

# **HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY**

**CONSOLIDATED FINANCIAL STATEMENTS**

**AND**

**SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2014 AND 2013**

*CPAs / ADVISORS*



**HERITAGE FUND - THE COMMUNITY FOUNDATION OF  
BARTHOLOMEW COUNTY**

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DECEMBER 31, 2014 AND 2013

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## REPORT OF INDEPENDENT AUDITORS

Board of Directors  
Heritage Fund - The Community Foundation of Bartholomew County  
Columbus, Indiana

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Heritage Fund - The Community Foundation of Bartholomew County, and its affiliate (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2014 and 2013, and the consolidated changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Report on Supplementary Information

Our 2014 audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 24 to 26 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual organizations, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the 2014 audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Blue & Co., LLC*  
Seymour, Indiana

May 8, 2015

# HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2014 AND 2013

### ASSETS

	2014	2013
<b>Investments</b>		
Cash	\$ 5,491,434	\$ 5,237,115
Certificates of deposit	1,104,000	1,240,000
Marketable securities	55,530,198	53,370,899
Charitable trusts	443,732	556,476
Life insurance	47,014	44,916
Interest in perpetual trust	99,558	100,935
<b>Receivables</b>		
Contributions, net	165,954	327,070
Accounts	55	140
Notes	125,000	325,000
<b>Other</b>		
Property and equipment, net	412,889	445,289
Prepaid expenses	8,128	5,988
	\$ 63,427,962	\$ 61,653,828

### LIABILITIES AND NET ASSETS

<b>Custodial funds</b>		
Pass-through	\$ 1,412,544	\$ 2,345,915
Reciprocal agency	1,718,764	1,642,975
Designated bequests	8,546,705	8,438,610
<b>Payables</b>		
Accounts	3,313	8,852
Charitable trusts	443,732	477,328
<b>Other</b>		
Deferred revenue	734,106	-0-
Total liabilities	12,859,164	12,913,680
<b>Net assets</b>		
Unrestricted		
Operating	906,878	797,978
Board designated	1,044,210	815,564
	1,951,088	1,613,542
Temporarily restricted	47,125,735	45,633,254
Permanently restricted	1,491,975	1,493,352
Total net assets	50,568,798	48,740,148
	\$ 63,427,962	\$ 61,653,828

*See accompanying notes to consolidated financial statements.*

# HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

## CONSOLIDATED STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2014

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2013)

	2014			2013	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>Support and revenues</b>					
Contributions	\$ 51,785	\$ 2,127,056	\$ -0-	\$ 2,178,841	\$ 2,739,210
Investment return, net	82,283	2,939,513	-0-	3,021,796	7,116,863
Change in value of split-interest agreements	-0-	-0-	(1,377)	(1,377)	27,815
Change in discount of contributions receivable	-0-	884	-0-	884	11,405
Administrative fees	797,231	-0-	-0-	797,231	744,937
Other revenue	50,710	-0-	-0-	50,710	57,375
Net assets released from restrictions	<u>3,574,972</u>	<u>(3,574,972)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total support and revenues	4,556,981	1,492,481	(1,377)	6,048,085	10,697,605
<b>Expenses</b>					
Grants	1,461,476	-0-	-0-	1,461,476	1,399,197
Special projects	1,379,000	-0-	-0-	1,379,000	811,331
Salaries and wages	387,349	-0-	-0-	387,349	373,605
Payroll taxes and employee benefits	66,836	-0-	-0-	66,836	66,707
Annual meeting and report	2,410	-0-	-0-	2,410	3,445
Professional fees	24,106	-0-	-0-	24,106	27,960
Dues and subscriptions	1,061	-0-	-0-	1,061	3,124
Endowment development	19,482	-0-	-0-	19,482	12,195
Equipment rental, repairs, and maintenance	30,823	-0-	-0-	30,823	25,244
Computer support	16,391	-0-	-0-	16,391	14,685
Insurance	8,369	-0-	-0-	8,369	10,171
Utilities	9,855	-0-	-0-	9,855	10,402
Newsletter	5,442	-0-	-0-	5,442	5,040
Postage	5,294	-0-	-0-	5,294	5,199
Travel	2,037	-0-	-0-	2,037	2,018
Education	12,186	-0-	-0-	12,186	10,102
Office supplies	3,293	-0-	-0-	3,293	3,747
Depreciation	32,400	-0-	-0-	32,400	37,342
Uncollectible contributions receivable	50,000	-0-	-0-	50,000	-0-
Purchased services	7,128	-0-	-0-	7,128	5,361
Administrative fees	688,478	-0-	-0-	688,478	608,913
Miscellaneous	6,019	-0-	-0-	6,019	6,303
Total expenses	<u>4,219,435</u>	<u>-0-</u>	<u>-0-</u>	<u>4,219,435</u>	<u>3,442,091</u>
Change in net assets	337,546	1,492,481	(1,377)	1,828,650	7,255,514
<b>Net assets, beginning of year</b>	<u>1,613,542</u>	<u>45,633,254</u>	<u>1,493,352</u>	<u>48,740,148</u>	<u>41,484,634</u>
<b>Net assets, end of year</b>	<u>\$ 1,951,088</u>	<u>\$ 47,125,735</u>	<u>\$ 1,491,975</u>	<u>\$ 50,568,798</u>	<u>\$ 48,740,148</u>

*See accompanying notes to consolidated financial statements.*

# HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

## CONSOLIDATED STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and revenues</b>				
Contributions	\$ 16,805	\$ 2,722,405	\$ -0-	\$ 2,739,210
Investment return, net	174,666	6,942,197	-0-	7,116,863
Change in value of split-interest agreements	-0-	18,548	9,267	27,815
Change in discount of contributions receivable	-0-	11,405	-0-	11,405
Administrative fees	744,937	-0-	-0-	744,937
Other revenue	46,207	11,168	-0-	57,375
Net assets released from restrictions	<u>2,817,268</u>	<u>(2,817,268)</u>	<u>-0-</u>	<u>-0-</u>
Total support and revenues	3,799,883	6,888,455	9,267	10,697,605
<b>Expenses</b>				
Grants	1,399,197	-0-	-0-	1,399,197
Special projects	811,331	-0-	-0-	811,331
Salaries and wages	373,605	-0-	-0-	373,605
Payroll taxes and employee benefits	66,707	-0-	-0-	66,707
Annual meeting and report	3,445	-0-	-0-	3,445
Professional fees	27,960	-0-	-0-	27,960
Dues and subscriptions	3,124	-0-	-0-	3,124
Endowment development	12,195	-0-	-0-	12,195
Equipment rental, repairs, and maintenance	25,244	-0-	-0-	25,244
Computer support	14,685	-0-	-0-	14,685
Insurance	10,171	-0-	-0-	10,171
Utilities	10,402	-0-	-0-	10,402
Newsletter	5,040	-0-	-0-	5,040
Postage	5,199	-0-	-0-	5,199
Travel	2,018	-0-	-0-	2,018
Education	10,102	-0-	-0-	10,102
Office supplies	3,747	-0-	-0-	3,747
Depreciation	37,342	-0-	-0-	37,342
Purchased services	5,361	-0-	-0-	5,361
Administrative fees	608,913	-0-	-0-	608,913
Miscellaneous	6,303	-0-	-0-	6,303
Total expenses	<u>3,442,091</u>	<u>-0-</u>	<u>-0-</u>	<u>3,442,091</u>
Change in net assets	357,792	6,888,455	9,267	7,255,514
<b>Net assets, beginning of year</b>	<u>1,255,750</u>	<u>38,744,799</u>	<u>1,484,085</u>	<u>41,484,634</u>
<b>Net assets, end of year</b>	<u>\$ 1,613,542</u>	<u>\$ 45,633,254</u>	<u>\$ 1,493,352</u>	<u>\$ 48,740,148</u>

*See accompanying notes to consolidated financial statements.*

# HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

## CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
<b>Operating activities</b>		
Change in net assets	\$ 1,828,650	\$ 7,255,514
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	32,400	37,342
Reinvested interest and dividends received on investments	(1,779,451)	(950,757)
Realized and unrealized gains on investments	(2,012,475)	(7,912,878)
Uncollectible contributions receivable	50,000	-0-
Change in value of split-interest agreements	-0-	(18,548)
Change in discount of contributions receivable	(884)	(11,405)
Change in interest in perpetual trust	1,377	(9,267)
Change in operating assets and liabilities:		
Charitable trusts	-0-	(6,046)
Life insurance	(2,098)	(2,098)
Interest in charitable lead trusts	-0-	70,000
Contributions receivable	112,000	34,500
Accounts receivable	85	56,905
Prepaid expenses	(2,140)	(1,520)
Custodial funds	(674,487)	541,949
Accounts payable	(5,539)	(2,503)
Deferred revenue	734,106	-0-
Net cash flows from operating activities	(1,718,456)	(918,812)
<b>Investing activities</b>		
Payments received under notes receivable	125,000	250,000
Purchase of certificates of deposit	(856,000)	(744,000)
Maturities of certificates of deposit	992,000	998,159
Purchase of investments	(3,490,127)	(7,751,422)
Proceeds on sale of investments	5,201,902	8,734,977
Net cash flows from investing activities	1,972,775	1,487,714
Net change in cash	254,319	568,902
<b>Cash, beginning of year</b>	5,237,115	4,668,213
<b>Cash, end of year</b>	\$ 5,491,434	\$ 5,237,115
<b>Supplemental disclosure of non-cash operating and investing activity</b>		
Proceeds on charitable remainder trust	\$ 79,148	\$ -0-
Write off of note receivable held in custodial fund	\$ 75,000	\$ -0-

*See accompanying notes to consolidated financial statements.*



# HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

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## 1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

The Heritage Fund - The Community Foundation of Bartholomew County (the "Heritage Fund") is a not-for-profit entity. The Heritage Fund conducts business under the assumed name "Heritage Fund - The Community Foundation of Bartholomew County," however, the entity's legal name is "Heritage Fund of Bartholomew County, Inc." The Heritage Fund is located in Columbus, Indiana, and is organized to provide stewardship of gifts donated for charitable purposes, address community issues, promote positive change in partnership with others, and promote philanthropy within the Bartholomew County area.

The Heritage Fund Supporting Foundation, Inc. (the "Foundation") is a not-for-profit entity organized to manage gifts of property. The Foundation leases office space to the Heritage Fund and other tenants.

### Consolidation Policy

The accounts of the Foundation are consolidated with the accounts of the Heritage Fund as a result of common control. All inter-entity transactions have been eliminated in consolidation. The consolidated operations of the Heritage Fund and the Foundation are hereinafter collectively referred to as "the Organization."

### Management's Estimates

Management uses estimates and assumptions in preparing the consolidated 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. While most gift instruments give Heritage Fund's Board of Directors the right to vary the terms of the gift, this only allows for a limited right of modification and does not relieve the restrictions imposed by the donor. Accordingly, the net assets of Heritage Fund are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions and primarily made up of the Organization's operating fund and administrative endowment. The Organization maintains unrestricted funds as follows:

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# HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

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*Operating* – used to fund current operations of the Organization

*Board Designated* – used to fund future operations of Heritage Fund as designated by the Board

Temporarily restricted net assets – Net assets not yet appropriated for expenditure by Heritage Fund's Board of Directors in accordance with its spending policy or that have 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 or amounts have been allocated for expenditure by the Board of Directors, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statements of Activities as net assets released from restrictions.

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

## Cash

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

## Certificates of Deposit

The Organization has certificates of deposit with maturity dates ranging between 3 and 12 months of the Consolidated Statement of Financial Position date with interest rates ranging between .22 and .62 percent.

## Marketable Securities

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

Interest and dividend income and net unrealized and realized gains and losses on investments are recognized as unrestricted or temporarily restricted based upon the

# HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

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existence or absence of donor-imposed restrictions or the related fund classification in accordance with Heritage Fund's spending policy.

### Deferred Revenue

During 2014, The Organization received a \$1,000,000 grant from Lilly Endowment through its GIFT Phase VI initiative. The grant is required to be matched with new contributions to help build the Organization's unrestricted endowments and provide support for specified charitable projects and needs. Therefore, deferred revenue relates to the portion of the grant that has not yet been matched and earned. The matching period is from August 1, 2014 through March 31, 2016. As qualifying contributions are received, the related match amount is recognized as revenue. Deferred revenue related to this grant was \$734,106 at December 31, 2014.

### Property and Equipment

Property and equipment, including expenditures that substantially increase the useful lives of existing assets, are recorded at cost except for donations, which are recorded at fair value at the date of the donation. Costs of ordinary maintenance and repairs are expensed as incurred.

The property and equipment of the Organization are being depreciated over its estimated useful lives ranging from five to forty years using the straight-line method.

### Support, Revenue and Expense Recognition

Contributions, which include unconditional promises to give (contributions receivable), are recognized as support in the period the contribution is received or the promise is made. Contributions received with donor imposed restrictions are reported as restricted support and increase temporarily or permanently restricted net assets.

Support and revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless its use is restricted by explicit donor stipulation or by law.

All other support and revenue is recorded when earned.

### Administrative Fees

Administrative fees (approximately 1-2% of each fund balance) are expensed from the funds to support the operations of the Organization.

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# HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

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### Income Taxes

The Organization is organized as a not-for-profit corporation under Section 501(c)(3) of the United States Internal Revenue Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2014 and 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying consolidated financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

As such, the Organization is generally exempt from income taxes. However, the Organization is required to file Federal Form 990 – Return of Organization Exempt from Income Tax which is an informational return only.

### Subsequent Events

The Organization has evaluated events or transactions occurring subsequent to the Consolidated Statement of Financial Position date for recognition and disclosure in the accompanying consolidated financial statements through the date the consolidated financial statements are available to be issued, which is May 8, 2015.

# HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

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### 2. MARKETABLE SECURITIES

Marketable securities consist of the following at December 31, 2014 and 2013:

	2014	2013
Cash and cash equivalents	\$ 1,031,265	\$ 639,203
Mutual funds		
Equity funds		
Large cap	24,809,513	22,612,064
Small/mid cap	10,680,596	10,728,887
Balanced	3,400,407	3,450,996
Emerging markets	1,490,499	2,675,291
Fixed income funds		
Emerging markets	10,594,357	3,294,162
Intermediate	-0-	6,703,751
Exchange traded funds		
Large cap	3,523,561	3,266,545
	\$ 55,530,198	\$ 53,370,899

The following schedule summarizes the investment return, excluding investment return on marketable securities related to custodial funds, and its classification in the Consolidated Statements of Activities for the years ended December 31, 2014 and 2013:

	2014	2013
Interest and dividend income	\$ 1,576,907	\$ 770,235
Realized and unrealized gains on investments	1,510,857	6,404,511
Investment fees	(65,968)	(57,883)
	\$ 3,021,796	\$ 7,116,863

### 3. RISKS AND UNCERTAINTIES

The Organization holds investments in debt and equity mutual and exchange traded funds (Note 2). 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

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# HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

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materially affect the amounts reported in the accompanying consolidated financial statements.

### 4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The Organization's policy is to recognize transfers, if any, between levels as of the actual date of the event or change in circumstances. There were no transfers between levels in 2014 or 2013. The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2014 and 2013.

- *Mutual funds and exchange traded funds:* Valued at the daily closing price as reported by the funds. Mutual funds and exchange traded funds held by the Plan are open-ended funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net

# HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

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asset value (NAV) and to transact at that price. The funds held by the Organization are deemed to be actively traded.

- *Charitable trusts:* Consists of actively traded mutual funds that are valued at the daily closing price as reported by the funds.
- *Life insurance:* Fair value determined by reference to the policy cash surrender value.
- *Interest in perpetual trust:* Fair value is determined by calculating Heritage Fund's beneficial share of the underlying investments in the trust.
- *Charitable trusts payable:* Fair value is determined by calculating the present value of the annuity using published life expectancy tables, an average 8% rate of return and 5% discount rate.

The following tables set forth financial assets and liabilities measured at fair value in the Consolidated Statements of Financial Position and the respective levels to which the fair value measurements are classified within the fair value hierarchy as of December 31, 2014 and 2013:

	2014			
	Fair Value	Level 1	Level 2	Level 3
<b>Assets:</b>				
Mutual funds	\$ 50,975,372	\$ 50,975,372	\$ -0-	\$ -0-
Exchange traded funds	3,523,561	3,523,561	-0-	-0-
Charitable trusts	443,732	443,732	-0-	-0-
Life insurance	47,014	-0-	-0-	47,014
Interest in perpetual trust	99,558	-0-	99,558	-0-
<b>Liabilities:</b>				
Charitable trusts payable	443,732	-0-	443,732	-0-

# HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

	2013			
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Mutual funds	\$ 49,465,151	\$ 49,465,151	\$ -0-	\$ -0-
Exchange traded funds	3,266,545	3,266,545	-0-	-0-
Charitable trusts	556,476	556,476	-0-	-0-
Life insurance	44,916	-0-	-0-	44,916
Interest in perpetual trust	100,935	-0-	100,935	-0-
Liabilities:				
Charitable trusts payable	477,328	-0-	477,328	-0-

During the years ended December 31, 2014 and 2013, the fair value of the interest in perpetual trust decreased by \$1,377 and increased by \$9,267, respectively, due to unrealized gains and losses based on changes in the fair value of the underlying investments. This change is reflected in the change in value of split-interest agreements in the Consolidated Statements of Activities.

The progression of life insurance during the years ended December 31, 2014 and 2013 is as follows:

	2014	2013
Beginning balance	\$ 44,916	\$ 42,818
Cash value increase	2,098	2,098
	\$ 47,014	\$ 44,916



# HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

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### 5. CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable consist of the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Unconditional contributions receivable	\$ 228,624	\$ 390,624
Less unamortized discount	<u>(62,670)</u>	<u>(63,554)</u>
Net unconditional contributions receivable	<u>\$ 165,954</u>	<u>\$ 327,070</u>
Amounts due in:		
Less than one year	\$ 42,000	\$ 197,000
One to five years	24,000	31,000
More than five years	<u>162,624</u>	<u>162,624</u>
	<u>\$ 228,624</u>	<u>\$ 390,624</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, 2014 and 2013.

### 6. NOTES RECEIVABLE

The Organization lent money to an organization in 2011 in the amount of \$500,000, without interest, which is to be paid back in four annual installments of \$125,000 beginning in 2013. The outstanding balance of this note was \$125,000 and \$250,000 as of December 31, 2014 and 2013, respectively.

A donor gifted a note receivable to the Organization, which had a discounted value of \$75,000 at December 31, 2013. The proceeds of the note were restricted to the Our Hospice of South Central Indiana Endowment Fund upon receipt; therefore, the note was included as a liability in custodial funds and as an asset in notes receivable in the accompanying Consolidated Statements of Financial Position at December 31, 2013. In 2014 it was deemed by management that the note was not collectible and written off.

# HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

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### 7. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Land	\$ 110,000	\$ 110,000
Buildings and improvements	645,084	645,084
Office and computer equipment	<u>89,097</u>	<u>89,097</u>
	844,181	844,181
Less accumulated depreciation	<u>431,292</u>	<u>398,892</u>
	<u>\$ 412,889</u>	<u>\$ 445,289</u>

### 8. CHARITABLE TRUSTS

The Organization is the trustee and has been named the beneficiary of several Charitable Remainder Unitrusts and Charitable Remainder Annuity Trusts. Upon termination of the trusts on the beneficiaries' deaths, the trust assets will either revert to the Organization or be held by the Organization for the benefit of other named organizations. The trust agreements stipulate that a certain portion of the trusts' assets are to be paid out each year to third party beneficiaries named by the donors.

The Organization has recorded a liability for the present value of the amounts to be paid to the third party beneficiaries at December 31, 2014 and 2013, under these trusts. In calculating these present values, a 5% discount rate was assumed, as well as an 8% return on investment. The date of the termination of the trusts was determined based on the life expectancy of the beneficiaries derived from the applicable one life or joint life and last survivor annuity expected return multiples. The present value of the amounts to be paid to third party beneficiaries was \$443,732 and \$477,328 and is included in Payables under Charitable Trusts in the Consolidated Statements of Financial Position at December 31, 2014 and 2013, respectively. The fair value of the trust assets, less the related liability, is included in temporarily restricted net assets at the date of trust inception.

The change in the present value of the amounts expected to be paid to third party beneficiaries under these charitable trusts was a decrease of \$18,548 for the year ended December 31, 2013. There was no change in the present value for the year ended December 31, 2014 based on the death of the beneficiary, were as the

# HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

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Organization was not the trustee and the Organization received 50 percent of the remaining trust.

The assets held under charitable trusts consist of the following at December 31, 2014 and 2013:

	2014	2013
Cash and cash equivalents	\$ 25,798	\$ 94,481
Mutual funds		
Equity funds		
Large cap	265,867	296,113
Small/mid cap	33,948	44,761
Emerging markets	25,047	29,763
Other	6,188	8,233
Fixed income funds		
Short	-0-	7,917
Intermediate	21,488	46,331
Other	30,314	28,877
Exchange traded funds		
Other	35,082	-0-
	\$ 443,732	\$ 556,476

### 9. INTEREST IN PERPETUAL TRUST

The Organization is a one-fifth beneficiary of an irrevocable perpetual trust under which distributions of income only are made to the Organization. The Organization is not the trustee of the trust, but has recorded one-fifth of the fair value of the trust assets in the Consolidated Statements of Financial Position which represents the present value of annual amounts to be received in the future. The Organization has recognized its interest in this perpetual trust as part of permanently restricted net assets. The Organization's interest under this trust was \$99,558 and \$100,935 at December 31, 2014 and 2013, respectively.

### 10. CUSTODIAL FUNDS

Custodial funds represent funds placed on deposit with the Organization by other organizations based on their individual board resolutions or funds due to the lack of variance power granted to the Organization. In addition, the Organization has

# HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

received designated bequests which provided no variance power over the use of the funds or entered into agreements to serve as fiscal agent of funds for certain individuals and organizations. The Organization accounts for these transfers as a liability in accordance with applicable accounting standards. Income is added to these funds periodically in accordance with the Organization's investment allocation policies. Contributions by, investment interest credits for, and distributions to those organizations are reflected as adjustments to the liability account and are not reflected in the Consolidated Statements of Activities. Following is a progression of custodial funds during 2014 and 2013:

	2014	2013
Custodial funds, beginning balance	\$ 12,427,500	\$ 11,885,551
Contributions and grants	29,177	20,560
Interest and dividend income	202,544	180,522
Realized and unrealized gains on investments	501,618	1,508,367
Administrative fees	(123,975)	(150,746)
Grant payments	(1,358,851)	(1,016,754)
Custodial funds, ending balance	\$ 11,678,013	\$ 12,427,500

### 11. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes or periods at December 31, 2014 and 2013:

	2014	2013
Time restrictions related to:		
Contributions receivable	\$ 123,954	\$ 130,070
Charitable trusts	-0-	79,148
Life insurance	47,014	44,916
Designated purpose restrictions related to:		
Business scholarships to Bartholomew County residents	724,457	628,581
Endowment funds not yet appropriated for expenditure	46,230,310	44,750,539
	\$ 47,125,735	\$ 45,633,254

# HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

Permanently restricted net assets are restricted for the following purposes at December 31, 2014 and 2013:

	2014	2013
Interest in perpetual trust	\$ 99,558	\$ 100,935
Endowed estate gifts	100,000	100,000
Business scholarships to Bartholomew County residents	1,292,417	1,292,417
	\$ 1,491,975	\$ 1,493,352

### 12. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during the years ended December 31, 2014 and 2013 as follows:

	2014	2013
Designated purpose restrictions related to:		
Business scholarships to Bartholomew County residents	\$ 44,022	\$ 93,501
Time restrictions related to:		
Charitable trusts	79,148	-0-
Pledges receivable	7,000	84,500
Endowment funds appropriated for expenditure	3,444,802	2,639,267
	\$ 3,574,972	\$ 2,817,268

### 13. ENDOWMENT

The majority of Heritage Fund's funds consist of endowed funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. 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.

# HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

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The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring endowment funds to be classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Heritage Fund in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Heritage Fund 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 Heritage Fund 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 Heritage Fund
- (7) The investment policies of Heritage Fund

Heritage Fund 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 Heritage Fund 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. Heritage Fund expects its endowment funds, over time, to provide a sufficient rate of return to support the spending policy. Actual returns in any given year may vary.

To satisfy its long-term rate of return objectives, Heritage Fund 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).

The maximum allowable spending from an endowment fund each year is based on a percentage of the previous three-year rolling quarterly average of the fund’s fair value. The percentage is determined annually by the Board of Directors. In the absence of a spending percentage determination, Heritage Fund has a policy of appropriating for distribution each year 4.5 percent of its endowment funds’ average fair value, or a lesser percentage as voted upon annually by the Board of Directors. In establishing this policy, Heritage Fund considered the long-term expected return on its endowment.

# HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

Endowed funds by net asset type at December 31, 2014 and 2013 were as follows:

	2014		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Board Designated Funds	\$ 1,044,210	\$ -0-	\$ -0-
Donor Restricted Funds	-0-	46,230,310	1,392,417
	\$ 1,044,210	\$ 46,230,310	\$ 1,392,417
	2013		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Board Designated Funds	\$ 815,564	\$ -0-	\$ -0-
Donor Restricted Funds	-0-	44,750,539	1,392,417
	\$ 815,564	\$ 44,750,539	\$ 1,392,417

Changes in endowed funds for the years ending December 31, 2014 and 2013 were as follows:

	2014		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year	\$ 815,564	\$ 44,750,539	\$ 1,392,417
Contributions and other revenue	-0-	2,127,056	-0-
Investment return, net	254,176	2,797,517	-0-
Appropriation of endowment assets for expenditure	(25,530)	(3,444,802)	-0-
Endowment net assets, end of year	\$ 1,044,210	\$ 46,230,310	\$ 1,392,417

# HERITAGE FUND - THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

	2013		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year	\$ 543,504	\$ 38,034,467	\$ 1,392,417
Contributions and other revenue	104,194	2,683,573	-0-
Investment return, net	167,866	6,671,766	-0-
Appropriation of endowment assets for expenditure	-0-	(2,639,267)	-0-
Endowment net assets, end of year	\$ 815,564	\$ 44,750,539	\$ 1,392,417

### 14. FUNCTIONAL EXPENSES

The Organization serves as a vehicle for residents of Bartholomew County to donate to various organizations and projects in the county. Expenses related to providing this service for the years ended December 31, 2014 and 2013 are classified as follows:

	2014	2013
Development of Bartholomew County	\$ 3,190,367	\$ 2,537,155
Fundraising expenses	635,408	534,113
General and administrative expenses	393,660	370,823
	\$ 4,219,435	\$ 3,442,091

### 15. CONCENTRATIONS OF CREDIT RISK

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. The Organization believes it is not exposed to any significant credit risk on cash.

Marketable securities and money market funds are maintained with one investment firm. Such balances exceed the Securities Investor Protection Corporation insured limits of up to \$500,000.



**HERITAGE FUND - THE COMMUNITY FOUNDATION OF  
BARTHOLOMEW COUNTY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

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**16. CONDITIONAL GRANTS PAYABLE**

At December 31, 2014 and 2013, the Organization had conditional grants payable of \$249,396 and \$344,018, respectively. These amounts will not be paid until the related conditions have been met; therefore, a liability related to these grants has not been recognized in the accompanying consolidated financial statements at December 31, 2014 and 2013.

SUPPLEMENTARY INFORMATION

# HERITAGE FUND – THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

## CONSOLIDATING STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2014

### ASSETS

	Heritage Fund - The Community Foundation of Bartholomew County	Heritage Fund Supporting Foundation, Inc.	Eliminations	Total
<b>Investments</b>				
Cash	\$ 5,260,273	\$ 231,161	\$ -0-	\$ 5,491,434
Certificates of deposit	1,104,000	-0-	-0-	1,104,000
Marketable securities	55,530,198	-0-	-0-	55,530,198
Charitable trusts	443,732	-0-	-0-	443,732
Life insurance	47,014	-0-	-0-	47,014
Interest in perpetual trust	99,558	-0-	-0-	99,558
<b>Receivables</b>				
Contributions, net	165,954	-0-	-0-	165,954
Accounts	55	-0-	-0-	55
Notes	125,000	-0-	-0-	125,000
<b>Other</b>				
Property and equipment, net	4,601	408,288	-0-	412,889
Prepaid expenses	4,854	3,274	-0-	8,128
	<u>\$ 62,785,239</u>	<u>\$ 642,723</u>	<u>\$ -0-</u>	<u>\$ 63,427,962</u>

*See Report of Independent Auditors on pages 1 and 2.*

# HERITAGE FUND – THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

## CONSOLIDATING STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2014

### LIABILITIES AND NET ASSETS

	Heritage Fund - The Community Foundation of Bartholomew County	Heritage Fund Supporting Foundation, Inc.	Eliminations	Total
<b>Custodial funds</b>				
Pass-through	\$ 1,412,544	\$ -0-	\$ -0-	\$ 1,412,544
Reciprocal agency	1,718,764	-0-	-0-	1,718,764
Designated bequests	8,546,705	-0-	-0-	8,546,705
<b>Payables</b>				
Accounts	1,579	1,734	-0-	3,313
Charitable trusts	443,732	-0-	-0-	443,732
<b>Other</b>				
Deferred revenue	<u>734,106</u>	<u>-0-</u>	<u>-0-</u>	<u>734,106</u>
Total liabilities	12,857,430	1,734	-0-	12,859,164
<b>Net assets</b>				
Unrestricted				
Operating	265,889	640,989	-0-	906,878
Board designated	<u>1,044,210</u>	<u>-0-</u>	<u>-0-</u>	<u>1,044,210</u>
	1,310,099	640,989	-0-	1,951,088
Temporarily restricted	47,125,735	-0-	-0-	47,125,735
Permanently restricted	<u>1,491,975</u>	<u>-0-</u>	<u>-0-</u>	<u>1,491,975</u>
Total net assets	<u>49,927,809</u>	<u>640,989</u>	<u>-0-</u>	<u>50,568,798</u>
	<u>\$ 62,785,239</u>	<u>\$ 642,723</u>	<u>\$ -0-</u>	<u>\$ 63,427,962</u>

*See Report of Independent Auditors on pages 1 and 2.*

# HERITAGE FUND – THE COMMUNITY FOUNDATION OF BARTHOLOMEW COUNTY

## CONSOLIDATING STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2014

	Unrestricted				Temporarily Restricted	Permanently Restricted
	Heritage Fund - The Community Foundation of Bartholomew County	Heritage Fund Supporting Foundation, Inc.	Eliminations	Total	Heritage Fund - The Community Foundation of Bartholomew County	Heritage Fund - The Community Foundation of Bartholomew County
<b>Support and revenues</b>						
Contributions	\$ 51,785	\$ -0-	\$ -0-	\$ 51,785	\$ 2,127,056	\$ -0-
Investment return, net	82,283	-0-	-0-	82,283	2,939,513	-0-
Change in value of split-interest agreements	-0-	-0-	-0-	-0-	-0-	(1,377)
Change in discount of contributions receivable	-0-	-0-	-0-	-0-	884	-0-
Administrative fees	809,163	-0-	(11,932)	797,231	-0-	-0-
Other revenue	4	70,506	(19,800)	50,710	-0-	-0-
Net assets released from restrictions	<u>3,574,972</u>	<u>-0-</u>	<u>-0-</u>	<u>3,574,972</u>	<u>(3,574,972)</u>	<u>-0-</u>
Total support and revenues	4,518,207	70,506	(31,732)	4,556,981	1,492,481	(1,377)
<b>Expenses</b>						
Grants	1,461,476	-0-	-0-	1,461,476	-0-	-0-
Special projects	1,379,000	-0-	-0-	1,379,000	-0-	-0-
Salaries and wages	387,349	-0-	-0-	387,349	-0-	-0-
Payroll taxes and employee benefits	66,836	-0-	-0-	66,836	-0-	-0-
Annual meeting and report	2,410	-0-	-0-	2,410	-0-	-0-
Professional fees	23,706	400	-0-	24,106	-0-	-0-
Dues and subscriptions	1,061	-0-	-0-	1,061	-0-	-0-
Endowment development	19,482	-0-	-0-	19,482	-0-	-0-
Equipment rental, repairs, and maintenance	3,630	27,193	-0-	30,823	-0-	-0-
Computer support	16,391	-0-	-0-	16,391	-0-	-0-
Insurance	4,872	3,497	-0-	8,369	-0-	-0-
Utilities	7,911	1,944	-0-	9,855	-0-	-0-
Newsletter	5,442	-0-	-0-	5,442	-0-	-0-
Postage	5,294	-0-	-0-	5,294	-0-	-0-
Building rent	19,800	-0-	(19,800)	-0-	-0-	-0-
Travel	2,037	-0-	-0-	2,037	-0-	-0-
Education	12,186	-0-	-0-	12,186	-0-	-0-
Office supplies	3,221	72	-0-	3,293	-0-	-0-
Depreciation	2,633	29,767	-0-	32,400	-0-	-0-
Uncollectable contributions receivable	50,000	-0-	-0-	50,000	-0-	-0-
Purchased services	3,840	3,288	-0-	7,128	-0-	-0-
Administrative fees	688,478	-0-	-0-	688,478	-0-	-0-
Miscellaneous	5,436	12,515	(11,932)	6,019	-0-	-0-
Total expenses	<u>4,172,491</u>	<u>78,676</u>	<u>(31,732)</u>	<u>4,219,435</u>	<u>-0-</u>	<u>-0-</u>
Change in net assets	345,716	(8,170)	-0-	337,546	1,492,481	(1,377)
<b>Net assets, beginning of year</b>	<u>964,383</u>	<u>649,159</u>	<u>-0-</u>	<u>1,613,542</u>	<u>45,633,254</u>	<u>1,493,352</u>
<b>Net assets, end of year</b>	<u>\$ 1,310,099</u>	<u>\$ 640,989</u>	<u>\$ -0-</u>	<u>\$ 1,951,088</u>	<u>\$ 47,125,735</u>	<u>\$ 1,491,975</u>

*See Report of Independent Auditors on pages 1 and 2.*