

**WABASH VALLEY COMMUNITY FOUNDATION, INC.**

**Financial Statements and Report of Independent  
Certified Public Accountants**

**September 30, 2008**

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**Sackrider & Company**  
incorporated

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
Wabash Valley Community Foundation, Inc.  
Terre Haute, Indiana

We have audited the accompanying statements of assets, liabilities and net assets - modified cash basis of Wabash Valley Community Foundation, Inc. as of September 30, 2008 and 2007, and the related statements of revenues, expenses and other changes in net assets and cash flows - modified cash basis 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 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 audits provide a reasonable basis for our opinion.

As described in Note 2, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Wabash Valley Community Foundation, Inc. as of September 30, 2008 and 2007 and its support, revenue, expenses, and change in its net assets for the years then ended, on the basis of accounting described in Note 2.

*Sackrider & Company, Inc.*

Terre Haute, Indiana  
January 17, 2009

**WABASH VALLEY COMMUNITY FOUNDATION, INC.**

**Statements of Assets, Liabilities and Net Assets -  
Modified Cash Basis**

**September 30,**

<b>ASSETS</b>	<u><b>2008</b></u>	<u><b>2007</b></u>
<b>Cash</b>	\$ 48,636	\$ 38,567
<b>Investments</b>	24,826,357	29,105,733
<b>Office furniture and equipment</b>	95,579	95,448
Less accumulated depreciation	<u>(83,909)</u>	<u>(84,343)</u>
	<u>11,670</u>	<u>11,105</u>
<b>Total assets</b>	<u><u>\$ 24,886,663</u></u>	<u><u>\$ 29,155,405</u></u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Agency endowments</b>	\$ 1,815,036	\$ 2,193,030
<b>Accounts payable</b>	-	9,138
<b>Scholarships and grants payable</b>	254,002	151,270
<b>Payroll taxes withheld</b>	766	-
<b>HRA payable</b>	16,304	8,266
<b>Annuity liability</b>	<u>2,867</u>	<u>2,867</u>
<b>Total liabilities</b>	<u>2,088,975</u>	<u>2,364,571</u>
<b>Net assets</b>		
Unrestricted	22,719,602	26,603,280
Temporarily restricted	78,086	187,554
Permanently restricted	-	-
<b>Total net assets</b>	<u>22,797,688</u>	<u>26,790,834</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 24,886,663</u></u>	<u><u>\$ 29,155,405</u></u>

The accompanying notes are an integral part of these statements.

**WABASH VALLEY COMMUNITY FOUNDATION, INC.**

**Statements of Revenues, Expenses and Other Changes  
in Net Assets - Modified Cash Basis**

**Years Ended September 30,**

	<b>2008</b>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Public Support:</b>			
Total amounts raised	\$ 1,168,014	\$ -	\$ 1,168,014
Less: Amounts received as agency endowments	(5,003)	-	(5,003)
Total contributions	<u>1,163,011</u>	<u>-</u>	<u>1,163,011</u>
Seminar fees	2,025	-	2,025
Fundraising revenue	65,348	-	65,348
Other fees	1,248	-	1,248
Total support	<u>1,231,632</u>	<u>-</u>	<u>1,231,632</u>
<b>Revenue and Gains:</b>			
Investment income-net of custodial fees	884,645	-	884,645
Investment management fees	(37,500)	-	(37,500)
Gain (loss) on sale of investments	655,607	-	655,607
Unrealized gain (loss) on investments	(5,100,255)	-	(5,100,255)
Excess management fees from agency endowments	22,996	-	22,996
Net assets released from restrictions:			
Satisfaction of donor restrictions	109,468	(109,468)	-
Total revenue and gains	<u>(3,465,039)</u>	<u>(109,468)</u>	<u>(3,574,507)</u>
Total support, revenue and gains	<u>(2,233,407)</u>	<u>(109,468)</u>	<u>(2,342,875)</u>
<b>Expenses:</b>			
Community Activities:			
Total grants and distributions	1,090,890	-	1,090,890
Less: Grants made from agency endowments	(56,524)	-	(56,524)
Grants and distributions	<u>1,034,366</u>	<u>-</u>	<u>1,034,366</u>
Fundraising expenses	23,302	-	23,302
Total community activities expenses	<u>1,057,668</u>	<u>-</u>	<u>1,057,668</u>
Supporting Activities:			
Personnel expenses	285,238	-	285,238
Administrative expenses	156,800	-	156,800
Occupancy expenses	29,607	-	29,607
Development expenses	120,958	-	120,958
Total supporting activities expenses	<u>592,603</u>	<u>-</u>	<u>592,603</u>
Total expenses	<u>1,650,271</u>	<u>-</u>	<u>1,650,271</u>
<b>Change in net assets</b>	<u>(3,883,678)</u>	<u>(109,468)</u>	<u>(3,993,146)</u>
<b>Net assets at beginning of year</b>	<u>26,603,280</u>	<u>187,554</u>	<u>26,790,834</u>
<b>Net assets at end of year</b>	<u>\$ 22,719,602</u>	<u>\$ 78,086</u>	<u>\$ 22,797,688</u>

The accompanying notes are an integral part of these statements.

**2007**

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 3,289,236	\$ -	\$ 3,289,236
(17,454)	-	(17,454)
3,271,782	-	3,271,782
1,250	-	1,250
62,601	-	62,601
-	-	-
3,335,633	-	3,335,633
848,527	8,418	856,945
-	-	-
991,149	-	991,149
643,897	-	643,897
21,443	-	21,443
102,052	(102,052)	-
2,607,068	(93,634)	2,513,434
5,942,701	(93,634)	5,849,067
931,323	-	931,323
(163,257)	-	(163,257)
768,066	-	768,066
19,120	-	19,120
787,186	-	787,186
269,053	-	269,053
133,967	-	133,967
29,102	-	29,102
99,600	-	99,600
531,722	-	531,722
1,318,908	-	1,318,908
4,623,793	(93,634)	4,530,159
21,979,487	281,188	22,260,675
\$ 26,603,280	\$ 187,554	\$ 26,790,834

**WABASH VALLEY COMMUNITY FOUNDATION, INC.**

**Statements of Cash Flows - Modified Cash Basis**

**Years Ended September 30,**

	<b>2008</b>	<b>2007</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (3,993,146)	\$ 4,530,159
Adjustments to reconcile increases in net assets to net cash provided by operating activities:		
Depreciation	5,954	6,927
Net unrealized (appreciation) depreciation on investments	5,100,255	(643,897)
Gain on sale of assets	(655,607)	(991,149)
Change in assets and liabilities:		
Annuity liability	-	-
Accounts payable	(9,138)	9,138
Scholarships and grants payable	102,732	(157,639)
Other liabilities	8,804	8,266
Agency endowments	(377,994)	56,911
Net cash from operating activities	181,860	2,818,716
<b>Cash flows from investing activities</b>		
Purchase of office equipment	(8,405)	(2,327)
Proceeds from sale of investments	28,177,296	23,491,580
Purchase of investments	(28,157,262)	(25,850,819)
Contribution of investments	(183,420)	(418,783)
Net cash from investing activities	(171,791)	(2,780,349)
Net increase (decrease) in cash	10,069	38,367
<b>Cash at beginning of year</b>	38,567	200
<b>Cash at end of year</b>	\$ 48,636	\$ 38,567
<b>Supplemental data:</b>		
Noncash investing activities:		
Gifts of common stock	\$ 183,420	\$ 418,783

The accompanying notes are an integral part of these statements.

# WABASH VALLEY COMMUNITY FOUNDATION, INC.

## Notes to Financial Statements

September 30, 2008 and 2007

### NOTE 1 - PURPOSE OF ORGANIZATION

The Wabash Valley Community Foundation, Inc. (Foundation) was established December 20, 1991. The Foundation's mission is serving donor's and communities through philanthropic leadership and it's vision is promoting community investment for a better tomorrow. The Foundation's purpose is to enrich and enhance the quality of life in the Wabash Valley area by:

- (a) receiving and investing contributions to build a permanent endowment for the charitable needs of the Wabash Valley community. It will use the income from these contributions to respond to changing and emerging community needs and to sustain existing philanthropic organizations through grants to be used for social services, civic affairs, education, arts and culture, and recreation; and
- (b) providing a flexible and convenient giving vehicle for donors having a variety of charitable goals and needs. In doing so, the Foundation serves as a steward for individuals, families, foundations, and organizations entrusting assets to its care; and
- (c) assisting community leaders in identifying important needs and concerns, addressing serious problems, and shaping effective response and solutions.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Foundation's significant accounting policies applied in the preparation of the accompanying financial statements follows:

#### Basis of Accounting

The Foundation uses the "modified cash basis" method of accounting. Certain revenues are recognized when received rather than when earned and certain expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred.

#### Investments

Investments are stated at fair value determined by market quotes. All are held for investment purposes. Investments include all assets held in agency accounts with trust departments and brokerage firms plus certificates of deposit owned outside these accounts that are held for long term investment purposes. Investment income includes only interest and dividend income received on these investments.

#### Derivatives

Mortgage-backed securities are recorded at fair value using quoted market prices. Realized gains and losses are recognized when payments are received. The Foundation does not engage in the trading of derivatives. Mortgage-backed securities are purchased and held as part of the Foundation's portfolio to achieve investment return.

WABASH VALLEY COMMUNITY FOUNDATION, INC.

Notes to Financial Statements - Continued

September 30, 2008 and 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Agency Endowments

An agency endowment arises when funds are transferred to the Community Foundation from a donor who is a nonprofit organization and then specifies itself or its affiliates as the beneficiary of the funds. The transferred funds are maintained in perpetuity by the Community Foundation and the earnings of these funds less a management fee are transferred to the donor or its affiliate once a year. Agency endowment balances are recorded as liabilities in the Statements of Financial Position - modified cash basis. The Community Foundation currently has approximately 45 agency endowment agreements with donors.

Depreciation

Property, plant and equipment is recorded at historical cost and is depreciated over the estimated useful lives of the related assets using the straight-line method. Depreciation expense totaled \$5,954 and \$6,927 for the years ended September 30, 2008 and 2007, respectively.

Support

Contributions received are measured at their fair values and are reported as an increase in net assets. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. 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 activity as net assets released from restrictions.

Donated Materials and Services

Only those in-kind contributions for which a fair market value can be objectively determined are recorded as revenue.

Income Tax Exemption

The Internal Revenue Service has determined the Foundation to be exempt from the payment of federal income taxes under sections 509(a) and 501(c)(3) of the Internal Revenue Code. This ruling was obtained March 10, 1992. The Department of Revenue, State of Indiana, has also recognized the Foundation as a not-for-profit organization exempt from the payment of Indiana income taxes.

Cash

For purposes of the Statement of Cash Flows, the Foundation considers cash the same as cash as shown in the Statement of Assets, Liabilities and Net Assets - modified cash basis, which includes cash on hand and checking account balances.

Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets

**WABASH VALLEY COMMUNITY FOUNDATION, INC.**

**Notes to Financial Statements - Continued**

**September 30, 2008 and 2007**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

Certain 2007 amounts have been reclassified to conform with 2008 presentation.

**NOTE 3 - INVESTMENTS**

Investments are held in agency accounts administered by two local trust departments and are carried at fair value. The fair values of investment securities are as follows:

	<u>September 30, 2008</u>	<u>September 30, 2007</u>
Principal and income cash	\$ 61,446	\$ 20,735
Certificates of deposit	92,506	329,540
Cash equivalents	1,686,897	3,459,232
U.S. Government and government agency obligations	1,767,573	7,189,027
Corporate bonds	652,204	2,932,891
Common stocks	8,002,153	11,906,165
Common stock mutual funds	9,203,243	3,268,143
Fixed income mutual funds	<u>3,360,335</u>	<u>-</u>
	\$ <u>24,826,357</u>	\$ <u>29,105,733</u>

These investments represent funds to be used to provide future income for grants, scholarships and supporting activity expenses.

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended September 30, 2008:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Investment income	\$ 931,181	\$ -	\$ -	\$ 931,181
Net realized gains (losses)	655,607	-	-	655,607
Net unrealized gains (losses)	(5,100,255)	-	-	(5,100,255)
Custodial fees	(46,536)	-	-	(46,536)
Management fees	<u>(37,500)</u>	<u>-</u>	<u>-</u>	<u>(37,500)</u>
Total investment return	\$ <u>(3,597,503)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(3,597,503)</u>

The following schedule summarizes the investment return and its classifications in the statement of activities for the year ended September 30, 2007:

**WABASH VALLEY COMMUNITY FOUNDATION, INC.**

**Notes to Financial Statements - Continued**

**September 30, 2008 and 2007**

**NOTE 3 - INVESTMENTS - continued**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Investment income	\$ 894,120	\$ 8,418	\$ -	\$ 902,538
Net realized gains	991,149	-	-	991,149
Net unrealized gains	643,897	-	-	643,897
Custodial fees	<u>(45,593)</u>	<u>-</u>	<u>-</u>	<u>(45,593)</u>
Total investment return	\$ <u>2,483,573</u>	\$ <u>8,418</u>	\$ <u>-</u>	\$ <u>2,491,991</u>

**NOTE 4 - CONTRIBUTIONS FROM LILLY ENDOWMENT, INC.**

The Foundation is participating in the Lilly Endowment Community Scholarship Program. Originally, the Foundation received funding to award scholarships to students selected by the Foundation. The scholarships provide payment of tuition and stipends over four years for the recipients selected.

The Foundation continues to participate in the scholarship program; however, the funding is no longer provided to the Foundation. The funding is now sent to the Independent Colleges of Indiana to manage and disburse as necessary. The funds received for making distribution for scholarship recipients awarded prior to 2003, are still maintained by the Foundation and distributions are made to the respective colleges and students as needed. These remaining funds are shown in the Statement of Assets, Liabilities and Net Assets as scholarships payable. During the year ended September 30, 2006, the Foundation made payments of \$152,492 to various colleges and students on behalf of scholarship recipients. The Foundation also returned \$79,238 to Independent Colleges of Indiana at the direction of Lilly Endowment for funding of existing scholars now managed by ICI. At September 30, 2006, the Foundation met all of its commitments for all Lilly Scholars, but still maintained \$155,728 of excess funds for the program. During the year ended September 30, 2007, Lilly Endowment notified the Foundation that they could keep the funds and use them for a similar purpose.

The Foundation is participating in the Lilly Endowment Sustaining Resource Development Program. In August 2005, the Foundation submitted a three-year strategic plan for development and fund-raising for each county served by the Foundation. Lilly Endowment analyzed the strategic plan and awarded up to 50% of the plan's implementation cost, not to exceed a maximum grant of \$250,000 for each county, upon approval of the plan. The Foundation was notified by Lilly Endowment that the strategic plan submitted was approved and the Foundation received \$384,667 in December 2005. These funds were recorded by the Foundation as temporarily restricted. Expenses applicable to this program totaled \$109,468 and \$93,634 during the years ended September 30, 2008 and 2007, respectively.

**NOTE 5 - MANAGEMENT FEES**

Donor funds are charged a quarterly fee of .25% of assets based on the principal balance as of December 31, March 31, June 30 and September 30 each year. Non-permanent and pass-through funds are charged a fee of 2% that are taken in quarterly installments of .5% of the principal balance as of December 31, March 31, June 30, and September 30. Endowments funds accepted and deposited in the last two months of the fiscal year will not pay a fee for that year. The management fees are used in the unrestricted fund to offset operating expenses.

**WABASH VALLEY COMMUNITY FOUNDATION, INC.**

**Notes to Financial Statements - Continued**

**September 30, 2008 and 2007**

**NOTE 6 - RENT EXPENSE**

The Foundation leases office space under an operating lease that expires in May 2010. A member of the Foundation's board is an executive with the lessor. Rent payments made during the years ended September 30, 2008 and 2007 totaled \$17,472 and \$17,080, respectively.

Minimum future rental payments to be paid on operating leases as of September 30, 2008 for each of the next 5 years and the aggregate are:

2009	\$ 17,472
2010	11,648
2011	-
2012	-
2013	-
	<u>\$ 29,120</u>

**NOTE 7 - NET ASSETS**

The Foundation has variance power over all funds received, and as such, these are listed as unrestricted net assets. However, the Foundation maintains various categories of internal funds based on the wishes and purposes established with donors in fund agreements. Those categories and balances at September 30, 2008 were as follows:

Donor Advised	\$ 1,858,032
Scholarship	5,021,820
Designated	3,810,418
Agency Endowment	1,527,627
Field of Interest	1,670,690
Special Project	84,977
Unrestricted	7,756,040
Operating Funds	<u>990,000</u>
	\$ <u>22,719,604</u>

**NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS**

The Wabash Valley Community Foundation has established a charitable gift annuity agreement with a donor. The donor has transferred assets to the Foundation, and in turn, the donor is to receive quarterly annuity payments for life. Upon death of the donor the remaining assets revert to the Foundation. The assets held by the Foundation under this agreement are recorded as temporarily restricted. The gift was valued using present value factors and the applicable Internal Revenue Service 7520 rate which was 6.2%.

The Foundation is participating in the Lilly Endowment Sustaining Resources Program. The grant received for this program is temporarily restricted (see Note 4).

**WABASH VALLEY COMMUNITY FOUNDATION, INC.**

**Notes to Financial Statements - Continued**

**September 30, 2008 and 2007**

**NOTE 9 - OTHER RESTRICTIONS**

As of September 30, 2008 and 2007, unrestricted assets totaling \$3,246,779 and \$3,981,385, respectively, have been designated by the board of directors as endowment funds. The earnings from these assets are unrestricted and used on an as needed basis.

**NOTE 10 - BENEFICIAL INTEREST TRUSTS**

The Foundation has a remainder interest in eleven charitable remainder trusts. A charitable remainder trust provides distributions to various designated beneficiaries over the term of the trust (usually the designated beneficiary's lifetime). At the end of the trusts' term, the remaining assets are to become part of the Foundation's permanent endowment funds. The income is to be used for designated purposes. These remainder interests are not recorded in the accompanying financial statements as the remainder beneficiary can generally be changed by the donor.

The Foundation believes it is a beneficiary in thirteen wills. The potential bequests are not included in the financial statements since the bequests are revocable at the discretion of the grantors.

**NOTE 11 - CONCENTRATIONS**

The Foundation maintains cash balances at a local bank that is periodically in excess of the amount covered by the Federal Deposit Insurance Corporation.

During the year ended September 30, 2008, the Foundation received contributions of \$397,901 from three donors. Each individual donor's aggregate contribution was greater than 10% of the total contributions received by the Foundation. The three donors' total contributions were 34% of the total contributions received.

During the year ended September 30, 2007, the Foundation received contributions of \$1,697,522 from two donors. Each donor's aggregate contribution was greater than 10% of the total contributions received by the Foundation. These contributions were 52% of the total contributions the Foundation received during the year.

**NOTE 12 - SUBSEQUENT EVENT**

At September 30, 2008, a worldwide general investment market decline was in process. During the quarter ended December 31, 2008, the Foundation's investment portfolio experienced net realized and unrealized losses of approximately \$3,785,000.