HENDRICKS COUNTY COMMUNITY FOUNDATION, INC.

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2013

Estep Burkey Simmons, LLC
Certified Public Accountants
& Consultants

Report of Independent Certified Public Accountants

Board of Directors
Hendricks County Community Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Hendricks County Community Foundation, Inc., which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hendricks County Community Foundation, Inc. as of December 31, 2013, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

We have previously audited Hendricks County Community Foundation, Inc.'s December 31, 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 26, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Estep Burkey Simmons, LLC

Muncie, Indiana
April 25, 2014

Hendricks County Community Foundation, Inc.

STATEMENT OF FINANCIAL POSITION

December 31, 2013
(With comparative totals at December 31, 2012)

	2013	2012
ASSETS		
Cash and cash equivalents	$ 913,350	$ 517,188
Investments	8,593,925	7,728,173
Prepaid expenses	1,772	1,994
Cash surrender value of life insurance	61,368	58,160
Annuity	131,154	150,074
Property and equipment, net	6,506	7,922
	$ 9,708,075	$ 8,463,511
LIABILITIES		
Accounts payable	$ 2,736	$ 10,645
Grants and scholarships payable	57,578	86,023
Accrued payroll	5,052	3,992
Annuity liability	163,263	179,682
Funds held as agency partner funds	434,390	396,985
Total liabilities	663,019	677,327
NET ASSETS		
Unrestricted	809,732	409,807
Temporarily restricted	1,236,797	815,931
Permanently restricted	6,998,527	6,560,446
	9,045,056	7,786,184
	$ 9,708,075	$ 8,463,511

Hendricks County Community Foundation, Inc.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2013
(With comparative totals at December 31, 2012)

	2013				2012
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Support and revenue:					
Contributions and pledges	$ 188,733	$ 702,253	$ 438,081	$ 1,329,067	$ 571,211
Administrative fee income	172,769			172,769	152,264
Special events, net of $49,030 in 2013 and $50,757 in 2012 of expense, respectively	177,675	18,766		196,441	197,088
Investment income, net of fees	266,401	691,015		957,416	745,655
Change in value of annuity		(2,501)		(2,501)	(10,063)
	805,578	1,409,533	438,081	2,653,192	1,656,155
Net assets released from restrictions:					
Restrictions satisfied by payments	988,667	(988,667)			
Expenses:					
Program services					
Grants and scholarships	925,606			925,606	642,894
Program expense	89,643			89,643	93,152
Supporting services					
Management and general	140,018			140,018	140,413
Administrative fees	165,109			165,109	144,806
Fundraising and development	73,944			73,944	92,418
	1,394,320			1,394,320	1,113,683
INCREASE IN NET ASSETS	399,925	420,866	438,081	1,258,872	542,472
Net assets at beginning of year	409,807	815,931	6,560,446	7,786,184	7,243,712
Net assets at end of year	$ 809,732	$ 1,236,797	$ 6,998,527	$ 9,045,056	$ 7,786,184

Hendricks County Community Foundation, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2013
(With comparative totals at December 31, 2012)

	2013				2012
	Program Services	Management and General	Fundraising	Total	Total
Grants, scholarships and awards	$ 925,606			$ 925,606	$ 642,894
Salaries and wages	70,337	$ 70,337	$ 35,168	175,842	179,247
Payroll taxes	5,709	5,709	2,855	14,273	14,030
Employee benefits	204	204	102	510	1,987
Depreciation		1,416		1,416	2,439
Occupancy		17,700		17,700	12,790
Equipment rental and maintenance		2,797		2,797	4,907
Meetings and conferences	445	445	223	1,113	1,578
Print materials			13,686	13,686	18,022
Professional fees		8,235		8,235	8,134
Staff education and development		1,909		1,909	3,166
Office expense		6,841		6,841	6,147
Insurance		4,355		4,355	1,800
Postage	1,651	1,651	826	4,128	2,237
Communications and technical support	7,266	7,266	3,633	18,165	16,875
Advertising and promotions			11,487	11,487	24,600
Donor development and networking			5,511	5,511	6,203
Special events	9,806		39,224	49,030	50,757
Administrative fees		165,109		165,109	144,806
Other expenses:					
Auto expense	905	905	453	2,263	2,015
Bank charges		5,984		5,984	10,801
Dues and subscriptions		4,264		4,264	3,041
Scholarship-related expenses	3,126			3,126	5,964
	1,025,055	305,127	113,168	1,443,350	1,164,440
Less: direct expenses of special events netted with revenues on the statement of activities	(9,806)		(39,224)	(49,030)	(50,757)
	$ 1,015,249	$ 305,127	$ 73,944	$ 1,394,320	$ 1,113,683

The accompanying notes are an integral part of this statement.

Hendricks County Community Foundation, Inc.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2013
(With comparative totals at December 31, 2012)

	2013	2012
Cash flows from operating activities:		
Increase in net assets	$ 1,258,872	$ 542,472
Adjustments to reconcile change in net assets to		
net cash provided by operating activities:		
Depreciation	1,416	2,439
Realized gains on investments	(24,911)	(128,875)
Unrealized gains on investments	(524,441)	(400,592)
(Increase) decrease in assets:		
Pledges receivable		4,550
Annuity receivable	18,920	18,920
Prepaid expenses	222	1,006
Cash surrender value of life insurance	(3,208)	(3,343)
Increase (decrease) in operating liabilities:		
Accounts payable	(7,909)	4,485
Grants and scholarships payable	(28,445)	9,523
Accrued payroll	1,060	3,992
Charitable gift annuity liability	(16,419)	(5,514)
Deferred revenue		(5,000)
Funds held as agency partner funds	37,405	36,895
Net cash provided by operating activities	712,562	80,958
Cash flows from investing activities:		
Purchase of equipment		(3,892)
Purchase of investments	(1,079,432)	(1,334,550)
Proceeds from sales of investments	763,032	1,197,894
Net cash used in investing activities	(316,400)	(140,548)
Net increase (decrease) in cash and cash equivalents	396,162	(59,590)
Cash and cash equivalents at beginning of year	517,188	576,778
Cash and cash equivalents at end of year	$ 913,350	$ 517,188

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

1. Nature of Activities

The Hendricks County Community Foundation, Inc. (Foundation) is a not-for-profit corporation organized under the laws of the State of Indiana. The Foundation was organized to help meet the charitable needs of the community by accepting, investing and administering funds established by donors and making grants to charitable organizations. The mission of the Foundation is “Connecting Caring People with Causes That Matter”.

2. Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and reflect all significant receivables, payables and other liabilities.

3. Financial Statement Presentation

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

4. Contributions

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

5. Cash and Cash Equivalents

The Foundation maintains its cash in accounts at high credit financial institutions, which are insured by agencies of the U.S. Government. For purposes of the statement of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Foundation maintained cash balances in excess of federally insured limits at December 31, 2013, and from time to time during the year. At December 31, 2013 the Foundation’s cash balances exceeded the federally insured limits by $164,561.

6. Investments

Investments consist primarily of marketable equity and debt securities that are stated at fair value based on quoted market prices. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the risks associated with investment securities and the uncertainty related to changes in the fair value of investment securities, it is at least reasonably possible that changes in fair value could materially affect the net assets of the Foundation.

Investment income, net realized and unrealized gains or losses are included in the statement of activities. Realized gains and losses are determined using the specific-identification method.

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES - Continued

7. Equipment and Depreciation

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

8. Income Taxes

The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision has been made for income taxes.

9. Contributed Services

During the year ended December 31, 2013, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

10. Compensated Absences

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

11. Net Assets

The Foundation has adopted the provisions of FASB ASC 958-205-05. Under the provisions, net assets are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted

Unrestricted net assets include revenue and expenses from the regular operations of the Foundation, which are at the discretion of management and the Board of Directors.

Temporarily Restricted

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized.

Permanently Restricted

Permanently restricted net assets include assets where the donor has stipulated that the assets should be maintained in perpetuity, the income from which is temporarily restricted to support activities as designated by various fund agreements.

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES - Continued

12. Advertising

Advertising expenses totaled $11,487 for the year ended December 31, 2013. The Foundation's policy is to record advertising expenditures in the period in which they are incurred.

13. Expense Allocation

Expenses have been classified as program services, management and general and fundraising based upon the actual direct expenditures and cost allocation based on estimates of time and usage by Foundation personnel and programs.

14. Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation. These reclassifications had no effect on the total change in net assets.

15. Uncertain Tax Positions

The Foundation follows the Income Tax topic of the FASB ASC. The Foundation now recognizes a tax benefit only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. The Foundation has examined this issue and has determined there are no material contingent tax liabilities.

The Foundation's federal and state exempt organization tax returns for 2010, 2011, and 2012 are subject to examination by the Internal Revenue Service and the Indiana Department of Revenue. Returns are generally subject to examination for three years after they are filed.

16. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - INVESTMENTS

The following is an analysis of the cost and fair value at December 31, 2013 and by type of investment. The investments are held in uninsured trust accounts and local financial institutions.

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE B - INVESTMENTS - Continued

	Fair Value
Certificates of deposit	$ 164,099
Mutual funds:	
Foreign large blend	406,888
Large value	452,845
Diversified emerging markets	138,368
Inflation protected bond fund	66,995
Large growth	433,870
Commodities precious metals	107,992
Equity precious metals	80,538
Intermediate-term bond fund	425,228
Alternatives	1,954,538
Mid-cap blend	192,405
Large blend	705,912
Moderate allocation	1,052,568
World allocation	1,177,291
World bond fund	130,599
Natural resources	119,389
World stock fund	110,910
Total mutual funds	7,556,336
Fixed income:	
Corporate bonds	873,490
Total investments, at fair value	$ 8,593,925
Total investments, at historical cost	$ 7,493,876

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2013.

	Unrestricted	Temporarily Restricted	Total
Investment return	$ 123,188	$ 296,690	$ 419,878
Realized gains (losses) on investments	(1,055)	25,966	24,911
Unrealized gains on investments	156,082	368,359	524,441
Investment management fees	(11,814)		(11,814)
	$ 266,401	$ 691,015	$ 957,416

NOTE C - RISKS AND UNCERTAINTIES

The Foundation holds a variety of investments (Note B). Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE D - FAIR VALUE MEASUREMENTS

The Foundation follows the provisions of the Fair Value Measurements and Disclosures topic of the FASB ASC. FASB ASC-820-10-35-19 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FASB ASC 820-10-35-37 establishes a hierarchy of inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Foundation. Unobservable inputs are inputs that reflect the Foundation's assumptions about the assumptions that market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

	Fair Value	Level 1	Level 2	Level 3
Assets:				
Cash surrender value of life insurance	$ 61,368		$ 61,368	
Annuity	$ 131,154		$ 131,154	
Investments	$ 8,593,925	$ 7,797,231	$ 501,994	$ 294,700
Liabilities:				
Annuity liability	$ 163,263		$ 163,263	

The following schedule provides further detail of the Level 3 fair value measurements using significant unobservable inputs at December 31, 2013:

Beginning Balance	$ 211,129
Realized and unrealized gains	83,571
Ending Balance	$ 294,700

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE D - FAIR VALUE MEASUREMENTS - Continued

Fair values for cash surrender value of life insurance, annuity, investments, and annuity liability are determined by reference to quoted market prices and other relevant information generated by market transactions.

NOTE E - PROPERTY AND EQUIPMENT

The amounts of property and equipment, net of depreciation, consist of the following at December 31, 2013.

	2013
Software	$ 30,380
Office furniture	8,724
Office equipment	23,258
Leasehold improvements	1,700
	64,062
Less accumulated depreciation	57,556
	$ 6,506

NOTE F - RESTRICTIONS ON NET ASSETS

At December 31, 2013, the Foundation's endowment consists of 158 donor-restricted permanent endowment funds established to support designated charitable purposes and organizations, and 2 funds designated by the Board of Directors to function as endowments to provide unrestricted support for Foundation programs. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Indiana Prudent Management of Institutional Funds Act (UPMIFA) as requiring the maintenance of the historic dollar value for each endowed fund as defined previously by the Uniform Management of Institutional Funds Act. As a result of this interpretation, the Foundation 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 remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those funds are appropriated for expenditure by the Foundation 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. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE F - RESTRICTIONS ON NET ASSETS - Continued

Endowment net assets composition by type of fund as of December 31, 2013, were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		$ 818,127	$ 6,998,527	$ 7,816,654
Board-designated endowment funds	$ 519,566			519,566
	$ 519,566	$ 818,127	$ 6,998,527	$ 8,336,220

Changes in endowment net assets for the year ended December 31, 2013, were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Revenue and support			
Contributions and grant income	$ 188,733	$ 191,475	$ 438,081
Investment return	123,188	135,880	
Net appreciation of investments	155,027	362,432	
Total revenue and support	466,948	689,787	438,081
Appropriatation of endowment assets for expenditure	226,896	184,933	
Change in endowment net assets	240,052	504,854	438,081
Endowment net assets, beginning of year	279,514	313,273	6,560,446
Endowment net assets, end of year	$ 519,566	$ 818,127	$ 6,998,527

Occasionally, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. As of December 31, 2013, 21 of the 158 endowment funds had deficiencies totaling $226,751. Deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the board of directors.

The Foundation follows the topic Donor-Restricted Endowment Fund under FASB ASC 958. FASB ASC 958 provides guidance on the net asset classification of donor-restricted endowment funds for organizations subject to an enacted version of UPMIFA. In accordance with the Foundation's fund agreements, charitable endowments are classified as permanently restricted net assets. All other Foundation net assets are considered unrestricted or temporarily restricted. Donor restrictions have been imposed on a significant portion of the Foundation's net assets.

The investment objective of this Portfolio is long-term growth of principal without undue exposure to risk, through capital appreciation, income, diversification, asset allocation, and donor development. The Foundation seeks returns over the time horizon that are sufficient to meet spending needs, preserve and enhance the real, inflation-adjusted purchasing power of the investments, and cover operating expenses. The long-term target return goal is at least the rate of inflation as measured by the Consumer Price Index plus 5%.

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE F - RESTRICTIONS ON NET ASSETS - Continued

The Foundation has a policy (the spending policy) of appropriating for expenditure a percentage of the total portfolio fair value in order to provide for grants and to cover operating expenses. The purpose of the spending policy is to balance the short-term grant making obligations with its goal to provide grants into perpetuity, and, therefore, design a spending policy that is flexible. The Foundation will review the five most recent one-year periods ending September 30. The high and low annual rates of return will be eliminated and the remaining three years will be averaged for the adjusted 5-year average total return. The adjusted 5-year average total return will be used to compare to the maximum spending rate of 5% and the minimum of 3%. From which, the Board determines the spending policy for the coming year.

Temporarily restricted net assets at December 31, 2013 totaled $1,236,797, and may be expended for specific purposes as specified by various donors.

Permanently restricted net assets are composed of the following types of funds at December 31, 2013.

	2013
Donor advised	$ 2,075,415
Designated	1,751,242
Agency	58,877
Field of interest	322,637
Legacy	81,013
Scholarship	1,053,016
Unrestricted	1,528,644
Deferred	127,683
	$ 6,998,527

NOTE G - ADMINISTRATION MANAGEMENT

The Foundation assesses an administrative charge on endowment and pass-through funds. This charge is used primarily to support the operations of the Foundation.

For the year ended December 31, 2013, $172,769 is included as support and revenue and $165,109 as an expense. Due to the fact that administrative charges to various funds are considered a significant measure of the operations of community foundations, these fees have not been eliminated in the financial statements.

NOTE H - SPLIT-INTEREST AGREEMENTS

The Foundation's split-interest agreements with donors consist of two charitable gift annuities. The assets received are recorded at their fair value. The fair value of assets held for the charitable gift annuities totaled $148,672 at December 31, 2013. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. These assets are included in the Level 1 and Level 2 inputs in Note D and annuity assets and investments on the Statement of Financial Position. The present value of future payment obligations at December 31, 2013 were $163,263. The liabilities were determined using discount rates ranging from 5.8% to 6.0%. Changes in fair value of the charitable gift annuities are reflected as changes in temporarily restricted net assets in the statement of activities. During the year ending December 31, 2013 there were no contributions to charitable gift annuities.

Gains or losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as increases or decreases in the value of the split-interest agreements in the statement of activities in their respective net asset classification.

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE I - OPERATING LEASES

The Foundation leases office space at rates of $1,425 per month for the first year, $1,575 per month for the second year, and $1,625 per month for the third year. The lease expires in July 2015. The Foundation also leases office equipment with monthly payments of $235 per month expiring in February 2013. Future minimum lease payments are as follows.

December 31, 2014	$	18,900
2015		9,750
2016		-
2017		-
2018		-
	$	28,650

Total lease expense for the year ended December 31, 2013 was $20,497.

NOTE J - RELATED-PARTY TRANSACTIONS

For the year ended December 31, 2013, officers, board members and employees made donations to the Foundation totaling $30,318.

NOTE K - AGENCY PARTNER FUNDS

In accordance with *FASB ASC-958-20-15*, the Foundation reports contributions as a liability when the donor has specified an unaffiliated beneficiary and not granted variance power over the gift. The Foundation reports these as Agency Funds on its statement of financial position.

During the year ended December 31, 2013, the following activity occurred in the agency funds held by the Foundation. These amounts are not reflected on the statement of activities.

Support and revenue:		
Contributions and pledges	$ 15,333	
Investment income	23,167	
Realized losses on investments	(199)	
Unrealized gains on investments	21,827	
		$ 60,128
Expenses:		
Grants expense	14,053	
Bank trustee fees	639	
Administrative fees	8,031	
		22,723
Increase in agency funds		37,405
Balance at beginning of year		396,985
Balance at end of year		$ 434,390

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE L - SUBSEQUENT EVENTS

In accordance with FASB ASC Topic 855, Subsequent Events, the Foundation has evaluated subsequent events through April 25, 2014, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2013, have been incorporated into these financial statements herein.