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February 5, 2015

Board of Directors  
Leap of Noble County, Inc.  
833 East Main Street  
P.O. Box 76  
Albion, IN 46701

We have reviewed the audit report prepared by Dunbar, Cook & Shepard, P.C., for the period July 1, 2010 to June 30, 2011. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of Leap of Noble County, Inc., as of June 30, 2011, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner



**LEAP OF NOBLE COUNTY, INC.**

**AUDITED FINANCIAL STATEMENTS**

**June 30, 2011 and 2010**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
LEAP of Noble County, Inc.

We have audited the accompanying statements of financial position of **LEAP of Noble County, Inc. (the Project)** (a nonprofit organization) as of June 30, 2011 and 2010, and the related statements of activities and changes in net assets, and cash flows, for the years then ended. These financial statements are the responsibility of the Project's management. Our responsibility is to express an opinion on these 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide 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 LEAP of Noble County, Inc. as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as whole. The schedules of functional expenses are presented for the purposes of additional analysis and are not a required part of the basic 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

November 3, 2011

*Dunbar, Cook & Shepard, P.C.*

**LEAP OF NOBLE COUNTY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2011 and 2010**

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 34,607	\$ 38,843
Pledges receivable, less allowance for doubtful accounts of \$4,000 for 2011 and 2010.	19,158	27,647
Grants receivable	274,972	78,051
Prepaid expenses	<u>10,203</u>	<u>9,239</u>
<b>TOTAL CURRENT ASSETS</b>	<b>338,940</b>	<b>153,780</b>
<b>PROPERTY AND EQUIPMENT</b>		
Leasehold improvements	6,064	6,064
Office furniture and equipment	101,615	137,522
Library materials	12,543	12,682
Accumulated depreciation	<u>(78,377)</u>	<u>(118,370)</u>
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<b>41,845</b>	<b>37,898</b>
<b>BENEFICIAL INTEREST IN THE NOBLE COUNTY COMMUNITY FOUNDATION</b>		
	<u>6,332</u>	<u>6,820</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 387,117</u></b>	<b><u>\$ 198,498</u></b>
 <u>LIABILITIES AND NET ASSETS</u>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 4,067	\$ 22,176
OCRA share payable	-	63
Accrued payroll and payroll taxes	<u>31,476</u>	<u>13,787</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>35,543</b>	<b>36,026</b>
<b>NET ASSETS</b>		
Unrestricted	102,795	145,287
Temporarily restricted	242,929	11,335
Permanently restricted	<u>5,850</u>	<u>5,850</u>
<b>TOTAL NET ASSETS</b>	<b><u>351,574</u></b>	<b><u>162,472</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 387,117</u></b>	<b><u>\$ 198,498</u></b>

See accompanying notes and independent auditors' report.

**LEAP OF NOBLE COUNTY, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**For the Year Ended June 30, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUE</b>				
Foundation grants	\$ 5,248	\$ 388,256	\$ -	\$ 393,504
Government grants	4,873	339,094	-	343,967
Business contributions	13,102	30,000	-	43,102
Individual contributions	19,687	-	-	19,687
In-kind contributions	148,670	-	-	148,670
Fundraising	20,106	-	-	20,106
Fees for services	28,686	-	-	28,686
Miscellaneous income	1,141	-	-	1,141
Investment income	1,467	-	-	1,467
Net assets released from restrictions	<u>525,756</u>	<u>(525,756)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE	768,736	231,594	-	1,000,330
<b>EXPENSES</b>				
Program services:				
Before and after school	571,079	-	-	571,079
Learning centers	132,603	-	-	132,603
Adult education	<u>22,391</u>	<u>-</u>	<u>-</u>	<u>22,391</u>
Total Program Services	726,073	-	-	726,073
Supporting services:				
Administrative	43,155	-	-	43,155
Fundraising	<u>42,000</u>	<u>-</u>	<u>-</u>	<u>42,000</u>
Total Supporting Services	<u>85,155</u>	<u>-</u>	<u>-</u>	<u>85,155</u>
TOTAL EXPENSES	<u>811,228</u>	<u>-</u>	<u>-</u>	<u>811,228</u>
CHANGES IN NET ASSETS	(42,492)	231,594	-	189,102
<b>NET ASSETS - BEGINNING</b>	<u>145,287</u>	<u>11,335</u>	<u>5,850</u>	<u>162,472</u>
NET ASSETS - ENDING	<u>\$ 102,795</u>	<u>\$ 242,929</u>	<u>\$ 5,850</u>	<u>\$ 351,574</u>

**LEAP OF NOBLE COUNTY, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**For the Year Ended June 30, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUE</b>				
Foundation grants	\$ 7,000	\$ 134,045	\$ -	\$ 141,045
Government grants	-	35,000	-	35,000
Business contributions	65,569	-	-	65,569
Individual contributions	24,996	-	-	24,996
In-kind contributions	130,296	-	-	130,296
Fundraising	24,448	-	-	24,448
Fees for services	25,629	-	-	25,629
Miscellaneous income	894	-	-	894
Investment income	758	-	-	758
Net assets released from restrictions	<u>460,623</u>	<u>(460,623)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE	740,213	(291,578)	-	448,635
<b>EXPENSES</b>				
Program services:				
Tutoring/volunteering	479,112	-	-	479,112
Learning centers	133,991	-	-	133,991
Adult education	<u>1,812</u>	<u>-</u>	<u>-</u>	<u>1,812</u>
Total Program Services	614,915	-	-	614,915
Supporting services:				
Administrative	43,366	-	-	43,366
Fundraising	<u>49,430</u>	<u>-</u>	<u>-</u>	<u>49,430</u>
Total Supporting Services	<u>92,796</u>	<u>-</u>	<u>-</u>	<u>92,796</u>
TOTAL EXPENSES	<u>707,711</u>	<u>-</u>	<u>-</u>	<u>707,711</u>
CHANGES IN NET ASSETS	32,502	(291,578)	-	(259,076)
<b>NET ASSETS - BEGINNING</b>	<u>112,785</u>	<u>302,913</u>	<u>5,850</u>	<u>421,548</u>
NET ASSETS - ENDING	<u>\$ 145,287</u>	<u>\$ 11,335</u>	<u>\$ 5,850</u>	<u>\$ 162,472</u>

**LEAP OF NOBLE COUNTY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from grants, contributions and fees	\$ 646,057	\$ 707,142
Interest received	1,467	337
Cash paid to vendors	(205,946)	(222,124)
Salaries and wages paid	(440,248)	(387,744)
Interest paid	<u>(8)</u>	<u>(1,452)</u>
NET CASH FROM OPERATING ACTIVITIES	1,322	96,159
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(6,046)	(15,641)
Proceeds from sale of property, plant and equipment	<u>-</u>	<u>50</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(6,046)</u>	<u>(15,591)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Investment in permanent endowment	(1,368)	(615)
Proceeds from permanent endowment	1,856	144
Repayment of debt	<u>-</u>	<u>(61,500)</u>
NET CASH FROM (USED IN) FINANCING ACTIVITIES	<u>488</u>	<u>(61,971)</u>
NET INCREASE (DECREASE) IN CASH	(4,236)	18,597
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>38,843</u>	<u>20,246</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 34,607</u>	<u>\$ 38,843</u>
<b>RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 189,102	\$ (259,076)
Adjustments to reconcile changes in net assets to net cash from (used in) operating activities:		
Depreciation	12,297	9,637
Noncash contribution	(10,200)	-
Cash from (for) operating assets and liabilities:		
Receivables	(188,432)	389,140
Prepaid expenses	(964)	(6,023)
Other assets	-	850
Accounts payable	(18,170)	(7,756)
Accrued payroll and payroll taxes	17,689	(4,672)
Accrued expenses	<u>-</u>	<u>(25,941)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 1,322</u>	<u>\$ 96,159</u>
<b>SUPPLEMENTAL DISCLOSURE</b>		
Noncash transactions:		
In-kind contributions of facilities	\$ 138,470	\$ 130,296
Noncash contribution	<u>10,200</u>	<u>-</u>
	<u>\$ 148,670</u>	<u>\$ 130,296</u>

See accompanying notes and independent auditors' report.

**LEAP OF NOBLE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011 AND 2010**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**NATURE OF ACTIVITIES** - LEAP of Noble County, Inc. (the Project) is a not-for-profit organization founded in 1999 with the goal of establishing literacy as a value in every family in Noble County. LEAP is an acronym for "Literacy, Empowering and Advocating Project." The Project will attempt to fulfill its mission by providing both group and individual tutoring in reading skills, grammar and basic writing and composition. Employees and volunteers alike will provide these services.

**BASIS OF ACCOUNTING** - The accompanying financial statements were prepared on the accrual basis of accounting.

**CASH AND CASH EQUIVALENTS** - For the purposes of the statements of cash flows, the Project considers all highly liquid debt instruments, purchased with a maturity of three months or less, to be cash equivalents.

**INVESTMENTS** - Investments consist of mutual funds, money market funds and individual stocks. The investments are accounted for at fair market value. Accordingly, any unrealized gain or loss is recognized in the statement of activities.

**CONCENTRATION OF CREDIT RISK** - Financial instruments which potentially subject the Project to concentrations of credit risk consist principally of temporary cash investments and investments. The Project places its temporary cash investments with high credit quality financial institutions. The Project has limited the potential loss on investments by placing its investments in high credit quality financial instruments and funds.

**CONCENTRATION OF GRANTS** - The Project received approximately 75 percent and 85 percent of its grants from one grantor for the years ended June 30, 2011 and 2010, respectively.

**PROPERTY AND EQUIPMENT** - Property and equipment are stated at cost or, if donated, at the approximate fair market value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. It is the policy of the Project to capitalize the cost of equipment which exceeds \$500. Maintenance and repairs are expensed as they are incurred. Depreciation expense is computed using the straight-line method over the estimated useful lives of the related assets, as follows:

Leasehold improvements	10 years
Office furniture and equipment	7 years
Computer equipment	5 years
Software	3 years

Depreciation expense was \$12,297 and \$9,637 for 2011 and 2010, respectively.

**DONATED MATERIALS, FACILITIES AND SERVICES** - The Project's facilities and materials are provided by the Noble County Library and various schools within Noble County. A study has not been conducted to determine the fair market value of the rental of the office space and equipment.

**LEAP OF NOBLE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS CONTINUED**  
**June 30, 2011 and 2010**

**NOTE A - CONTINUED**

**CONTRIBUTIONS** - Contributions received are recorded as increases in unrestricted, temporarily restricted or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily restricted or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**PROMISES TO GIVE** - Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise becomes unconditional.

The Project uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years experience and management's analysis of specific promises made.

**RESTRICTED ASSETS** - Net assets of the temporarily or permanently restricted classes are created only by donor-imposed restrictions on their use. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restrictions met in the same year are classified as unrestricted net assets. At June 30, 2011 and 2010, the Project held one permanently restricted and one temporarily restricted net asset categories. All other net assets, including board-designated or appropriated amounts, are legally unrestricted, and are reported as part of the unrestricted class. Unrestricted net assets are net assets that are not subject to donor restrictions.

The Project's temporarily restricted net assets result from grants in which the specifically stated grant terms do not coincide with the Organizations' fiscal year.

Permanently restricted net assets are created by requirements of grant agreements with Noble County Community Foundation.

**INCOME TAXES** - The Project is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from Indiana income taxes. However, should the Project ever have income from certain activities not directly related to its tax-exempt purpose, that income would be subject to taxation as unrelated business income. In addition, the Project qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Project's policy is to include interest and penalties related to its tax positions in income tax expense.

**ADVERTISING** - The Project has a policy of charging the costs of advertising to expense as incurred. Advertising expense for the years ended June 30, 2011 and 2010 was \$5,633 and \$2,499, respectively.

**LEAP OF NOBLE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS CONTINUED**  
**June 30, 2011 and 2010**

**NOTE A - CONTINUED**

**USE OF ESTIMATES** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**FUNCTIONAL ALLOCATION OF EXPENSES** - The costs of providing the various services and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the activities and supporting services benefited.

**SUBSEQUENT EVENTS** - Management has evaluated subsequent events through November 3, 2011, which is the date the financial statements were available to be issued.

**NOTE B - PLEDGES RECEIVABLE**

Pledges receivable consist of the following at June 30:

	<u>2011</u>	<u>2010</u>
Receivable in less than one year	\$ 11,400	\$ 15,598
Receivable in one to five years	<u>13,165</u>	<u>17,012</u>
	24,565	32,610
Less discounts to net present value	<u>(1,407)</u>	<u>(963)</u>
	23,158	31,647
Less: allowance for uncollectible	<u>(4,000)</u>	<u>(4,000)</u>
	<u>\$ 19,158</u>	<u>\$ 27,647</u>

The discount rate used for discounting long-term promises to give was 6 percent.

**NOTE C - GRANTS RECEIVABLE**

Grants receivable consist of the following at June 30:

	<u>2011</u>	<u>2010</u>
Receivable in less than one year	\$ 180,672	\$ 78,051
Receivable in one to five years	<u>100,000</u>	<u>-</u>
Less discounts to net present value	<u>(5,700)</u>	<u>-</u>
	<u>\$ 274,972</u>	<u>\$ 78,051</u>

**LEAP OF NOBLE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS CONTINUED**  
**June 30, 2011 and 2010**

**NOTE C - CONTINUED**

In 2011 and 2010, no allowance for uncollectible grants was established. The grants are to be received from established companies in the region. Therefore, management expects to receive the grants in full. The discount rate used for discounting the long-term grant was 6 percent.

**NOTE D - LINES OF CREDIT**

During 2008, the Project established an unsecured line of credit for \$50,008. Advances on the credit line carry interest equal to the prime rate listed in The Wall Street Journal on the 17th business day of the month, with a minimum of 5.0 percent. There were no borrowings on the unsecured line of credit. As of June 30, 2011 and 2010, the interest rates charged on the line of credit were 5.0 percent each year and at year end.

For the years ended June 30, 2011 and 2010, interest expense was \$8 and \$1,452, respectively.

**NOTE E - OPERATING LEASE**

The Project leases its office and a learning center under a 12 month agreement which expires on October 1, 2011. Total rent expense was \$10,800 and \$11,501 in 2011 and 2010. All other learning centers are donated facilities. (See Note A.) The Project signed a new lease from October 1, 2011, which will expire on October 31, 2013.

Future minimum lease payments based on the new lease are as follows:

2012	\$ 10,350
2013	10,200
2014	<u>3,400</u>
	<u>\$ 23,950</u>

**NOTE F - BENEFICIAL INTEREST IN THE NOBLE COUNTY COMMUNITY FOUNDATION**

The Project entered into a designated permanent endowment fund agreement with The Noble County Community Foundation, Inc. on August 19, 2003. This fund receives contributions from the Project and from others.

The amounts transferred from the Project are reflected as an asset titled "Beneficial Interest in the Noble County Community Foundation." This will be increased by future contributions from the Project and investment income, and will be decreased by expenses or distributions.

The amounts in the endowment fund that were transferred from other sources as received by the Noble County Community Foundation directly are not considered the assets of the Project, because the Foundation has variance power over those amounts (the right to redirect). Income from these amounts will be recorded by the Project when received.

The annual earnings, net of fees and expenses, are available for distribution to the Project to be used for program services. The Foundation determines the amount to be distributed each year.

**LEAP OF NOBLE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS CONTINUED**  
**June 30, 2011 and 2010**

**NOTE G - CONTINUED**

If the Project ceases to exist, the Foundation holds the right to use the funds to support other organizations as outlined in its governing instrument, or to use the funds exclusively for charitable or other exempt purposes that most nearly approximate the original purpose of the fund.

The following summarizes the amounts at the Foundation:

	<u>2011</u>	<u>2010</u>
<b>Beneficial Interest in the Noble County Community Foundation</b>		
Beginning of year	\$ 6,820	\$ 6,349
Investment income	1,368	615
Grants paid	(1,721)	-
Expenses paid	(135)	(144)
Beneficial Interest – end of year	6,332	6,820
 <b>Assets of the Noble County Community Foundation</b>		
Beginning of year	39,050	36,353
Investment income	7,693	3,520
Grants paid	(1,001)	-
Expenses paid	(793)	(823)
	44,949	39,050
Total Assets – end of year	\$ 51,281	\$ 45,870

**NOTE H - FAIR VALUE MEASUREMENTS**

Fair values of the Project's investments measured on a recurring basis at June 30, 2011 are as follows:

	<u>Fair Value</u>	<u>Significant Other Observable Inputs (Level 2)</u>
The Noble County Community Foundation	\$ <u>6,332</u>	\$ <u>6,332</u>

Fair values of the Project's investments measured on a recurring basis at June 30, 2010 are as follows:

	<u>Fair Value</u>	<u>Significant Other Observable Inputs (Level 2)</u>
The Noble County Community Foundation	\$ <u>6,820</u>	\$ <u>6,820</u>

Fair values for investments are determined from reports obtained from the Noble County Community Foundation.

**LEAP OF NOBLE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS CONTINUED**  
**June 30, 2011 and 2010**

**NOTE I - ENDOWMENT FUNDS**

As of June 30, 2011 and 2010, the Project had endowments totaling \$6,332 and \$6,820, respectively. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed or board-imposed restrictions.

The Board of Trustees of the Project has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Project 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 amounts are appropriated for expenditure by the Project in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Project considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Project, and (7) the Project's investment policies.

**Return Objectives and Risk Parameters**

The Project has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted endowment funds that the Project holds in perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended Equal or exceed the return of a balanced index fund comprised of the Standard and Poor's stock index (the "S&P 500"), Shearson Lehman Intermediate Government/Corporate bond index (the "SLGC") and Treasury Bills ("T-Bills") in similar proportion to weighted portions of the Portfolio. The Project expects its endowment fund, over time, to equal or exceed the inflation rate on an annualized basis as measured by the Consumer Price Index ("CPI") or similar reference measure as may be substituted from time to time in general investment parlance. Actual returns in any given year may vary.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Project relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Project targets a diversified assets allocation that places a greater emphasis on equity-based and mutual fund investments to achieve its long-term return objectives within prudent risk constraints.

**LEAP OF NOBLE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS CONTINUED**  
**June 30, 2011 and 2010**

**NOTE I - CONTINUED**

**Spending Policy**

The annual expenses of the Project shall generally be funded through the operating revenue of the Project. However, a component of this operating revenue shall be derived from investment income from the Portfolio. In an effort to protect the Portfolio from aggressive or short-term principal invasions to fund the operation of the Project, a "Spending Policy" is hereby established which will limit the amount available to the Project from the Portfolio in an amount not to exceed 5 percent of the trailing three-year average Portfolio balance in any given fiscal year. The Portfolio balance as of each fiscal year end of the Project shall be used in calculating this three-year trailing average. The Spending Policy shall limit the distributions from the Portfolio to the Project's general operating account to once annually. The timing of the distributions shall be at the discretion of the Finance Committee.

Composition of and changes in endowment net assets are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance at July 1, 2009	\$ 499	\$ 5,850	\$ 6,349
Investment income	615	-	615
Expenses paid	<u>(144)</u>	<u>-</u>	<u>(144)</u>
Balance at June 30, 2010	\$ 970	\$ 5,850	\$ 6,820
Investment income	1,368	-	1,368
Grants paid	(1,721)	-	(1,721)
Expenses paid	<u>(135)</u>	<u>-</u>	<u>(135)</u>
Balance at June 30, 2011	<u>\$ 482</u>	<u>\$ 5,850</u>	<u>\$ 6,332</u>

**SUPPLEMENTARY INFORMATION**

LEAP OF NOBLE COUNTY, INC.  
SCHEDULE OF FUNCTIONAL EXPENSES  
For The Year Ended June 30, 2011

	PROGRAM SERVICES			SUPPORTING SERVICES		Total
	Before and After School	Learning Centers	Adult Education	Administrative and Board	Development/Fundraising	
Salaries	\$ 299,236	\$ 102,056	\$ 13,204	\$ 23,357	\$ 20,084	\$ 457,937
Payroll taxes	25,649	7,219	1,037	1,872	1,539	37,316
Staff development	10,886	643	190	10	169	11,898
Worker's compensation	259	104	69	141	118	691
CACP expense	7,396	-	-	-	-	7,396
Classroom supplies	348	102	3	200	26	679
Dues and fees	3,212	73	63	498	1,440	5,286
Equipment rental	446	132	59	44	51	732
Fundraising expense	-	-	-	-	10,330	10,330
Insurance	1,154	322	168	1,828	273	3,745
Interest	-	-	-	8	-	8
In-kind expense	128,747	7,680	3,240	-	-	139,667
Learning/resource material	10,331	1,011	831	93	-	12,266
Legal and accounting	3,593	1,091	509	478	508	6,179
Marketing and advertising	2,937	120	-	797	1,779	5,633
Meals and entertainment	1,836	324	24	60	5	2,249
Mileage and parking	331	-	-	-	-	331
Rent	7,452	864	216	1,188	1,080	10,800
Repairs and maintenance	1,618	278	123	93	108	2,220
Outside services	49,259	7,315	1,547	2,817	1,877	62,815
Postage	874	252	108	280	152	1,666
Printing	-	-	-	195	15	210
Recognition	1,275	281	54	362	515	2,487
Supplies	436	314	60	1,405	71	2,286
Telephone and internet	2,790	708	310	266	300	4,374
Utilities	2,530	730	330	304	330	4,224
Bad debt	-	-	-	5,506	-	5,506
Depreciation expense	8,484	984	246	1,353	1,230	12,297
<b>Total</b>	<b>\$ 571,079</b>	<b>\$ 132,603</b>	<b>\$ 22,391</b>	<b>\$ 43,155</b>	<b>\$ 42,000</b>	<b>\$ 811,228</b>

LEAP OF NOBLE COUNTY, INC.  
SCHEDULE OF FUNCTIONAL EXPENSES  
For the Year Ended June 30, 2010

	PROGRAM SERVICES			SUPPORTING SERVICES		Total
	Before and After School	Learning Centers	Adult Education	Administrative and Board	Development/Fundraising	
Salaries	\$ 233,444	\$ 92,951	\$ 3,830	\$ 27,233	\$ 25,614	\$ 383,072
Payroll taxes	19,593	7,539	369	2,393	2,140	32,034
Fringe benefits	(623)	(292)	-	-	-	(915)
Staff development	9,337	-	-	64	800	10,201
Worker's compensation	1,253	169	14	202	181	1,819
CACP expense	8,317	-	-	-	-	8,317
Classroom supplies	344	119	6	42	38	549
Dues and fees	452	2,837	6	229	76	3,600
Equipment rental	583	74	10	93	250	1,010
Fundraising expense	-	-	-	-	11,718	11,718
Insurance	2,491	342	19	1,572	361	4,785
Interest	-	-	-	1,452	-	1,452
In-kind expense	106,608	23,688	-	-	-	130,296
Learning/resource material	19,065	558	405	36	-	20,064
Legal and accounting	3,282	435	40	530	476	4,763
Marketing and advertising	1,972	13	2	17	495	2,499
Meals and entertainment	669	10	-	62	10	751
Mileage and parking	445	-	-	-	-	445
Rent	7,476	1,701	87	1,172	1,065	11,501
Repairs and maintenance	177	291	-	100	18	586
Outside services	47,500	1,206	(3,090)	1,122	3,600	50,338
Postage	845	110	13	135	531	1,634
Printing	12	2	-	2	2	18
Recognition	1,046	75	35	336	80	1,572
Supplies	1,081	513	9	811	403	2,817
Telephone and internet	4,015	491	31	433	401	5,371
Utilities	2,600	342	26	423	386	3,777
Bad debt	-	-	-	4,000	-	4,000
Depreciation expense	7,128	817	-	907	785	9,637
<b>Total</b>	<b>\$ 479,112</b>	<b>\$ 133,991</b>	<b>\$ 1,812</b>	<b>\$ 43,366</b>	<b>\$ 49,430</b>	<b>\$ 707,711</b>