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August 19, 2009

Board of Directors
Grant County Economic Growth Council, Inc.
301 S. Adams St.
Marion, IN 46952-4012

We have reviewed the audit report prepared by Rea Logan & Co., Inc., Independent Public Accountants, for the period January 1, 2005 to December 31, 2005. 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 Grant County Economic Growth Council, Inc., as of December 31, 2005, 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.

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GRANT COUNTY ECONOMIC GROWTH COUNCIL, INC.
MARION, INDIANA

REPORT ON AUDIT
OF FINANCIAL STATEMENTS

DECEMBER 31, 2005

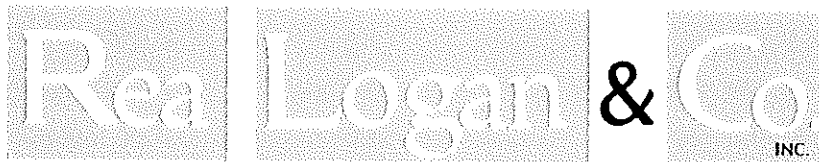
**GRANT COUNTY ECONOMIC GROWTH COUNCIL, INC.
MARION, INDIANA**

**REPORT ON AUDIT
OF FINANCIAL STATEMENTS**

DECEMBER 31, 2005

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INDEPENDENT AUDITOR'S REPORT

**TO THE BOARD OF DIRECTORS
GRANT COUNTY ECONOMIC GROWTH COUNCIL, INC.
Marion, Indiana**

We have audited the accompanying statement of financial position of Grant County Economic Growth Council, Inc. as of December 31, 2005 and the related statement of activities 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 Grant County Economic Growth Council, Inc. as of December 31, 2005 and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Rea Logan & Co., Inc.

Certified Public Accountants

Marion, Indiana
May 22, 2006

GRANT COUNTY ECONOMIC GROWTH COUNCIL, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2005

ASSETS:

Cash and cash equivalents	\$256,043
Accounts receivable	2,714
Property-Titan	545,017
Land	95,499
Office equipment, cost \$5,649, less accumulated depreciation \$3,510	2,139
Deposits	550
Beneficial interest in perpetual trust	<u>79,700</u>
TOTAL ASSETS	<u>\$981,662</u>

LIABILITIES:

Accounts payable	\$ 4,142
Accrued and withheld payroll taxes	<u>215</u>
Total Liabilities	<u>4,357</u>

NET ASSETS:

Permanently restricted	79,700
Temporarily restricted	134,497
Unrestricted:	
Board designated for special projects	75,000
Unrestricted	<u>688,108</u>
Total Net Assets	<u>977,305</u>

TOTAL LIABILITIES AND NET ASSETS **\$981,662**

GRANT COUNTY ECONOMIC GROWTH COUNCIL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE, GAINS AND OTHER SUPPORT:				
Private contributions	\$ 131,185	\$ 34,497	\$ -	\$ 165,682
Government grants	81,484		-	81,484
Special projects	-	861,846	-	861,846
Other income	16,994	-	-	16,994
Investment income	5,230	-	789	6,019
Grants	45,000	93,697	-	138,697
Net assets released from restrictions	<u>972,643</u>	<u>(972,643)</u>	<u>-</u>	<u>-</u>
Total Revenue, Gains & Other Support	<u>1,252,536</u>	<u>17,397</u>	<u>789</u>	<u>1,270,722</u>
EXPENSES:				
Program services-job retention and expansion:				
Employee costs	80,805	-	-	80,805
Travel and promotion	13,769	-	-	13,769
Advertising and direct mail	7,897	-	-	7,897
Printing and office expense	17,423	-	-	17,423
Marketing project	5,700	-	-	5,700
Fact book	1,343	-	-	1,343
Support	38,422	-	-	38,422
Telephone and internet service	4,752	-	-	4,752
Special projects	240,600	-	-	240,600
Annual meetings	9,777	-	-	9,777
Grants	86,826	-	-	86,826
Legal and accounting	11,323	-	-	11,323
Miscellaneous	<u>3,556</u>	<u>-</u>	<u>-</u>	<u>3,556</u>
Total Program Services	<u>522,193</u>	<u>-</u>	<u>-</u>	<u>522,193</u>
Management and General:				
Employee costs	8,978	-	-	8,978
Legal and accounting	5,661	-	-	5,661
Insurance	2,209	-	-	2,209
Occupancy	7,255	-	-	7,255
Depreciation expense	36	-	-	36
Miscellaneous	<u>396</u>	<u>-</u>	<u>-</u>	<u>396</u>
Total Management and General	<u>24,535</u>	<u>-</u>	<u>-</u>	<u>24,535</u>
Total Expenses	<u>546,728</u>	<u>-</u>	<u>-</u>	<u>546,728</u>
CHANGES IN NET ASSETS	705,808	17,397	789	723,994
NET ASSETS, beginning of year	<u>57,300</u>	<u>117,100</u>	<u>78,911</u>	<u>253,311</u>
NET ASSETS, end of year	<u>\$ 763,108</u>	<u>\$134,497</u>	<u>\$79,700</u>	<u>\$ 977,305</u>

See Independent Auditor's Report and Accompanying Notes to Financial Statements.

GRANT COUNTY ECONOMIC GROWTH COUNCIL, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2005

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash contributions, grants and income	\$1,276,404
Cash paid to suppliers and employees	(557,529)
Investment income	<u>5,230</u>

Net Cash Provided by Operating Activities	<u>724,105</u>
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CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of equipment	(2,175)
Purchase Titan property	<u>(545,017)</u>

Net Cash Provided (Used) by Investing Activities	<u>(547,192)</u>
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NET INCREASE IN CASH AND CASH EQUIVALENTS	176,913
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CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>79,130</u>
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CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 256,043</u>
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**RECONCILIATION OF CHANGE IN NET ASSETS
TO NET CASH PROVIDED (USED) BY OPERATING
ACTIVITIES:**

Change in net assets	\$ 723,994
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Depreciation	36
(Increase) in endowment value	(789)
Decrease in accounts receivable	11,450
(Decrease) in accounts payable	(10,534)
(Decrease) in accrued and withheld payroll taxes	<u>(52)</u>

Net Cash Provided by Operating Activities	<u>\$ 724,105</u>
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GRANT COUNTY ECONOMIC GROWTH COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 1 - Accounting Policies:

The Grant County Economic Growth Council, Inc. (Organization) was incorporated as a not-for-profit organization in April 1984 under the laws of the State of Indiana and commenced operations in April 1984. The Organization's purpose is job retention and job creation in Grant County, Indiana.

The significant accounting policies followed by Grant County Economic Growth Council, Inc. are:

(a) Basis of Accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

(b) 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.

(c) Cash and Cash Equivalents - Cash and cash equivalents consist of bank deposits in federally insured accounts. For purposes of reporting cash flows, the Organization considers all liquid investments, if any, with original maturities of three months or less to be cash equivalents.

(d) Donated Services - The Organization pays for most services requiring specific expertise. However, many other individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs, solicitations, and various committee assignments. The value of this contributed time is not reflected in the accompanying financial statements since the volunteer time does not meet the criteria for recognition.

(e) Income Taxes - Grant County Economic Growth Council, Inc. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

(f) Advertising - The Organization's policy is to expense advertising costs as the costs are incurred. During the year ended December 31, 2005 the Organization incurred expenses of \$7,897.

(g) Restricted and Unrestricted Revenue and Support - Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily 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.

(h) Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

GRANT COUNTY ECONOMIC GROWTH COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D.)
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 1 - Accounting Policies(cont'd):

(i) Equipment - Equipment is carried at cost. Depreciation is computed using the straight-line method over five years. When assets are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to income as incurred. Significant renewals and improvements are capitalized. Depreciation expense for the year ended December 31, 2005 was \$36.

(j) Expense Allocation - Expenses have been classified as program services and management and general based on the actual direct expenditures.

NOTE 2 - Leases:

The Organization leases operating facilities under a noncancelable operating lease arrangement. The lease expires December 31, 2007. Rental expense for the lease included in the statements of activities for the year ended December 31, 2005 was \$7,056.

Minimum annual rent payments required under the operating lease are as follows: 2006, \$7,040 and 2007, \$7,240.

NOTE 3 - Employee Benefits:

The Organization has a simplified employee pension plan (SEP). Contributions to the plan are made for all employees who are at least 21 years of age and meet the minimum service requirements. Contributions are at the discretion of the Board and are limited to the lesser of \$42,000 or 25 percent of each employee's total compensation. Employee benefit expense under this plan was \$10,000 for 2005.

NOTE 4 - Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following purposes or periods:

Special project - construction "shell" building	\$100,000
Deferred dues	<u>34,497</u>
	<u>\$134,497</u>

Assets released from restrictions in 2005 were due to the lapse of time restrictions.

NOTE 5 - Permanently Restricted Net Assets:

The permanently restricted net assets are in an endowment fund at The Community Foundation of Grant County Indiana, Inc. The interest and dividend income in this fund is distributable to the Organization, while realized and unrealized gains and losses remain in the corpus of the fund.

Permanently restricted net assets are restricted to:

Investment in perpetuity, the income of which is expendable to support any activity of the Organization	<u>\$79,700</u>
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GRANT COUNTY ECONOMIC GROWTH COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 6 - Beneficial Interest Trust (Perpetual Trust):

The Organization is the beneficiary under a perpetual trust administered by an outside party. Under the terms of the trust, the Organization has the irrevocable right to receive income earned on the trust assets in perpetuity, but never receives the assets held in trust. The estimated value of the expected future cash flows is \$79,700, which represents the fair market value of the trust assets at year end.

NOTE 7 - Concentration of Credit Risks:

At various times during the year, the Organization maintained cash balances in its banks in excess of FDIC insurable limits of \$100,000 per customer. As of December 31, 2005 the Organization's uninsured balance was \$114,666.

NOTE 8 - Lease of Property:

A ground lease and option to purchase agreement dated February 1, 2005, was executed between the Organization, lessor, and Titan Recovery Group L.L.C., lessee. The lease was for a term of six (6) years at \$10 per year. The lease and option to purchase is for the property located at 305 South Adams Street, Marion, Indiana. The lessee is responsible for all real estate taxes, utilities and maintenance made to the property.

The purchase price is based on a formula contained in the agreement. This formula may produce a sale/purchase as low as \$10.