-for-profit corporation organized under the laws of the State of Indiana. The Foundation was organized to act for the primary benefit of the citizens of Fulton, Miami, and Starke counties plus surrounding regions. A community foundation is established to provide a permanent and growing endowment to benefit the communities, while providing ethical philanthropic leadership for the enrichment and assistance to human services, education, revitalization, social, art, and cultural endeavors. Individuals, families, businesses, private foundations, and non-profit organizations may donate to the community foundation.

2. Promises to Give

Contributions are recognized when the donor makes a promise to give to the Foundation that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the financial year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

3. Cash and Cash Equivalents

The Foundation maintains its cash in accounts at local financial institutions, which are insured by agencies of the U.S. Government. For purposes of the statement of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

4. Investments

In accordance with the Not-for-Profit Entities - Investments - Debt and Equity Securities topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), investments are recorded at fair value. The changes in the difference between market value and cost are reflected in the financial statements as net realized and unrealized gains or losses on investments. Investment income, net realized and unrealized gains or losses are classified as unrestricted, temporarily restricted or permanently restricted revenue or expenses, depending on the existence and/or nature of any donor restrictions.

5. Equipment and Depreciation

Purchased equipment is stated at cost. Donated equipment is recorded as support at the estimated fair-market value at the date of gift. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation is computed according to the estimated useful lives of the respective assets using the straight-line method.

6. 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.

Northern Indiana Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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

7. Concentration of Credit Risk

The Foundation maintains its cash in bank deposit accounts at high credit quality financial institutions. At December 31, 2010, the Foundation exceeded the insured cash limit by \$833,933. The investment accounts are held in trust form and are fully insured.

8. Contributed Services

During the years ended December 31, 2010, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

9. Compensated Absences

The Foundation's liability for compensated absences is immaterial; accordingly, no provision has been made for compensated absences.

10. 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.
- 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.

Northern Indiana Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE B - INVESTMENTS - Continued

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

	Cost	Unrealized Gains (Losses)	Fair Value
Certificates of deposit	\$ 402,199		\$ 402,199
Common stock	7,544,137	\$ 546,671	8,090,808
Preferred stock	720,122	(7,042)	713,080
Mutual funds - equities	3,415,031	423,938	3,838,969
Mutual funds - bonds	3,345,636	34,687	3,380,323
Bonds	1,845,655	(34,619)	1,811,036
US Treasury notes	107,484	(6,816)	100,668
Land	525,000		525,000
	<u>\$ 17,905,264</u>	<u>\$ 956,819</u>	<u>\$ 18,862,083</u>

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

	Unrestricted	Temporarily Restricted	Total
Investment return	\$ 197,665	\$ 191,405	\$ 389,070
Realized gains on investments	219,933	178,717	398,650
Unrealized gains on investments	372,634	426,398	799,032
	<u>\$ 790,232</u>	<u>\$ 796,520</u>	<u>\$ 1,586,752</u>

The Foundation's investments, excluding its money market funds and certificates of deposit, are measured at fair value on a recurring basis at December 31, 2010, utilizing the following input levels:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Investments	\$17,934,884	\$525,000		\$18,459,884

NOTE C - RISKS AND UNCERTAINTIES

The Foundation holds a variety of investments (Note B). 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.

Northern Indiana Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE D - LEASES

The Foundation leases operating facilities under operating lease arrangements. These leases expire at various dates through 2014. Rental expense for these leases included in the statement of activities for the year ended December 31, 2010 was \$33,090.

Future minimum rental payments required under the operating leases that have remaining terms in excess of one year as of December 31, 2010 are as follows:

2011	\$	27,935
2012		26,544
2013		27,540
2014		19,248
		<u>19,248</u>
	\$	<u>101,267</u>

NOTE E - RESTRICTIONS ON NET ASSETS

The Foundation follows 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.

Temporarily restricted net assets are composed of the following types of funds at December 31, 2010:

Donor designated funds	\$	1,071,858
Field of interest		78,347
Scholarship funds		350,805
		<u>350,805</u>
	\$	<u>1,501,010</u>

Permanently restricted net assets are composed of the following types of funds at December 31, 2010:

Donor designated funds	\$	2,914,931
Field of interest		578,608
Scholarship funds		4,789,038
Community funds		2,365,220
		<u>2,365,220</u>
	\$	<u>10,647,797</u>

At December 31, 2010, net assets were allocated to individual counties and to Foundation operations as follows:

Fulton County	\$	9,744,644
Miami County		5,209,998
Starke County		2,888,879
Foundation operations		253,802
		<u>253,802</u>
	\$	<u>18,097,323</u>

Northern Indiana Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE F - EMPLOYEE BENEFITS

The Foundation has a Simplified Employee Pension Plan (SEP). The Foundation remits 5% of the base salary of each eligible employee on a monthly basis. An employee becomes eligible for the SEP upon completion of one year of employment. The employee must be twenty one years of age and receive more than \$450 in wages annually. Employer contributions to the SEP during the year ended December 31, 2010 were \$9,243.

NOTE G - EXTERNAL GRANTS

External grant revenues are recognized as earned as the eligible expenses are incurred. Grant revenue for the year ended December 31, 2010 includes:

<u>Project Name</u>	<u>Grantor</u>	<u>2010</u>
REAL Services, Inc.	Richard Cassidy Philanthropic Fund	\$ 10,500

NOTE H - BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUST

During 1998, a donor established a trust with a local bank naming the Foundation as the lead beneficiary of a charitable remainder unitrust. Under this type of charitable remainder trust, the donor is to receive distributions in the amount of 5% of the fair market value of the trust annually until death. Upon the death of the donor, the remaining assets in the trust pass to the Foundation for a temporarily restricted use. Based on the donor's life expectancy and 3.6% discount rate, the present value of future benefits expected to be received by the Foundation was estimated to be \$131,293 at December 31, 2010, and is recorded as a temporarily restricted asset. The change in value of the split interest agreement for the year ended December 31, 2010 was \$11,768 and is reflected in the statement of activities.

NOTE I - TRUSTEE OF CHARITABLE REMAINDER UNITRUST

The Foundation was named trustee of the charitable remainder unitrust, with responsibilities to maintain assets, distribute quarterly payments to a beneficiary, and upon the death of the beneficiary, distribute the remainder of the Trust to the other charitable organizations named in the Trust. The Foundation accepted this responsibility, and in return, receives a quarterly administrative fee from the Trust.

The fair value of the invested assets of the Trust was \$113,103 at December 31, 2010 and is classified on the statement of financial position as an asset and corresponding liability.

NOTE J - 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.

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

Northern Indiana Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE J - AGENCY FUNDS - Continued

Support and revenue		
Contributions and pledges	\$ 162,558	
Investment income	55,956	
Realized gains on investments	58,858	
Unrealized gains on investments	109,849	
	<u> </u>	\$ 387,221
Expenses		
Grants expense	49,405	
Administrative fees	31,723	
Investment fees	6,470	
	<u> </u>	<u>87,598</u>
Increase in agency funds		299,623
Balance at beginning of year		<u>2,020,690</u>
Balance at end of year		<u><u>\$2,320,313</u></u>

NOTE K - SUBSEQUENT EVENTS

In accordance with FASB ASC Topic 855, Subsequent Events, the Foundation has evaluated subsequent events through April 20, 2011, which is the date these financial statements were issued. All subsequent events requiring recognition as of December 31, 2010, have been incorporated into these financial statements herein.