

LEGACY FOUNDATION, INC.

**Financial Statements and
Report of Independent Auditors**

**Years Ended
June 30, 2009 and 2008**

REPORT OF INDEPENDENT AUDITORS

James L. Watt
& Associates, Ltd.
Certified Public Accountants

The Board of Directors
Legacy Foundation, Inc.

We have audited the accompanying statements of financial position of Legacy Foundation, Inc. as of June 30, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Legacy Foundation, Inc. at June 30, 2009 and 2008, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

James L. Watt & Associates, Ltd.

October 16, 2009

LEGACY FOUNDATION, INC.

Statements of Financial Position

June 30, 2009 and 2008

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	<u>6/30/09</u>	<u>6/30/08</u>
ASSETS		
Cash and cash equivalents	\$ 214,320	216,588
Investments at market	27,144,566	31,754,774
Furniture and equipment less accumulated depreciation	<u>5,198</u>	<u>9,890</u>
Total Assets	<u>\$27,364,084</u>	<u>31,981,252</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 18,790	22,624
Grants payable	86,560	11,000
Charitable funds held for the benefit of others	<u>6,410,631</u>	<u>6,805,662</u>
Total Liabilities	<u>6,515,981</u>	<u>6,839,286</u>
Net Assets		
Unrestricted	302,461	2,710,700
Temporarily restricted	442,257	2,539,267
Permanently restricted	<u>20,103,385</u>	<u>19,891,999</u>
Total Net Assets	<u>20,848,103</u>	<u>25,141,966</u>
Total Liabilities and Net Assets	<u>\$27,364,084</u>	<u>31,981,252</u>

See accompanying notes to financial statements

LEGACY FOUNDATION, INC.

Statements of Activities

Year Ended June 30, 2009

	*	*	*	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 116,942	1,655,924	211,386	1,984,252
Interest and dividends	299,839	424,598	-	724,437
Net realized investment (loss)	(803,512)	(706,287)	-	(1,509,799)
Net unrealized investment (loss)	(1,552,828)	(1,364,935)	-	(2,917,763)
Net assets released from restrictions	2,106,310	(2,106,310)	-	-
Management fees	<u>57,603</u>	<u>-</u>	<u>-</u>	<u>57,603</u>
 Total Revenues, Gains and Other Support	 224,354	 (2,097,010)	 211,386	 (1,661,270)
 EXPENSES				
Grants	1,890,334	-	-	1,890,334
Management, program and general	613,138	-	-	613,138
Fundraising	66,194	-	-	66,194
Investment and custodial fees	<u>62,927</u>	<u>-</u>	<u>-</u>	<u>62,927</u>
 Total Expenses	 <u>2,632,593</u>	 <u>-</u>	 <u>-</u>	 <u>2,632,593</u>
 Change in Net Assets	 (2,408,239)	 (2,097,010)	 211,386	 (4,293,863)
 Net Assets, Beginning of Year	 <u>2,710,700</u>	 <u>2,539,267</u>	 <u>19,891,999</u>	 <u>25,141,966</u>
 Net Assets, End of Year	 <u>\$ 302,461</u>	 <u>442,257</u>	 <u>20,103,385</u>	 <u>20,848,103</u>

See accompanying notes to financial statements

LEGACY FOUNDATION, INC.

Statements of Activities

Year Ended June 30, 2008

	*	*	*	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 1,078,288	1,519,958	4,898,744	7,496,990
Interest and dividends	99,351	643,141	-	742,492
Net realized investment gain	114,704	1,049,306	-	1,164,010
Net unrealized investment (loss)	(375,989)	(3,439,525)	-	(3,815,514)
Net assets released from restrictions	2,904,663	(2,904,663)	-	-
Management fees	<u>73,144</u>	<u>-</u>	<u>-</u>	<u>73,144</u>
 Total Revenues, Gains and Other Support	 3,894,161	 (3,131,783)	 4,898,744	 5,661,122
 EXPENSES				
Grants	2,543,030	-	-	2,543,030
Management, program and general	445,540	-	-	445,540
Fundraising	62,420	-	-	62,420
Investment and custodial fees	<u>80,890</u>	<u>-</u>	<u>-</u>	<u>80,890</u>
 Total Expenses	 <u>3,131,880</u>	 <u>-</u>	 <u>-</u>	 <u>3,131,880</u>
 Change in Net Assets	 762,281	 (3,131,783)	 4,898,744	 2,529,242
 Net Assets, Beginning of Year	 <u>1,948,419</u>	 <u>5,671,050</u>	 <u>14,993,255</u>	 <u>22,612,724</u>
 Net Assets, End of Year	 <u>\$2,710,700</u>	 <u>2,539,267</u>	 <u>19,891,999</u>	 <u>25,141,966</u>

See accompanying notes to financial statements

LEGACY FOUNDATION, INC.

Statements of Cash Flows

Years Ended June 30, 2009 and 2008

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	<u>6/30/09</u>	<u>6/30/08</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (4,293,863)	2,529,242
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net unrealized investment (gain) loss	2,917,763	3,815,514
Non-cash contributions	(40,464)	(17,403)
Depreciation	4,692	6,050
Decrease in contributions receivable	-	10,000
(Decrease) in charitable funds held for the benefit of others	(395,031)	(1,548,898)
Increase (decrease) in accounts and grants payable	<u>71,726</u>	<u>(34,145)</u>
Net cash provided (used) by operating activities	(1,735,177)	4,760,360
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(5,831,710)	(12,916,210)
Proceeds from sale of investments	<u>7,564,619</u>	<u>8,300,947</u>
Net cash (used) by investing activities	<u>1,732,909</u>	<u>(4,615,263)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,268)	145,097
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>216,588</u>	<u>71,491</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 214,320</u>	<u>216,588</u>

See accompanying notes to financial statements

LEGACY FOUNDATION, INC.

Notes to Financial Statements

June 30, 2009 and 2008

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Note 1 – Organization

Legacy Foundation, Inc. was formed in 1992 as the Endowment Fund of Lake County, Inc. As a community foundation, it accepts endowments and other funds from public and private sources and distributes grants for community enhancing projects and other charitable purposes.

Note 2 – Summary of Significant Accounting Policies

Financial Statement Presentation

The accompanying financial statements of Legacy Foundation, Inc. are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

The Foundation considers cash in operating bank accounts and money market accounts as cash and cash equivalents.

Contributions Receivable

The Foundation reports as receivables and contributions unconditional promises from donors. At 6/30/09 and 6/30/08 there were no amounts receivable.

Furniture and Equipment

Furniture and Equipment consists of:

	<u>6/30/09</u>	<u>6/30/08</u>
Furniture and equipment	\$76,695	76,695
Less accumulated depreciation	<u>71,497</u>	<u>66,805</u>
	<u>\$ 5,198</u>	<u>9,890</u>

Furniture and equipment are recorded at cost. Minor additions and renewals are expensed in the current year incurred. Depreciation is calculated using the straight-line method over 3 or 5 years.

LEGACY FOUNDATION, INC.

Notes to Financial Statements

June 30, 2009 and 2008

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Note 2 – Summary of Significant Accounting Policies (continued)

Charitable Funds Held for the Benefit of Others

A liability is recorded for certain assets for which the Foundation acts as an agent. The related agreements have stipulations that the assets be passed on to specific individuals or entities that are the same as, or affiliates of, the donor.

The Foundation has entered into several charitable gift annuities whereby donors have transferred monies to the Foundation in return for promises to pay the donors a fixed annuity for life. At June 30, 2009 and 2008, \$553,432 and \$645,481 of such funds are included as charitable funds held for the benefit of others.

Of the total charitable funds held for the benefit of others, \$5,235,065 at June 30, 2009 and \$5,454,717 at June 30, 2008 represent monies irrevocably transferred to the Foundation for endowment for which the donor or their affiliate is the specified beneficiary.

During the year ended June 30, 2008 the \$816,619 balance of a charitable remainder trust was granted to a charitable organization as per the terms of the trust agreement. This amount is included in temporarily restricted contributions, net assets released from restrictions, and unrestricted grants.

Activity in the charitable funds held for the benefit of others is:

	<u>2009</u>	<u>2008</u>
Balance, Beginning of Year	\$6,805,662	8,354,560
Funds received	952,218	183,175
Interest and dividends	207,468	218,003
Net realized investment gain (loss)	(402,348)	283,257
Net unrealized investment gain (loss)	(777,559)	(925,038)
Released as temporarily restricted contributions	-	(816,619)
Transfers to specified entities	(303,850)	(391,434)
Investment and custodial fees	(13,357)	(27,098)
Management fees to foundation	<u>(57,603)</u>	<u>(73,144)</u>
Increase (Decrease) in Balance	<u>(395,031)</u>	<u>(1,548,898)</u>
Balance, End of Year	<u>\$6,410,631</u>	<u>6,805,662</u>

LEGACY FOUNDATION, INC.

Notes to Financial Statements

June 30, 2009 and 2008

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Note 2 – Summary of Significant Accounting Policies (continued)

Grants

Grants are recorded when approved by the Foundation's Board of Directors.

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, contributions receivable, and accrued liabilities approximate fair value due to the short-term nature of these instruments. Investments are carried at fair value based on quoted market prices.

Income Taxes

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Net Asset Classification

Permanently restricted net assets represent contributions, which are subject to donor-imposed stipulations, which restrict spendability.

Temporarily restricted net assets represent contributions, investment income and realized and unrealized gains and losses where use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the organization. When donor restrictions expire or are fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unrestricted net assets represent contributions and other support, net of expenses, which are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Distribution Policy

For funds managed pursuant to the Uniform Management of Institutional Funds Act (UMIFA), distributions will be made subject to the availability of realized earnings, provided that after any such distribution, the Fund's value shall not be less than its historic dollar value, i.e. the total value of all contributions, as valued on the date of each gift, donated to the Fund from its inception to the date of distribution.

LEGACY FOUNDATION, INC.

Notes to Financial Statements

June 30, 2009 and 2008

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Note 2 – Summary of Significant Accounting Policies (continued)

For funds managed pursuant to the Uniform Prudent Management of Institutional Funds Act (UPMIFA), distributions will be made subject to the prudent investment standard required by the Foundation's Board of Directors as defined in the applicable sections of the Indiana Code. Pursuant to UPMIFA, distributions are not limited to realized earnings on historic dollar value.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from estimates.

Investments

Investments, reported at quoted market value, consist of the following:

	<u>6/30/09</u>	<u>6/30/08</u>
Government and federal agency obligations	\$ 44,690	42,791
Fixed income and bond funds	5,808,646	5,880,987
Common stock and stock funds	19,931,902	23,644,177
Certificates of deposit and money funds	<u>1,359,328</u>	<u>2,186,819</u>
	<u>\$27,144,566</u>	<u>31,754,774</u>

At June 30, 2009 and 2008 the cost basis of investments was \$34,803,298 and \$35,678,792, respectively.

Note 3 – Investment Income, Gains and Losses

Realized and unrealized losses on investments associated with donor-restricted permanent funds first reduce temporarily restricted net assets to the extent of the fund's temporarily restricted net asset balance. Any remaining losses reduce unrestricted net assets. Subsequent gains increase unrestricted net assets until the total amount of the gains offset the amount of the losses previously recorded in unrestricted net assets. For the year ended June 30, 2009 \$678,654 of such investment losses were used to reduce unrestricted net assets.

LEGACY FOUNDATION, INC.

Notes to Financial Statements

June 30, 2009 and 2008

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Note 4 – Lease

The Foundation currently leases office space under a five-year operating lease agreement dated January 11, 2005 with a beginning date of March 1, 2005. Base rent is \$2,763 per month plus annual operating expense and cost of living adjustments. Total rent expense for the years ended June 30, 2009 and 2008 was \$38,427 and \$37,041, respectively.

Minimum lease payments for the year ending June 30, 2010 are \$22,104.

Note 5 – Concentration of Risk

The Foundation maintains bank deposit accounts that, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash.

Note 6 – Simple IRA Plan

Effective August 1, 2001, the Foundation established a Simple IRA pension plan, covering all employees who earned \$5,000 or more, per year, during any prior year of employment. The Foundation will make a matching contribution to each eligible employee's Simple IRA equal to the employee's salary reduction contributions up to a limit of 3% of the employee's compensation for the year. The employer contribution for the years ended June 30, 2009 and 2008 were \$5,767 and \$4,479, respectively.