

**PUTNAM COUNTY COMMUNITY
FOUNDATION, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2006

CPAs / ADVISORS

The logo for 'blue' features a stylized blue icon resembling a bird or a leaf to the left of the word 'blue' in a lowercase, sans-serif font.

PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

TABLE OF CONTENTS DECEMBER 31, 2006

	Page
Report of Independent Auditors	1
 Financial Statements	
Statement of Financial Position.....	2
Statement of Activities.....	3
Statement of Cash Flows	4
Notes to the Financial Statements	5



Blue & Co., LLC / 106 Community Drive / Seymour, IN 47274
man 812.522.8416 fax 812 523.8615 email blue@blueandco.com

blueandco.com

REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying statement of financial position of the Putnam County Community Foundation, Inc., as of December 31, 2006, 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 the Putnam County Community Foundation, Inc., as of December 31, 2006, 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.

Blue & Co., LLC

May 16, 2007

PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2006

ASSETS

Cash	\$ 207,575
Certificates of deposit	341,117
Investments	12,079,527
Pledges receivable	16,100
Other receivables	28,481
Prepaid expenses	9,069
Property and equipment, net	90,007
Property held for sale	89,300
Beneficial interest in charitable remainder trusts	1,589,237
Restricted cash	152,385
Restricted investments	<u>5,137,804</u>
	<u>\$ 19,740,602</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 20,072
Accrued payroll	5,858
Gift annuities payable	28,841
Due to partnership affiliates	46,329
Custodial funds	5,290,189
Long-term debt	<u>62,652</u>
Total liabilities	5,453,941

Net assets

Unrestricted	
Undesignated	5,693,140
Designated permanent funds	2,094,399
Advised permanent funds	2,664,277
Field of interest permanent funds	87,834
Organizational permanent funds	<u>1,205,135</u>
Total unrestricted net assets	11,744,785
Temporarily restricted	2,333,823
Permanently restricted	<u>208,053</u>
Total net assets	<u>14,286,661</u>
	<u>\$ 19,740,602</u>

See accompanying notes to financial statements.

PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

**STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2006**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenues				
Contributions and grants	\$ 588,279	\$ 174,267	\$ -0-	\$ 762,546
Investment return, net	1,304,324	78,742	-0-	1,383,066
Administrative fees	238,004	-0-	-0-	238,004
Change in value of split interest agreements	-0-	373,447	-0-	373,447
Other revenues	25,396	-0-	-0-	25,396
Net assets released from restrictions	110,301	(110,301)	-0-	-0-
Total support and revenues	<u>2,266,304</u>	<u>516,155</u>	<u>-0-</u>	<u>2,782,459</u>
Expenses				
Grants	274,970	-0-	-0-	274,970
Administrative fees	195,582	-0-	-0-	195,582
Salaries and wages	138,133	-0-	-0-	138,133
Payroll taxes and benefits	20,569	-0-	-0-	20,569
Insurance	10,867	-0-	-0-	10,867
Advertising	5,302	-0-	-0-	5,302
Office supplies	4,902	-0-	-0-	4,902
Printing and copying	22,812	-0-	-0-	22,812
Postage and shipping	3,688	-0-	-0-	3,688
Dues and subscriptions	3,514	-0-	-0-	3,514
Travel and education	2,155	-0-	-0-	2,155
Repairs and maintenance	4,767	-0-	-0-	4,767
Legal and accounting	32,750	-0-	-0-	32,750
Telephone	3,098	-0-	-0-	3,098
Depreciation	9,932	-0-	-0-	9,932
Computer expenses	12,727	-0-	-0-	12,727
Rent	8,472	-0-	-0-	8,472
Interest expense	2,151	-0-	-0-	2,151
Utilities	6,286	-0-	-0-	6,286
Event expenses	12,242	-0-	-0-	12,242
Miscellaneous	3,315	-0-	-0-	3,315
Total expenses	<u>778,234</u>	<u>-0-</u>	<u>-0-</u>	<u>778,234</u>
Change in net assets	<u>\$ 1,488,070</u>	<u>\$ 516,155</u>	<u>\$ -0-</u>	<u>\$ 2,004,225</u>
Net assets, beginning of year				
As previously reported	\$ 1,608,366	\$ 2,952,581	\$ 12,025,533	\$ 16,586,480
Prior period adjustments:				
Reclassification of deferred revenue	-0-	250,000	-0-	250,000
Recognition of beneficial interest in charitable remainder trusts	-0-	106,060	-0-	106,060
Adoption of SFAS 136	(4,660,104)	-0-	-0-	(4,660,104)
Reclassification of net assets	<u>13,308,453</u>	<u>(1,490,973)</u>	<u>(11,817,480)</u>	<u>-0-</u>
As restated	10,256,715	1,817,668	208,053	12,282,436
Change in net assets	<u>1,488,070</u>	<u>516,155</u>	<u>-0-</u>	<u>2,004,225</u>
Net assets, end of year	<u>\$ 11,744,785</u>	<u>\$ 2,333,823</u>	<u>\$ 208,053</u>	<u>\$ 14,286,661</u>

See accompanying notes to financial statements.

PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2006

Operating activities

Change in net assets	\$ 2,004,225
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	9,932
Net realized and unrealized gains on investments	(1,168,154)
Change in value of split-interest agreements	(373,447)
Changes in assets and liabilities:	
Pledges receivable	29,000
Other receivables	(1,478)
Prepaid expenses	(2,788)
Restricted cash	(152,385)
Restricted investments	(477,700)
Accounts payable	13,865
Grants payable	(24,103)
Accrued payroll	(67)
Gift annuities payable	(1,154)
Due to partnership affiliates	(4,497)
Custodial funds	630,085
Net cash flows from operating activities	<u>481,334</u>

Investing activities

Purchases of property and equipment	(21,548)
Maturities of certificates of deposit	117,883
Change in investments	(656,226)
Change in property held-for-sale	300
Net cash flows from investing activities	<u>(559,591)</u>

Financing activities

Payments on long-term debt	<u>(4,640)</u>
Net cash flows from financing activities	<u>(4,640)</u>

Net change in cash (82,897)

Cash, beginning of year 290,472

Cash, end of year \$ 207,575

See accompanying notes to financial statements.

PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

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.

Basis of Presentation

Net assets, support, investment return, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. 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. Also included in unrestricted net assets are amounts designated by the Foundation's board of directors for certain purposes and certain endowment funds due to variance power granted to the Foundation in the fund agreements. The Foundation maintains unrestricted funds as follows:

Undesignated – funds established for the benefit of the operations of the Foundation or are generally used for the benefit of the Foundation's Community Grants Program to support any charitable purpose.

Designated Permanent Funds – designated to benefit a particular charitable activity as identified by the donor occurring either within a charitable organization or by a non-profit organization that is not a public charity.

Advised Permanent Funds – designated to support organizations or areas of need as recommended by the donor through his or her active involvement in making recommendations for the recipients of the distribution.

Field of Interest Permanent Funds – designated to support a particular area of charitable activity as identified by the donor.

PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

Organizational Permanent Funds – designated to benefit the operations of a charitable organization as identified by the donor without stipulation of how the funds may be used within the charitable organization.

Temporarily restricted net assets – Net assets subject to 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, 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.

Cash

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

Investments and Investment Return

The Foundation carries its investments at fair market value for financial reporting purposes. Changes in unrealized appreciation or depreciation of investments are reflected in the Statement 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.

Pledges Receivable

Unconditional pledges receivable at December 31, 2006 are all due within one year. 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, 2006.

PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

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 market 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.

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.

Restricted Cash and Investments

Restricted cash and investments consist of monies received from various donors and organizations which are held in custodial funds at December 31, 2006.

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.

Administrative Fees

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

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.

PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

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.

2. PRIOR PERIOD ADJUSTMENTS

Net assets at the beginning of 2006 have been adjusted to reflect the recognition of beneficial interest in charitable remainder trusts and deferred revenue in accordance with accounting principles generally accepted in the United States of America. In addition, the Foundation adopted Statement of Financial Accounting Standards No. 136, "Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others" effective January 1, 2006. These corrections resulted in a \$4,304,044 decrease to previously reported net assets. Net assets totaling \$13,308,453 have also been reclassified between unrestricted, temporarily restricted and permanently restricted to reflect the recognition of net assets in accordance with accounting principles generally accepted in the United States of America. The impact of these adjustments on the change in net assets for the year ended December 31, 2005 has not been calculated.

3. INVESTMENTS

Investments (including restricted investments) at December 31, 2006 consist of the following:

Cash and money market funds	\$ 224,713
Corporate bonds	2,292,569
Government bonds	468,443
Domestic fixed income mutual funds	1,356,310
Domestic equity mutual funds	9,464,788
Foreign equity mutual funds	2,952,609
Real estate investment trust fund	<u>457,899</u>
	<u>\$ 17,217,331</u>

PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

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

Interest and dividend income	\$ 246,207
Realized gains	404,933
Unrealized gains	763,221
Investment fees	<u>(31,295)</u>
	<u>\$ 1,383,066</u>

4. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2006 is as follows:

Building and improvements	\$ 106,345
Furniture and fixtures	33,940
Computer equipment	<u>35,440</u>
	175,725
Less accumulated depreciation	<u>85,718</u>
	<u>\$ 90,007</u>

5. 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 \$1,589,237 at December 31, 2006. In calculating the present value of the amount to be received upon termination of the trusts, the discount rates used ranged from 6.4 percent to 9.6 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 \$373,447 for the year ended December 31, 2006. As the Foundation is not the trustee of these trusts, the fair market value of the trust assets has not been recorded in the Statement of Financial Position at December 31, 2006.

PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

6. GIFT ANNUITIES PAYABLE

The Foundation has three charitable gift annuities, under which the Foundation received \$75,000. The Foundation is required to make annual payments to the donors in amounts ranging from \$650 to \$2,400 for the remainder of the donors' lifetimes. Upon the death of the specified persons, the remaining amount of the gifts are to be used by the Foundation for unrestricted purposes. 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, 2006. 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 \$28,841 at December 31, 2006.

7. CUSTODIAL FUNDS

Custodial funds represents funds placed on deposit with the Foundation by other 501(c)(3) organizations based on their individual board resolutions. The Foundation 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 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 Statement of Activities. Following is a progression of custodial funds during 2006:

Custodial funds, beginning balance	\$ 4,660,104
Contributions	240,151
Investment return, net	632,832
Administrative fees	(41,691)
Grant payments	(148,380)
Other expenses	<u>(52,827)</u>
Custodial funds, ending balance	<u>\$ 5,290,189</u>

8. 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.

PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

Maturities of long-term debt subsequent to December 31, 2006 are as follows:

<u>Year</u>	
2007	\$ 4,795
2008	4,956
2009	5,122
2010	5,293
2011	5,471
Thereafter	<u>37,015</u>
	<u>\$ 62,652</u>

9. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes at December 31, 2006:

Time restrictions related to charitable trusts	\$ 1,589,237
Designated purpose restrictions related to:	
Sustaining Resource Development	188,259
Charitable purposes within Putnam County	<u>556,327</u>
	<u>\$ 2,333,823</u>

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

10. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions in 2006 by the expiration of purpose or time restrictions met related to contributions in the amount of \$110,301.

PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

11. FUNCTIONAL EXPENSES

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 year ended December 31, 2006 are classified as follows:

Development of Putnam County	\$	514,963
Fundraising		124,840
General and administrative expenses		<u>138,431</u>
	\$	<u>778,234</u>

12. RELATED PARTY TRANSACTIONS

The Foundation has an agreement with three 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, 2006 was \$46,329 and has been recorded as due to partnership affiliates in the Statement of Financial Position.

13. CONCENTRATIONS OF CREDIT RISK

The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. 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.

14. LINE OF CREDIT

The Foundation has available a margin line of credit through Edward Jones. At December 31, 2006, there was approximately \$1,040,000 available on the line and no outstanding borrowings. The line is collateralized by investments and bears interest at 9.75%.