

**PUTNAM COUNTY COMMUNITY  
FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2009 AND 2008**

*CPAs / ADVISORS*



# PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

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## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of the  
Putnam County Community Foundation, Inc.  
Greencastle, Indiana

We have audited the accompanying statements of financial position of the Putnam County Community Foundation, Inc., as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 Putnam County Community Foundation, Inc., as of December 31, 2009 and 2008, 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information related to custodial fund activity on pages 3 and 4 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Blue & Co., LLC*

April 28, 2010

# PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2009 AND 2008

### ASSETS

	2009	2008 As Restated
Cash (Notes 3, 4, and 7):		
Unrestricted	\$ 374,889	\$ 396,122
Certificates of deposit (Note 5)	229,698	380,704
Investments (Notes 4, 6, 7, and 8):		
Unrestricted	14,303,893	11,657,807
Restricted	3,008,241	2,441,784
Total investments	17,312,134	14,099,591
Pledges receivable (Note 9)	398,036	497,375
Fees receivable	21,762	18,284
Other receivables	2,623	2,914
Prepaid expenses	3,958	5,400
Property and equipment, net (Note 10)	104,820	113,624
Property held for sale (Notes 8 and 11)	64,200	64,200
Beneficial interest in charitable remainder trusts (Notes 8 and 12)	248,767	223,132
	\$ 18,760,887	\$ 15,801,346

### LIABILITIES AND NET ASSETS

<b>Liabilities</b>		
Accounts payable	\$ 9,473	\$ 5,580
Grants payable	20,625	-0-
Accrued payroll	20,651	11,138
Deferred revenue	10,000	-0-
Gift annuities payable (Notes 8 and 13)	63,028	36,984
Due to partnership affiliates (Note 14)	53,135	51,887
Custodial funds (Note 15)	3,008,241	2,441,784
Long-term debt (Note 16)	48,032	52,900
Total liabilities	3,233,185	2,600,273
<b>Net assets (Notes 17 and 18)</b>		
Unrestricted:		
Operating	331,050	406,245
Board designated	80,683	65,902
Total unrestricted net assets	411,733	472,147
Temporarily restricted	14,907,916	12,520,873
Permanently restricted	208,053	208,053
Total net assets	15,527,702	13,201,073
	\$ 18,760,887	\$ 15,801,346

*See accompanying notes to financial statements.*

# PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

## STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Supplemental Information	
					Custodial Fund Activity	Total
<b>Support and revenues (Note 1)</b>						
Contributions and grants	\$ 18,339	\$ 261,243	\$ -0-	\$ 279,582	\$ 59,350	\$ 338,932
Investment return, net (Note 6)	30,005	2,865,966	-0-	2,895,971	600,154	3,496,125
Change in value of split interest agreements (Notes 12 and 13)	-0-	17,599	-0-	17,599	-0-	17,599
Other revenues	6,391	38,152	-0-	44,543	-0-	44,543
Net assets released from restrictions (Note 17)	<u>584,663</u>	<u>(584,663)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total support and revenues	639,398	2,598,297	-0-	3,237,695	659,504	3,897,199
<b>Expenses (Notes 19 and 20)</b>						
Grants	554,506	-0-	-0-	554,506	69,521	624,027
Other program expense	883	-0-	-0-	883	-0-	883
Personnel costs						
Salaries and wages	192,311	-0-	-0-	192,311	-0-	192,311
Payroll taxes and benefits	21,852	-0-	-0-	21,852	-0-	21,852
Insurance	7,961	-0-	-0-	7,961	126	8,087
Administrative and development costs						
Office supplies	2,512	-0-	-0-	2,512	-0-	2,512
Computer expenses	9,984	-0-	-0-	9,984	-0-	9,984
Printing and copying	19,841	-0-	-0-	19,841	63	19,904
Postage and shipping	3,769	-0-	-0-	3,769	-0-	3,769
Dues and subscriptions	4,195	-0-	-0-	4,195	-0-	4,195
Consulting fees	12,417	-0-	-0-	12,417	-0-	12,417
Insurance	3,835	-0-	-0-	3,835	-0-	3,835
Legal and accounting	23,323	-0-	-0-	23,323	-0-	23,323
Telephone	3,183	-0-	-0-	3,183	-0-	3,183
Miscellaneous	3,784	-0-	-0-	3,784	-0-	3,784
Advertising	10,735	-0-	-0-	10,735	-0-	10,735
Travel and education	2,779	-0-	-0-	2,779	-0-	2,779
Event expenses	7,572	-0-	-0-	7,572	-0-	7,572
Occupancy costs						
Rent	15,507	-0-	-0-	15,507	-0-	15,507
Depreciation (Note 10)	17,745	-0-	-0-	17,745	-0-	17,745
Repairs and maintenance	7,690	-0-	-0-	7,690	-0-	7,690
Utilities	6,159	-0-	-0-	6,159	-0-	6,159
Interest expense (Note 16)	<u>1,924</u>	<u>-0-</u>	<u>-0-</u>	<u>1,924</u>	<u>-0-</u>	<u>1,924</u>
Total expenses	934,467	-0-	-0-	934,467	69,710	1,004,177
Transfer of administrative fees (Note 20)	<u>234,655</u>	<u>(211,254)</u>	<u>-0-</u>	<u>23,401</u>	<u>(23,337)</u>	<u>64</u>
Change in net assets	<u>\$ (60,414)</u>	<u>\$ 2,387,043</u>	<u>\$ -0-</u>	<u>\$ 2,326,629</u>	<u>\$ 566,457</u>	<u>\$ 2,893,086</u>

*See accompanying notes to financial statements.*

# PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

## STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2008 (AS RESTATED)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Supplemental Information	
					Custodial Fund Activity	Total
<b>Support and revenues (Note 1)</b>						
Contributions and grants	\$ 15,900	\$ 801,587	\$ -0-	\$ 817,487	\$ 64,185	\$ 881,672
Investment return, net (Note 6)	(12,048)	(4,327,248)	-0-	(4,339,296)	(846,987)	(5,186,283)
Change in value of split interest agreements (Notes 12 and 13)	-0-	(77,500)	-0-	(77,500)	-0-	(77,500)
Other revenues	11,292	54,009	-0-	65,301	-0-	65,301
Net assets released from restrictions (Note 17)	403,144	(403,144)	-0-	-0-	-0-	-0-
Total support and revenues	418,288	(3,952,296)	-0-	(3,534,008)	(782,802)	(4,316,810)
<b>Expenses (Notes 19 and 20)</b>						
Grants	372,105	-0-	-0-	372,105	74,600	446,705
Other program expense	472	-0-	-0-	472	74,525	74,997
Personnel costs						
Salaries and wages	182,055	-0-	-0-	182,055	-0-	182,055
Payroll taxes and benefits	23,332	-0-	-0-	23,332	-0-	23,332
Insurance	10,093	-0-	-0-	10,093	-0-	10,093
Administrative and development costs						
Office supplies	4,126	-0-	-0-	4,126	-0-	4,126
Computer expenses	14,498	-0-	-0-	14,498	-0-	14,498
Printing and copying	50,104	-0-	-0-	50,104	-0-	50,104
Postage and shipping	3,466	-0-	-0-	3,466	-0-	3,466
Dues and subscriptions	3,961	-0-	-0-	3,961	-0-	3,961
Consulting fees	26,789	-0-	-0-	26,789	-0-	26,789
Legal and accounting	26,507	-0-	-0-	26,507	-0-	26,507
Telephone	3,385	-0-	-0-	3,385	-0-	3,385
Miscellaneous	8,654	-0-	-0-	8,654	-0-	8,654
Advertising	24,251	-0-	-0-	24,251	-0-	24,251
Travel and education	3,615	-0-	-0-	3,615	-0-	3,615
Event expenses	21,863	-0-	-0-	21,863	-0-	21,863
Occupancy costs						
Rent	12,240	-0-	-0-	12,240	-0-	12,240
Depreciation (Note 10)	19,023	-0-	-0-	19,023	-0-	19,023
Repairs and maintenance	6,840	-0-	-0-	6,840	-0-	6,840
Utilities	5,957	-0-	-0-	5,957	-0-	5,957
Interest expense (Note 16)	1,834	-0-	-0-	1,834	-0-	1,834
Total expenses	825,170	-0-	-0-	825,170	149,125	974,295
Transfer of administrative fees (Note 20)	269,108	(242,750)	-0-	26,358	(25,662)	696
Change in net assets	\$ (137,774)	\$ (4,195,046)	\$ -0-	\$ (4,332,820)	\$ (957,589)	\$ (5,290,409)

*See accompanying notes to financial statements.*

# PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

## STATEMENTS OF CHANGES IN NET ASSETS YEARS ENDED DECEMBER 31, 2009 AND 2008

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Net assets, December 31, 2007</b>	\$ 609,921	\$ 16,715,919	\$ 208,053	\$ 17,533,893
Change in net assets	(137,774)	(3,616,733)	-0-	(3,754,507)
Effect of restatement (Note 2)	<u>-0-</u>	<u>(578,313)</u>	<u>-0-</u>	<u>(578,313)</u>
<b>Net assets, December 31, 2008</b>	472,147	12,520,873	208,053	13,201,073
Change in net assets	<u>(60,414)</u>	<u>2,387,043</u>	<u>-0-</u>	<u>2,326,629</u>
<b>Net assets, December 31, 2009</b>	<u>\$ 411,733</u>	<u>\$ 14,907,916</u>	<u>\$ 208,053</u>	<u>\$ 15,527,702</u>

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See accompanying notes to financial statements.

# PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008 As Restated
<b>Operating activities</b>		
Change in net assets	\$ 2,326,629	\$ (4,332,820)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	17,745	19,023
Gain from sale of property held for sale	-0-	(13,960)
Net realized and unrealized losses (gains) on investments	(2,534,094)	4,964,761
Change in value of split-interest agreements	(17,599)	77,500
Changes in assets and liabilities:		
Pledges receivable	99,339	(481,723)
Fees receivable	(3,478)	6,985
Other receivables	291	2,107
Prepaid expenses	1,442	2,687
Restricted cash	-0-	31,482
Restricted investments	(566,457)	926,107
Accounts payable	3,893	5,305
Grants payable	20,625	-0-
Accrued payroll	9,513	6,183
Deferred revenue	10,000	-0-
Gift annuities payable	18,008	5,817
Due to partnership affiliates	1,248	6,557
Custodial funds	566,457	(957,589)
Net cash flows from operating activities	(46,438)	268,422
<b>Investing activities</b>		
Purchases of property and equipment	(8,941)	(22,173)
Change in certificates of deposit, net	151,006	(74,649)
Change in investments	(111,992)	(206,075)
Proceeds from sale of property held for sale	-0-	39,060
Net cash flows from investing activities	30,073	(263,837)
<b>Financing activities</b>		
Payments on long-term debt	(4,868)	(4,957)
Net change in cash	(21,233)	(372)
<b>Cash, beginning of year</b>	396,122	396,494
<b>Cash, end of year</b>	\$ 374,889	\$ 396,122
<b>Supplemental disclosures of cash flow information</b>		
Cash paid during the year for interest	\$ 1,924	\$ 1,834

*See accompanying notes to financial statements.*

# PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

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

#### Nature of Operations

Putnam County Community Foundation, Inc. (the "Foundation") was incorporated as a not-for-profit entity in 1985. The mission of the Foundation is to partner with those who give to enrich life and strengthen community for this and future generations.

#### 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.

#### Support, Revenues 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. 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.

#### Income Taxes

The Foundation 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

The Foundation 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 April 28, 2010.

# PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

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### 2. 2008 RESTATEMENT

During the current year audit, it was determined that certain funds had improperly been classified as custodial at December 31, 2008. The Foundation has corrected this presentation and restated its 2008 financial statements as of and for the year ended December 31, 2008 decreasing the previously reported change in net assets and the opening temporarily restricted net assets by \$578,313.

### 3. CASH

Cash consists primarily of money market investments and excludes amounts held by the Foundation's fund manager and included in investments.

### 4. RESTRICTED CASH AND INVESTMENTS

Restricted cash and 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 payable at December 31, 2009 and 2008.

### 5. CERTIFICATES OF DEPOSIT

The Foundation maintains certificates of deposit with several financial institutions which are recorded at cost which approximates fair value. Certificates of deposit consist of the following at December 31, 2009 and 2008:

2009			2008		
Amount	Maturity	Interest Rate	Amount	Maturity	Interest Rate
\$ 100,502	8/7/2010	1.99%	\$ 50,893	2/19/2009	3.35%
50,254	8/11/2010	1.99%	50,783	6/16/2009	3.15%
52,422	9/24/2010	2.96%	76,515	6/18/2009	4.07%
<u>26,520</u>	12/15/2010	4.01%	75,540	7/11/2009	3.45%
			25,495	7/16/2009	4.00%
			25,453	8/19/2009	3.65%
<u>\$ 229,698</u>			50,527	9/10/2009	3.51%
			<u>25,498</u>	12/15/2010	4.01%
			<u>\$ 380,704</u>		

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# PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

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### 6. INVESTMENTS AND INVESTMENT RETURN

The Foundation 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 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 the Foundation's spending policy.

Investments (including restricted investments) at December 31, 2009 and 2008 consist of the following:

	<u>2009</u>	<u>2008</u>
Cash and money market funds	\$ 385,856	\$ 460,330
Certificates of deposit	122,450	-0-
Corporate bonds	852,670	682,859
Government bonds	1,858,552	2,095,877
Domestic fixed income mutual funds	2,580,667	2,256,857
Domestic equity mutual funds	9,443,674	6,683,658
Foreign equity mutual funds	1,913,928	1,799,443
Real estate investment trust fund	154,337	120,567
	<u>\$ 17,312,134</u>	<u>\$ 14,099,591</u>

The following schedule summarizes the investment return, excluding investment return on investments related to custodial funds, and its classification in the Statements of Activities:

	<u>2009</u>	<u>2008</u>
Interest and dividend income	\$ 388,857	\$ 656,902
Realized gains	244,547	31,828
Unrealized appreciation (depreciation)	2,289,547	(4,996,589)
Investment fees	(26,980)	(31,437)
	<u>\$ 2,895,971</u>	<u>\$ (4,339,296)</u>

# PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

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The following schedule summarizes the investment return on investments related to custodial funds (see Note 15):

	<u>2009</u>	<u>2008</u>
Interest and dividend income	\$ 86,306	\$ 144,902
Realized gains	68,696	12,102
Unrealized appreciation (depreciation)	451,305	(997,314)
Investment fees	<u>(6,153)</u>	<u>(6,677)</u>
	<u>\$ 600,154</u>	<u>\$ (846,987)</u>

### 7. CONCENTRATIONS OF CREDIT RISK AND UNCERTAINTIES

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

Investments are managed by several investment firms. Such balances exceed the Securities Investor Protection Corporation insured limits of up to \$500,000.

The Foundation holds investments (Note 6). 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.

### 8. 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

# PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

- 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

The following tables set forth financial assets and liabilities measured at fair value in the Statements of Financial Position and the respective levels to which the fair value measurements are classified within the fair value hierarchy as of December 31, 2009 and 2008:

	2009			
	Fair Value	Level 1	Level 2	Level 3
<b>Assets:</b>				
Investments	\$ 14,303,893	\$ 14,303,893	\$ -0-	\$ -0-
Restricted investments	3,008,241	3,008,241	-0-	-0-
Property held for sale	64,200	-0-	64,200	-0-
Beneficial interest in charitable remainder trusts	248,767	-0-	-0-	248,767
<b>Liabilities:</b>				
Gift annuities payable	63,028	-0-	-0-	63,028
<b>2008</b>				
	Fair Value	Level 1	Level 2	Level 3
<b>Assets:</b>				
Investments	\$ 11,657,807	\$ 11,657,807	\$ -0-	\$ -0-
Restricted investments	2,441,784	2,441,784	-0-	-0-
Property held for sale	64,200	-0-	64,200	-0-
Beneficial interest in charitable remainder trusts	223,132	-0-	-0-	223,132
<b>Liabilities:</b>				
Gift annuities payable	36,984	-0-	-0-	36,984

Fair values for investments and restricted investments are determined by reference to quoted market prices and other relevant information generated by market transactions. The fair value of property held for sale approximates the fair market value as of the date it was donated. Fair value for the beneficial interest in charitable remainder trusts is determined by calculating the present value of the annuity using published life expectancy tables with a discount rate ranging between 3.2 percent and 6.4 percent. Fair value for the gift annuities payable is determined by calculating the present value of future payments to beneficiaries using published life expectancy tables with a discount rate of 3.2 percent.

# PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

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The progression of beneficial interest in charitable remainder trusts during the years ended December 31, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Beginning balance	\$ 223,132	\$ 297,175
Change in present value	<u>25,635</u>	<u>(74,043)</u>
Ending balance	<u>\$ 248,767</u>	<u>\$ 223,132</u>

The progression of gift annuities payable during the years ended December 31, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Beginning balance	\$ 36,984	\$ 27,710
Contributions	40,000	-0-
Change in present value	<u>(13,956)</u>	<u>9,274</u>
Ending balance	<u>\$ 63,028</u>	<u>\$ 36,984</u>

### 9. PLEDGES RECEIVABLE

Unconditional pledges receivable consist of the following at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Amounts due in:		
Less than one year	\$ 347,194	\$ 295,594
One to five years	<u>50,842</u>	<u>201,781</u>
	<u>\$ 398,036</u>	<u>\$ 497,375</u>

Pledges receivable have not been discounted.

Management estimates an allowance for doubtful pledges receivable based on an evaluation of historical losses, current economic conditions, and other factors unique to the Foundation's donors. No allowance for doubtful pledges receivable was determined to be necessary at December 31, 2009 and 2008.

# PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

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### 10. 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 the fair value at the date of the donation. Costs of ordinary maintenance and repairs are expensed as incurred.

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

A summary of property and equipment at December 31, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Building and improvements	\$ 133,104	\$ 129,345
Furniture and fixtures	39,122	33,940
Computer equipment	<u>47,373</u>	<u>47,373</u>
	219,599	210,658
Less accumulated depreciation	<u>114,779</u>	<u>97,034</u>
	<u>\$ 104,820</u>	<u>\$ 113,624</u>

### 11. PROPERTY HELD FOR SALE

Property held for sale consists of land and artwork donated to the Foundation. The Foundation actively sells pieces of the artwork throughout the year.

### 12. CHARITABLE TRUSTS

The Foundation has been named the full or partial beneficiary of several charitable remainder trusts in which the Foundation is not the trustee. Upon termination of the trusts on the donors' deaths, the applicable remainder of the trust will revert to the Foundation. The trust agreements stipulate that a certain portion of the trusts' assets are to be paid out each year to third party beneficiaries named by the donors. The Foundation's interest under these trusts was \$248,767 and \$223,132 at December 31, 2009 and 2008, respectively. In calculating the present value of the amount to be received upon termination of the trusts, the discount rates used ranged from 3.2 percent to 6.4 percent. The date of the termination of the trusts was determined based on the applicable mortality tables. The change in the present value of the amounts expected to be received under these charitable trusts was \$25,635 and \$(74,043) for the years ended December 31, 2009 and 2008, respectively. As the

# PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

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Foundation is not the trustee of these trusts, the fair value of the trust assets has not been recorded in the Statements of Financial Position at December 31, 2009 and 2008.

### 13. GIFT ANNUITIES PAYABLE

The Foundation has three charitable gift annuities, under which the Foundation received \$75,000 and is required to make annual payments to the donors in amounts ranging from \$650 to \$2,400 for the remainder of the donors' lifetimes. The Foundation has three deferred charitable gift annuities under which the Foundation received \$60,000 and will begin annual payments ranging from of \$1,000 to \$1,400 beginning as early as 2014. Upon the death of the specified persons, the remaining amount of the gifts are to be used by the Foundation as specified in the respective agreements. The Foundation has recognized a liability for the present value of the amount expected to be paid to the third-party beneficiaries at December 31, 2009 and 2008. The liability was calculated based on the life expectancy of the beneficiary of each annuity, derived from the applicable one life or joint-life and last survivor annuity expected return multiples. The present value was calculated using discount rates ranging from 4.2 percent to 9.4 percent on single-life or joint-life annuities. The present value of amounts expected to be paid to the third party beneficiaries was \$63,028 and \$36,984 at December 31, 2009 and 2008, respectively. The change in the present value of the amounts expected to be paid under these gift annuities was \$(8,036) and \$(3,457) for the years ended December 31, 2009 and 2008, respectively.

### 14. DUE TO PARTNERSHIP AFFILIATES

The Foundation has an agreement with two other organizations that share office space within the building the Foundation owns. Under the agreement, each organization pays rent in proportion to space utilized and expenses shared. A portion of this rent is held by the Foundation and will be paid back to each organization in proportion to payments made upon termination of the lease. The total amount owed at December 31, 2009 and 2008 was \$53,135 and \$51,887, respectively, and has been recorded as due to partnership affiliates in the Statements of Financial Position.

# PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

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### 15. CUSTODIAL FUNDS

Custodial funds represents contributions placed on deposit with the Foundation by other organizations based on their individual board resolutions. The Foundation accounts for these transfers as a liability in accordance with applicable accounting standards. Income is added to these funds periodically in accordance with the Foundation's investment allocation policies. Contributions by, investment return 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 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Custodial funds, beginning balance	\$ 2,441,784	\$ 3,399,373
Contributions and grants	59,350	64,185
Investment return, net	600,154	(846,987)
Administrative fees	(23,337)	(25,662)
Grant payments	(69,521)	(74,600)
Other expenses	<u>(189)</u>	<u>(74,525)</u>
Custodial funds, ending balance	<u>\$ 3,008,241</u>	<u>\$ 2,441,784</u>

### 16. LONG-TERM DEBT

Long-term debt consists of a real estate mortgage on the Partnership Center payable to a bank that matures in January 2018. Monthly payments are \$566, which includes principal and interest at 3.3% annually.

Maturities of long-term debt subsequent to December 31, 2009 are as follows:

<u>Year</u>	
2010	\$ 5,293
2011	5,471
2012	5,654
2013	5,844
2014	6,039
Thereafter	<u>19,731</u>
	<u>\$ 48,032</u>

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# PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

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### 17. NET ASSETS

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 the Foundation'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 the Foundation are classified and reported as follows:

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

*Operating* – used to fund current operations of the Foundation

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

Temporarily restricted net assets – Net assets not yet appropriated for expenditure by the Foundation'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 Foundation. 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.

# PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

Temporarily restricted net assets are restricted for the following purposes at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Time restrictions related to:		
Charitable trusts	\$ 248,767	\$ 223,132
Pledges receivable	50,842	201,781
Endowment funds not yet appropriated for expenditure	<u>14,608,307</u>	<u>12,095,960</u>
	<u>\$ 14,907,916</u>	<u>\$ 12,520,873</u>

Permanently restricted net assets of \$208,053 are restricted to support scholarships to Putnam County residents.

Net assets were released from donor restrictions during the years ended December 31, 2009 and 2008 as follows:

	<u>2009</u>	<u>2008</u>
Designated purpose restrictions related to:		
Sustaining Resource Development	\$ -0-	\$ 78,730
Endowment funds appropriated for expenditure	<u>584,663</u>	<u>324,414</u>
	<u>\$ 584,663</u>	<u>\$ 403,144</u>

Endowment funds appropriated for expenditure primarily consist of grants, as well as fees and other fund expenses.

## 18. ENDOWMENT

The majority of the Foundation's funds consists 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 accounting principles generally accepted in the United States of America, 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 the Foundation in a manner consistent with the standard of prudence

# PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

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prescribed by UPMIFA. 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 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 the Foundation
- (7) The investment policies of the Foundation

The Foundation 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 the Foundation 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. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 9 percent annually. Actual returns in any given year may vary from this amount.

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

The Foundation has a policy of appropriating for distribution each year 4.5 percent of its endowment funds' average fair value over the prior 12 quarters through September 30 of the fiscal year preceding the fiscal year in which the distribution is planned, or a lesser percentage as voted upon annually by the Board of Directors. In establishing this policy, the Foundation considered the long-term expected return on its endowment.

**PUTNAM COUNTY COMMUNITY FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

Endowment funds by net asset type at December 31, 2009 and 2008 were as follows:

	2009		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Board Designated Funds	\$ 80,683	\$ -0-	\$ -0-
Donor Restricted Funds	<u>-0-</u>	<u>14,608,307</u>	<u>208,053</u>
	<u>\$ 80,683</u>	<u>\$ 14,608,307</u>	<u>\$ 208,053</u>

  

	2008		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Board Designated Funds	\$ 65,902	\$ -0-	\$ -0-
Donor Restricted Funds	<u>-0-</u>	<u>12,095,960</u>	<u>208,053</u>
	<u>\$ 65,902</u>	<u>\$ 12,095,960</u>	<u>\$ 208,053</u>

Changes in net assets related to endowment funds for the years ending December 31, 2009 and 2008 were as follows:

	2009		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year	\$ 65,902	\$ 12,095,960	\$ 208,053
Contributions and other revenues	-0-	299,395	-0-
Investment return, net	20,075	2,797,615	-0-
Appropriation of endowment assets for expenditure	<u>(5,294)</u>	<u>(584,663)</u>	<u>-0-</u>
Endowment net assets, end of year	<u>\$ 80,683</u>	<u>\$ 14,608,307</u>	<u>\$ 208,053</u>

  

	2008		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year	\$ 99,153	\$ 16,272,782	\$ 208,053
Contributions and other revenues	2,405	633,659	-0-
Investment return, net	(29,291)	(4,486,067)	-0-
Appropriation of endowment assets for expenditure	<u>(6,365)</u>	<u>(324,414)</u>	<u>-0-</u>
Endowment net assets, end of year	<u>\$ 65,902</u>	<u>\$ 12,095,960</u>	<u>\$ 208,053</u>

# PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

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### 19. OTHER REVENUES

The Foundation received other revenues during the years ended December 31, 2009 and 2008 as follows:

	<u>2009</u>	<u>2008</u>
Copy income	\$ 10,583	\$ -0-
Rent income	27,558	23,400
Gain on sale of real estate	-0-	13,960
Other income	<u>6,402</u>	<u>27,941</u>
	<u>\$ 44,543</u>	<u>\$ 65,301</u>

### 20. 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.

The Foundation serves as a vehicle for residents of Putnam County to donate to various organizations and projects in the county. Expenses related to providing this service for the years ended December 31, 2009 and 2008 are classified as follows:

	<u>2009</u>	<u>2008</u>
Development of Putnam County	\$ 694,064	\$ 532,024
Fundraising	144,635	120,227
General and administrative expenses	<u>95,768</u>	<u>172,919</u>
	<u>\$ 934,467</u>	<u>\$ 825,170</u>

### 21. ADMINISTRATIVE FEES

Administrative fees are expensed from the funds to support the operations of the Foundation. 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.

