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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513

Fax: (317) 232-4711

Web Site: www.in.gov/sboa

June 2, 2009

Board of Directors
Cardinal Greenway, Inc.
700 E. Wysor St.
Muncie, IN 47305

We have reviewed the audit report prepared by Estep*Doctor & Company, PC, Independent Public Accountants, for the period January 1, 2006 to December 31, 2006. 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 the Cardinal Greenway, Inc., as of December 31, 2006, 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.

STATE BOARD OF ACCOUNTS

CARDINAL GREENWAY, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2006

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ESTEP* DOCTOR & COMPANY, PC

Certified Public Accountants / Consultants

3737 West Bethel Avenue * Muncie, Indiana 47304

765-289-5366 * fax 765-289-3332

Independent Auditors' Report

Board of Directors
Cardinal Greenway, Inc.
Muncie, Indiana

We have audited the accompanying statement of financial position of Cardinal Greenway, Inc., (a nonprofit organization), as of December 31, 2006, and the related statements of activities, functional expenses, and cash flows for the year 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 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 Cardinal Greenway, Inc., as of December 31, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of operating expenses on page 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Estep Doctor & Company PC

August 10, 2007
Muncie, Indiana



FINANCIAL STATEMENTS

LIABILITIES AND NET ASSETS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
CURRENT LIABILITIES				
Accounts payable	\$ 7,344	\$ 0	\$ 0	\$ 7,344
Unearned revenue	35,000	0	0	35,000
Rotary Club payable	18,587	0	0	18,587
Accrued payroll and related liabilities	6,550	0	0	6,550
Sales tax payable	<u>78</u>	<u>0</u>	<u>0</u>	<u>78</u>
Total Liabilities	<u>\$ 67,559</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 67,559</u>
NET ASSETS	<u>\$ 14,686,755</u>	<u>\$ 47,955</u>	<u>\$ 541,731</u>	<u>\$ 15,276,441</u>

TOTAL LIABILITIES AND NET ASSETS

<u>\$ 14,754,314</u>	<u>\$ 47,955</u>	<u>\$ 541,731</u>	<u>\$ 15,344,000</u>
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CARDINAL GREENWAY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Contributions	\$ 249,357	\$ 1,109	\$ 0	\$ 250,466
Grants	718,592	5,500	0	724,092
Lease income	1,550	0	0	1,550
Miscellaneous	24,156	0	0	24,156
Interest	4,031	0	24,425	28,456
Special events	11,612	450	0	12,062
Realized gain on investments	0	0	15,763	15,763
Unrealized gain on investments	0	0	28,237	28,237
	<u>0</u>	<u>0</u>	<u>28,237</u>	<u>28,237</u>
Total Support and Revenue	<u>\$ 1,009,298</u>	<u>\$ 7,059</u>	<u>\$ 68,425</u>	<u>\$ 1,084,782</u>
NET ASSETS RELEASED FROM RESTRICTIONS				
Satisfaction by payment	<u>\$ 155,973</u>	<u>\$ (137,920)</u>	<u>\$ (18,053)</u>	<u>\$ 0</u>
Total Support, Revenues, and Reclassifications	<u>\$ 1,165,271</u>	<u>\$ (130,861)</u>	<u>\$ 50,372</u>	<u>\$ 1,084,782</u>
EXPENSES (SCHEDULE)	<u>\$ 328,026</u>	<u>\$ 0</u>	<u>\$ 4,463</u>	<u>\$ 332,489</u>
INCREASE (DECREASE) IN NET ASSETS	<u>\$ 837,245</u>	<u>\$ (130,861)</u>	<u>\$ 45,909</u>	<u>\$ 752,293</u>
Beginning balance of Net Assets	13,769,142	0	495,822	14,264,964
Increase in Net Assets due to merger (Note 14)	<u>80,368</u>	<u>178,816</u>	<u>0</u>	<u>259,184</u>
Ending Balance of Net Assets	<u>\$ 14,686,755</u>	<u>\$ 47,955</u>	<u>\$ 541,731</u>	<u>\$ 15,276,441</u>

See Accompanying Notes to Financial Statements

CARDINAL GREENWAY, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Accounts Payable	\$ 1,093	\$ 0	\$ 0	\$ 1,093
Program expenses	29,534	0	0	29,534
Administrative fees	25	0	0	25
Advertising	250	0	0	250
Consulting fees	3,000	0	0	3,000
Conferences and meetings	427	0	0	427
Utilities	9,785	0	0	9,785
Supplies	14,480	0	0	14,480
Postage and shipping	3,082	0	0	3,082
Rent - equipment	9,313	0	0	9,313
Trail maintenance	7,946	0	0	7,946
Printing	5,006	0	0	5,006
Bad debt	30	0	0	30
Bank charges	817	0	0	817
Insurance	30,843	0	0	30,843
Legal fees	1,686	0	0	1,686
Accounting fees	16,681	0	0	16,681
Payroll tax expense	13,503	0	0	13,503
Rent	4,200	0	0	4,200
Salaries and wages	145,346	0	0	145,346
Security	747	0	0	747
Telephone	2,518	0	0	2,518
Travel	5,230	0	0	5,230
Property taxes	580	0	0	580
Depreciation	15,410	0	0	15,410
Dues and subscriptions	612	0	0	612
Investment fees	0	0	4,463	4,463
Miscellaneous	5,882	0	0	5,882
	<u>\$ 328,026</u>	<u>\$ 0</u>	<u>\$ 4,463</u>	<u>\$ 332,489</u>

See Accompanying Notes to Financial Statements

CARDINAL GREENWAY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from contributions	\$	469,368
Interest and dividends received		28,456
Cash paid to employees and suppliers		(429,302)
Cash received from other sources		<u>1,550</u>
Net Cash Provided by Operating Activities	\$	<u>70,072</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditures	\$	(18,265)
Interest and dividends reinvested		(24,425)
Proceeds from Community Foundation		18,053
Proceeds from merger		80,938
Proceeds from assets acquired in merger		36,800
Payments made for liabilities acquired in merger		<u>(16,330)</u>
Net Cash Provided by Operating Activities	\$	<u>76,771</u>

Net increase in cash and cash equivalents	\$	146,843
Cash and cash equivalents at beginning of year		<u>113,979</u>
Cash and cash equivalents at end of year	\$	<u>260,821</u>

See Accompanying Notes to Financial Statements

CARDINAL GREENWAY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006

**RECONCILIATION OF INCREASE IN NET ASSETS TO NET
CASH PROVIDED BY OPERATING ACTIVITIES**

Increase in net assets	\$ <u>752,293</u>
Adjustments to reconcile increase in net assets to net cash used in operating activities:	
Depreciation and amortization	\$ 15,410
Realized gain on investments	(15,763)
Unrealized gain on investments	(28,237)
Non-cash revenue included in increase in net assets	(554,950)
Noncash payable reduction due to merger	(96,293)
Non-cash expenses included in increase in net assets	4,463
Change in current assets and current liabilities:	
Increase in accounts receivable	(21,458)
Increase in inventory	(2,662)
Increase in prepaid expenses	(6,280)
Increase in accounts payable	7,344
Increase in unearned revenue	35,000
Decrease in Rotary payable	(3,418)
Decrease in accrued payroll	(22,005)
Increase in accrued payroll taxes	6,550
Increase in sales tax payable	<u>78</u>
Total Adjustments	\$ <u>(682,221)</u>
Net Cash Provided by Operating Activities	<u>\$ 70,072</u>

See Accompanying Notes to Financial Statements

CARDINAL GREENWAY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Cardinal Greenway, Inc. is a nonprofit organization organized to provide recreational opportunities in East Central Indiana through the acquisition, development, and maintenance of former railway corridors into multi-purpose recreational trails.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Donor-Imposed Restrictions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or donor restricted for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

When a donor-stipulated time restriction ends or a purpose restriction is accomplished, then the restricted net assets are reclassified to unrestricted net assets and are reported in the Statement of Activities as net assets released from restriction.

If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as unrestricted.

Income Taxes

Cardinal Greenway, Inc. is a nonprofit organization incorporated under the laws of the State of Indiana on April 2, 1993. It is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Inventories

Inventories are stated at cost. Costs are determined using the FIFO (first-in, first-out) method.

CARDINAL GREENWAY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents.

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.

Advertising Costs

Advertising costs are generally charged to operations in the year incurred and totaled \$250 for the year ended December 31, 2006.

Accounts Receivable

The Company considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

2. LAND, BUILDING, AND EQUIPMENT

Land, building, and equipment is carried at cost, while donated equipment is recorded at its fair market value at the date of acquisition. Expenditures for additions, improvements and replacements are added to the property and equipment accounts. Repairs and maintenance are charged to expense as incurred. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Estimated useful lives range from five to forty years. Depreciation expense for the year ended December 31, 2006 is \$15,410.

3. BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

Cardinal Greenway, Inc. has transferred funds to the Community Foundation to be held as an endowment to provide current income and long-term capital development funds for the benefit of the Organization in maintaining the multi-purpose recreational trails. The Community Foundation is required to distribute the net income of the Fund as requested by Cardinal Greenway, Inc.'s Board of Directors at convenient intervals. Any undistributed income annually is added to and becomes a part of the principal of the Fund. At December 31, 2006, the balance held in the Fund was \$541,731.

**CARDINAL GREENWAY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

4. INVESTMENTS – ENDOWMENT FUNDS

Two Community Foundations maintain endowment funds which receive contributions directly from donors or charitable trusts, with Cardinal Greenway, Inc. as the designated beneficiary. Therefore, these assets are not reflected in the financial statements of Cardinal Greenway, Inc. Grants are awarded quarterly by the Community Foundation to Cardinal Greenway, Inc. and recorded as income when received. Grants received for the year ended December 31, 2006 totaled \$2,707. The funds set up in this manner include the “Cardinal Greenway Endowment Fund” with The Community Foundation of Muncie & Delaware County, Inc. and the “Cardinal Greenway Fund” and “Rails to Trails Fund” which both reside with The Community Foundation of Grant County, Inc.

The fair market values of the funds at December 31, 2006 are as follows:

Cardinal Greenway Endowment Fund	\$	54,176
Cardinal Greenway Fund		163,784
Rails to Trails Fund		<u>5,566</u>
	\$	<u>223,526</u>

5. DEPOSITS ON CONSTRUCTION

The Organization is required to fund 20 percent of new construction to the multi-purpose recreational trail. The contract with the Indiana Department of Transportation requires that the funds be submitted prior to commencement of the contract. Deposits on construction held by the Indiana Department of Transportation for the year ended December 31, 2006 totaled \$34,152.

6. ROTARY CLUB PAYABLE

The Rotary Club located in Muncie, Indiana is building a park on Cardinal Greenway, Inc. property in conjunction with the multi-purpose recreational trail. The Rotary Club has no paid staff to collect contributions and send correspondence to the various contributors. Therefore, the Cardinal Greenway, Inc. staff is handling this process for the Rotary Club. The contributions belong to the Rotary Club and the value of the park will be contributed to the Organization upon completion. The amount due to the Rotary Club as of December 31, 2006 totaled \$18,587.

7. RESTRICTIONS ON NET ASSETS

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors. Assets released from restriction for the year ended December 31, 2006 totaled \$155,973.

CARDINAL GREENWAY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

8. DONATED SERVICES

No amounts have been reflected in the financial statements for donated services since no objective basis is available to measure the value of such services. During the audit period, a number of volunteers have donated time in the Organization's program services and management.

9. GRANTS

The Organization received the following grants for the year ended December 31, 2006:

Indiana Department of Transportation, Pass	
Through the City of Muncie, Indiana	\$ 489,352
Grants for Operations	209,240
Corporate Partnership	20,000
Private Grants	5,500
	<hr/>
	\$ 724,092

10. LEASE INCOME

The Organization maintains leases for right-of-way privileges along the recreational trail. The total lease income during the period ending December 31, 2006 was \$1,550.

11. INVESTMENT GAINS/LOSSES

The Organization holds funds in an investment account managed by the Community Foundation. It is a managed fund that is reported at fair market value of \$541,731 at December 31, 2006. In order to record the investment at fair market value, an unrealized gain of \$28,237 and realized gains of \$15,763 were recorded and included in investment income in the Statement of Activities for December 31, 2006.

12. SIGNIFICANT GROUP CONCENTRATIONS OF CREDIT RISK

The City of Muncie, Indiana is the Local Public Agency (LPA), which acts on behalf of Cardinal Greenway, Inc. in receiving federal funds administered by the State of Indiana. These funds are used in acquiring and developing a 50.6-mile recreational corridor from Richmond, Indiana to Gaston, Indiana and an 8.3-mile corridor from Jonesboro, Indiana to Marion, Indiana. These funds are made available through the Intermodal Surface Transportation Efficiency Act.

**CARDINAL GREENWAY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

13. CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at several financial institutions located in East Central Indiana. The Federal Deposit Insurance Corporation insures accounts at each institution for amounts not to exceed \$100,000. At times during the year, the cash balances in some of the accounts exceeded the insured limit.

14. STATEMENT OF CASH FLOWS

The Indiana Department of Transportation provided grants in the amount of \$489,352 to Cardinal Greenway, Inc. for the rehabilitation of the multi-purpose recreational trail but pays the Contractor in charge directly. The Organization received several miscellaneous items as in-kind donations from various donors with a fair market value of \$35,178 and they also received in-kind donations for a bridge project with a fair market value of \$30,420. Cardinal Greenway, Inc. included these non-cash transactions as revenue and expenses during the year ending December 31, 2006 as adjustments to reconcile the increase in net assets to net cash provided by operating activities.

15. RELATED PARTY / MERGER OF ORGANIZATIONS

Cardinal Greenway, Inc. (CGI) had a long-standing agreement with Delaware Greenways, Inc. (DGI), a nonprofit Organization, created to manage the operations of the multi-purpose trail owned by CGI and the White River Greenway, situated on land owned by the City of Muncie. With the unanimous consent of both Boards of Directors, CGI and DGI entered into a merger agreement dissolving DGI. CGI received all assets held by DGI, assumed all liabilities, and recorded the increase in net assets. The assets and liabilities were recorded at their fair market value. A summarized balance sheet of DGI at the time of the merger is as follows:

ASSETS		LIABILITIES AND NET ASSETS	
Cash	\$ 80,938	Current liabilities	<u>\$ 16,331</u>
Current assets other than cash	133,094	Total Liabilities	<u>\$ 16,331</u>
Equipment and land improvements	61,483		
		NET ASSETS	
		Unrestricted	\$ 80,368
		Temporarily restricted	<u>178,816</u>
		Total Net Assets	<u>\$ 259,184</u>
		TOTAL LIABILITIES AND NET ASSETS	
TOTAL ASSETS	<u>\$ 275,515</u>	NET ASSETS	<u>\$ 275,515</u>

CARDINAL GREENWAY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

16. CONTINGENT LIABILITIES

In April 2006, Cardinal Greenway, Inc. received a request for a further site investigation from Indiana Department of Environmental Management (IDEM) relating to an underground storage tank (UST) which was discovered and removed during construction of the first federally funded Cardinal Greenway phase in 1998-1999. As required by law, and in conjunction with an INDOT Federal Aid project, all reporting of the discovered UST was delivered to IDEM timely at the time the tank was discovered and removed.

Seven years after submitting the corrective action plan to IDEM, IDEM has requested a further site investigation (FSI) to determine if any residual containment remains in and around the former UST site. If the site remains "clean", IDEM will close the incident.

Cardinal Greenway, Inc. is currently in the process of complying with the request for further testing of the site and has requested two IDEM extension periods in order to locate the original reports from the consultant and secure funds for the FSI. The Organization has recently been granted additional funds by INDOT to assist with FSI compliance as the tank was removed as part of a federal highway construction project. At the date of the audit report, no estimate can be made as to the costs which may be involved.