

**COMMUNITY FOUNDATION OF HAZARD
AND PERRY COUNTY, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2009

COMMUNITY FOUNDATION OF HAZARD AND PERRY COUNTY, INC.

TABLE OF CONTENTS DECEMBER 31, 2009

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



FORTY YEARS & COUNTING

Blue & Co., LLC / 106 Community Drive / Seymour, IN 47274

main 812.522.8416 fax 812.523.8615 email blue@blueandco.com

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of the
Community Foundation of Hazard and Perry County, Inc.
Chavies, Kentucky

We have audited the accompanying statement of financial position of the Community Foundation of Hazard and Perry County, Inc. (the "Organization") as of December 31, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization'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 Community Foundation of Hazard and Perry County, Inc. as of December 31, 2009, 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.

October 25, 2010

COMMUNITY FOUNDATION OF HAZARD AND PERRY COUNTY, INC.

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2009

ASSETS

Cash	\$	143,545
Certificate of deposit		111,359
Investments		205,598
Contributions receivable, net		<u>287,844</u>
	\$	<u>748,346</u>

LIABILITIES AND NET ASSETS

Liabilities

Accrued expenses	\$	2,118
------------------	----	-------

Net assets

Unrestricted net assets		
Operating		165,673
Board designated granting fund		30,000
Board designated unrestricted endowment		<u>10,000</u>
		205,673
Temporarily restricted net assets		259,458
Permanently restricted net assets		<u>281,097</u>
Total net assets		<u>746,228</u>
	\$	<u>748,346</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF HAZARD AND PERRY COUNTY, INC.

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues				
Contributions	\$ 145,408	\$ -0-	\$ 28,201	\$ 173,609
Investment return, net	-0-	30,744	-0-	30,744
In-kind revenue	14,673	-0-	-0-	14,673
Net assets released from restrictions	37,626	(37,626)	-0-	-0-
Total support and revenues	197,707	(6,882)	28,201	219,026
Expenses				
Salaries and wages	50,000	-0-	-0-	50,000
Payroll taxes	3,825	-0-	-0-	3,825
Employee benefits	4,845	-0-	-0-	4,845
Marketing	1,447	-0-	-0-	1,447
Advertising	366	-0-	-0-	366
Office supplies	1,936	-0-	-0-	1,936
Postage and printing	493	-0-	-0-	493
Telephone	2,199	-0-	-0-	2,199
In-kind rent and utilities	14,673	-0-	-0-	14,673
Professional fees	9,142	-0-	-0-	9,142
Travel and entertainment	4,122	-0-	-0-	4,122
Meetings and conferences	1,751	-0-	-0-	1,751
Insurance	2,334	-0-	-0-	2,334
Miscellaneous	4	-0-	-0-	4
Total expenses	97,137	-0-	-0-	97,137
Change in net assets	100,570	(6,882)	28,201	121,889
Net assets, beginning of year	105,103	266,340	252,896	624,339
Net assets, end of year	\$ 205,673	\$ 259,458	\$ 281,097	\$ 746,228

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF HAZARD AND PERRY COUNTY, INC.

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2009

Operating activities

Change in net assets	\$ 121,889
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Net realized and unrealized gains on investments	(23,360)
Contributions restricted to endowment fund	(28,201)
Unamortized discount on contributions receivable	12,374
Changes in assets and liabilities:	
Contributions receivable	(9,748)
Grants payable	(45,300)
Accrued expenses	(2,368)
Net cash flows from operating activities	<u>25,286</u>

Investing activities

Net change in certificate of deposit	39,657
Net change in investments	<u>(70,795)</u>
Net cash flows from investing activities	(31,138)

Financing activities

Contributions restricted to endowment fund	<u>28,201</u>
Net change in cash	22,349

Cash, beginning of year 121,196

Cash, end of year \$ 143,545

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF HAZARD AND PERRY COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Community Foundation of Hazard and Perry County, Inc. (the "Organization") is a not-for-profit entity that was created in 1998 and began full operations in 2008. The Organization is located in Chavies, Kentucky. The mission of the Organization is to support collaborative work in the community around a common vision that enhances the lives of all local citizens and to create a permanent endowment to serve as a catalyst and resource to respond to changing community priorities.

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, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions and made up of the Organization's operating fund and monies designated by the board for specified purposes. The Foundation maintains unrestricted funds as follows:

Operating – used to fund current operations of the Organization

Board designated granting fund – funds designated by the Board to provide grants to the community

Board designated unrestricted endowment – funding placed into the endowment to benefit future operations

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 Statements of Activities as net assets released from restrictions.

COMMUNITY FOUNDATION OF HAZARD AND PERRY COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009

Permanently restricted net assets – Net assets are subject to donor-imposed restrictions that neither expire or by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation. Included in this classification is the endowment fund based on donor intent requiring that the principal be maintained in perpetuity and invested for the purpose of producing present and future income.

Investments and Investment Return

The Organization carries its investments at fair value for financial reporting purposes. Changes in unrealized appreciation or depreciation of investments are reflected in the Statement of Activities in the periods in which such changes occur.

Support, Revenues and Expense Recognition

Contributions, which include unconditional promises to give (contributions 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 either unrestricted, temporarily restricted, or permanently restricted net assets in accordance with the nature of the related contribution. 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 either unrestricted or temporarily restricted net assets in accordance with the classification of the fund as it relates to donor intent.

All other revenue is recorded when earned.

Income Taxes

The Organization 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.

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.

COMMUNITY FOUNDATION OF HAZARD AND PERRY COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009

Subsequent Events

The Organization 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 October 25, 2010.

In January 2010, the Organization was the recipient of a grant in the amount of \$10,000 for the Community Arts Center Feasibility Study project. In September 2010, the Organization was the recipient of a grant in the amount of \$75,000 from the Appalachian Regional Commission. This grant is to promote philanthropy, develop leadership, bridge relationships and build the community capacity that will lift the people and community out of poverty.

2. CERTIFICATE OF DEPOSIT

The certificate of deposit of \$111,359 carries an interest rate of 2.78% and matures on April 11, 2010.

3. INVESTMENTS

Investments consist of the following:

Cash and cash equivalents	\$	3,617
Domestic fixed income mutual funds		70,073
Domestic equity mutual funds		81,035
Domestic common stock		11,171
Foreign equity mutual funds		<u>39,702</u>
	\$	<u>205,598</u>

The following schedule summarizes the investment return and its classification in the Statement of Activities:

Interest and dividend income	\$	7,384
Unrealized gains on investments		<u>23,360</u>
	\$	<u>30,744</u>

COMMUNITY FOUNDATION OF HAZARD AND PERRY COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009

4. RISKS AND UNCERTAINTIES

The Organization holds investments (Note 3). 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.

5. 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 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.
- 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.

Investments are measured at fair value in the Statement of Financial Position and are classified within the fair value hierarchy as Level 1 at December 31, 2009. Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

COMMUNITY FOUNDATION OF HAZARD AND PERRY COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009

6. CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable consist of the following at December 31, 2009:

Unconditional contributions receivable	\$ 335,000
Less: unamortized discount	<u>(47,156)</u>
	<u>\$ 287,844</u>
Amounts due in:	
Less than one year	\$ 85,000
One to five years	<u>250,000</u>
	<u>\$ 335,000</u>

Qualifying contributions receivable were discounted at 5%. Management estimates an allowance for doubtful contributions receivable based on an evaluation of historical losses, current economic conditions, and other factors unique to the Organization's donors. No allowance for doubtful contributions receivable was determined to be necessary at December 31, 2009.

7. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

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

Time restrictions related to contributions receivable	\$ 215,218
Endowment funds not yet appropriated for expenditure	<u>44,240</u>
	<u>\$ 259,458</u>

Permanently restricted net assets in the amount of \$281,097 at December 31, 2009 are donor-restricted assets whereby the principal amount is never to be expended.

8. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions in the amount of \$37,626 related primarily to receipts on contributions receivable for the year ended December 31, 2009.

COMMUNITY FOUNDATION OF HAZARD AND PERRY COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009

9. ENDOWMENT

The Organization maintains one endowment fund. This endowment includes both donor-restricted assets and assets designated by the Board of Directors to function as a portion of the endowment. 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 the preservation of the historic gift value as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The earnings on the permanent endowment are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence 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 Organization 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 Organization
- (7) The investment policies of the Organization

The Organization 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 Organization 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. Actual returns in any given year may vary.

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

COMMUNITY FOUNDATION OF HAZARD AND PERRY COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009

The Organization has a policy of appropriating for distribution each year 4 percent of its endowment fund's average fair value over the prior 12 quarters, or a lesser percentage as voted upon annually by the Board of Directors. In establishing this policy, the Organization considered the long-term expected return on its endowment.

The endowment fund by net asset type at December 31, 2009 was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Board Designated Funds	\$ 10,000	\$ -0-	\$ -0-
Donor Restricted Funds	-0-	44,240	281,097
	\$ 10,000	\$ 44,240	\$ 281,097

Changes in the endowment fund for the year ending December 31, 2009 was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year	\$ -0-	\$ 13,496	\$ 252,896
Contributions and other revenue	10,000	-0-	28,201
Investment return, net	-0-	30,744	-0-
Endowment net assets, end of year	\$ 10,000	\$ 44,240	\$ 281,097

10. FUNCTIONAL EXPENSES

The Organization serves as a vehicle for residents of Hazard and Perry County to donate to various organizations and projects in the county. Expenses related to providing this service are classified as follows:

Development of Hazard and Perry County	\$ 30,152
Fundraising	32,609
General and administrative expenses	34,376
	\$ 97,137

COMMUNITY FOUNDATION OF HAZARD AND PERRY COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009

11. RENT

The Organization uses its office space and utilities with no rental charge. As such, the Organization has recognized in-kind revenue and expense in 2009 of \$14,673 which approximates the fair value of the contribution.

12. RELATED PARTY TRANSACTIONS

The Organization received \$71,675 in contributions from members of the Organization's board of directors during 2009.

13. CONCENTRATIONS

The Organization maintains its cash in bank deposit accounts insured by the Federal Deposit Insurance Corporation at its current coverage levels. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on related to these accounts at December 31, 2009.

During 2009, the Organization received 58 percent of its total support and revenues from three donors.