HENDRICKS COUNTY COMMUNITY FOUNDATION, INC.

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2012

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, 2012, 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, 2012, 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, 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 4, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Estep Burkey Simmons, LLC

Muncie, Indiana
April 26, 2013

Hendricks County Community Foundation, Inc.

STATEMENT OF FINANCIAL POSITION

December 31, 2012
(With comparative totals at December 31, 2011)

	2012	2011
ASSETS		
Cash and cash equivalents	$ 517,188	$ 576,778
Pledges receivable	-	4,550
Investments	7,728,173	7,062,050
Prepaid expenses	1,994	3,000
Cash surrender value of life insurance	58,160	54,817
Annuity	150,074	168,994
Property and equipment, net	7,922	6,469
	$ 8,463,511	$ 7,876,658
LIABILITIES		
Accounts payable	$ 10,645	$ 6,160
Grants and scholarships payable	86,023	76,500
Accrued payroll	3,992	-
Deferred revenue	-	5,000
Annuity liability	179,682	185,196
Funds held as agency partner funds	396,985	360,090
Total liabilities	677,327	632,946
NET ASSETS		
Unrestricted	409,807	14,943
Temporarily restricted	815,931	823,777
Permanently restricted	6,560,446	6,404,992
	7,786,184	7,243,712
	$ 8,463,511	$ 7,876,658

Hendricks County Community Foundation, Inc.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2012
(With comparative totals at December 31, 2011)

	2012				2011
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Support and revenue:					
Contributions and pledges	$ 114,992	$ 300,765	$ 155,454	$ 571,211	$ 568,988
Administrative fee income	152,264			152,264	148,052
Special events, net of $50,757 in 2012 and $72,646 in 2011 of expense, respectively	22,036	175,052		197,088	170,041
Investment income, net of fees	211,556	534,099		745,655	(246,699)
Change in value of annuity		(10,063)		(10,063)	(56,667)
	500,848	999,853	155,454	1,656,155	583,715
Net assets released from restrictions:					
Restrictions satisfied by payments	1,007,699	(1,007,699)			
Expenses:					
Program services					
Grants and scholarships	642,894			642,894	691,301
Program expense	93,152			93,152	91,953
Supporting services					
Management and general	140,413			140,413	143,835
Administrative fees	144,806			144,806	140,160
Fundraising and development	92,418			92,418	92,441
	1,113,683			1,113,683	1,159,690
CHANGE IN NET ASSETS	394,864	(7,846)	155,454	542,472	(575,975)
Net assets at beginning of year	14,943	823,777	6,404,992	7,243,712	7,819,687
Net assets at end of year	$ 409,807	$ 815,931	$ 6,560,446	$ 7,786,184	$ 7,243,712

Hendricks County Community Foundation, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2012
(With comparative totals at December 31, 2011)

	2012				2011
	Program Services	Management and General	Fundraising	Total	Total
Grants, scholarships and awards	$ 642,894			$ 642,894	$ 691,301
Salaries and wages	71,699	$ 71,699	$ 35,849	179,247	170,640
Payroll taxes	5,612	5,612	2,806	14,030	13,305
Employee benefits	795	795	397	1,987	2,630
Depreciation		2,439		2,439	2,263
Occupancy		12,790		12,790	7,800
Equipment rental and maintenance		4,907		4,907	4,440
Meetings and conferences	631	631	316	1,578	2,180
Consulting					13,488
Print materials			18,022	18,022	21,440
Professional fees		8,134		8,134	7,685
Staff education and development		3,166		3,166	2,370
Office expense		6,147		6,147	8,257
Insurance		1,800		1,800	3,614
Postage	895	895	447	2,237	2,817
Communications and technical support	6,750	6,750	3,375	16,875	22,860
Advertising and promotions			24,600	24,600	22,411
Donor development and networking			6,203	6,203	5,174
Special events	10,151		40,606	50,757	72,646
Administrative fees		144,806		144,806	140,160
Other expenses:					
Auto expense	806	806	403	2,015	2,650
Bank charges		10,801		10,801	4,088
Dues and subscriptions		3,041		3,041	2,997
Scholarship-related expenses	5,964			5,964	5,120
	746,197	285,219	133,024	1,164,440	1,232,336
Less: direct expenses of special events netted with revenues on the statement of activities	(10,151)		(40,606)	(50,757)	(72,646)
	$ 736,046	$ 285,219	$ 92,418	$ 1,113,683	$ 1,159,690

Hendricks County Community Foundation, Inc.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2012
(With comparative totals at December 31, 2011)

	2012	2011
Cash flows from operating activities:		
Change in net assets	$ 542,472	$ (575,975)
Adjustments to reconcile change in net assets to		
net cash provided by (used in) operating activities:		
Depreciation	2,439	2,263
Realized gains on investments	(128,875)	(92,064)
Unrealized (gains) losses on investments	(400,592)	611,626
(Increase) decrease in assets:		
Pledges receivable	4,550	39,408
Annuity receivable	18,920	(18,018)
Prepaid expenses	1,006	(3,000)
Cash surrender value of life insurance	(3,343)	(3,120)
Increase (decrease) in operating liabilities:		
Accounts payable	4,485	1,387
Grants and scholarships payable	9,523	3,156
Accrued payroll	3,992	
Charitable gift annuity liability	(5,514)	37,747
Deferred revenue	(5,000)	5,000
Funds held as agency partner funds	36,895	(13,586)
Net cash provided by (used in) operating activities	80,958	(5,176)
Cash flows from investing activities:		
Purchase of equipment	(3,892)	(1,323)
Purchase of investments	(1,334,550)	(983,296)
Proceeds from sales of investments	1,197,894	679,080
Net cash used in investing activities	(140,548)	(305,539)
Net decrease in cash and cash equivalents	(59,590)	(310,715)
Cash and cash equivalents at beginning of year	576,778	887,493
Cash and cash equivalents at end of year	$ 517,188	$ 576,778

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

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, 2011, 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, 2012, and from time to time during the year. At December 31, 2012 the Foundation's cash balances exceeded the federally insured limits by $107,835.

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, 2012

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, 2012, 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, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES - Continued

12. Advertising

Advertising expenses totaled $24,600 for the year ended December 31, 2012. 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 2009, 2010, and 2011 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, 2012 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, 2012

NOTE B - INVESTMENTS - Continued

	Fair Value
Certificates of deposit	$ 163,940
Mutual funds:	
Foreign large blend	337,825
Large value	322,200
Diversified emerging markets	135,378
Inflation protected bond fund	127,414
Large growth	323,402
Commodities precious metals	150,679
Equity precious metals	154,147
Intermediate-term bond fund	422,573
Alternatives	1,714,255
Mid-cap blend	77,120
Large blend	536,710
Moderate allocation	856,036
World allocation	1,219,890
World bond fund	124,131
Natural resources	107,814
World stock fund	77,459
Total mutual funds	6,687,033
Fixed income:	
Corporate bonds	877,200
Total investments, at fair value	$ 7,728,173
Total investments, at historical cost	$ 7,192,715

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2012.

	Unrestricted	Temporarily Restricted	Total
Investment return	$ 66,280	$ 161,086	$ 227,366
Realized gains on investments	38,378	90,497	128,875
Unrealized gains on investments	118,076	282,516	400,592
Investment management fees	(11,178)		(11,178)
	$ 211,556	$ 534,099	$ 745,655

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, 2012

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	$ 58,160	$ 58,160		
Annuity	$ 150,074		$ 150,074	
Investments	$ 7,728,173	$ 7,040,003	$ 477,041	$ 211,129
Liabilities:				
Annuity liability	$ 179,682	$ 179,682		

The following schedule provides further detail of the Level 3 fair value measurements using significant unobservable inputs at December 31, 2012:

Beginning Balance	$ 166,525
Realized and unrealized gains	44,604
Ending Balance	$ 211,129

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

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, 2012.

Software	$ 30,380
Office furniture	8,724
Office equipment	23,258
Leasehold improvements	1,700
	64,062
Less accumulated depreciation	56,140
	$ 7,922

NOTE F - RESTRICTIONS ON NET ASSETS

At December 31, 2012, the Foundation's endowment consists of 154 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, 2012

NOTE F - RESTRICTIONS ON NET ASSETS - Continued

Endowment net assets composition by type of fund as of December 31, 2012, were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		$ 313,273	$ 6,560,446	$ 6,873,719
Board-designated endowment funds	$ 279,514			279,514
	$ 279,514	$ 313,273	$ 6,560,446	$ 7,153,233

Changes in endowment net assets for the year ended December 31, 2012, were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Revenue and support			
Contributions and grant income	$ 114,992		$ 155,454
Investment return	222,734	$ 545,856	
Total revenue and support	337,726	545,856	155,454
Appropriatation of endowment assets for expenditure	74,875	543,523	
Change in endowment net assets	262,851	2,333	155,454
Endowment net assets, beginning of year	16,663	310,940	6,404,992
Endowment net assets, end of year	$ 279,514	$ 313,273	$ 6,560,446

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, 2012, 38 of the 154 endowment funds had deficiencies totaling $281,614. 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, 2012

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, 2012 totaled $815,931, 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, 2012.

Donor advised	$ 2,040,862
Designated	1,293,304
Agency	132,482
Field of interest	337,437
Legacy	77,513
Scholarship	1,029,544
Unrestricted	1,521,621
Deferred	127,683
	$ 6,560,446

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, 2012, $152,264 is included as support and revenue and $144,806 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 $163,766 at December 31, 2012. 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, 2012 were $179,682. 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, 2012 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, 2012

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, 2013	$	17,570
2014		18,900
2015		9,750
2016		-
2017		-
	$	46,220

Total lease expense for the year ended December 31, 2012 was $17,697.

NOTE J - RELATED-PARTY TRANSACTIONS

For the year ended December 31, 2012, officers, board members and employees made donations to the Foundation totaling $33,825.

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, 2012, 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	$ 18,344	
Investment income	12,220	
Realized gains on investments	6,814	
Unrealized gains on investments	11,028	
		$ 48,406
Expenses:		
Grants expense	7,455	
Bank trustee fees	745	
Administrative fees	3,311	
		11,511
Increase in agency funds		36,895
Balance at beginning of year		360,090
Balance at end of year		$ 396,985

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE L - SUBSEQUENT EVENTS

In accordance with FASB ASC Topic 855, Subsequent Events, the Foundation has evaluated subsequent events through April 26, 2013, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2012, have been incorporated into these financial statements herein.