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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

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, 2007 to December 31, 2007. 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, 2007, 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

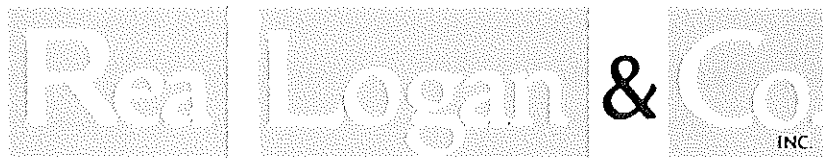
**GRANT COUNTY ECONOMIC GROWTH COUNCIL, INC.
MARION, INDIANA**

**REPORT ON AUDIT
OF FINANCIAL STATEMENTS**

DECEMBER 31, 2007

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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.(a nonprofit organization) as of December 31, 2007 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 December 31, 2007 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.

Marion, Indiana
May 20, 2008

GRANT COUNTY ECONOMIC GROWTH COUNCIL, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2007

ASSETS:

Cash and cash equivalents	\$ 213,678
Deposits	550
Accounts receivable	9,111
Property-Titan	545,017
Land	95,499
Leasehold improvements (net)	31,966
Office equipment, cost \$8,211, less accumulated depreciation \$4,609	3,602
Loans receivable	60,412
Beneficial interest in perpetual trust	93,191

TOTAL ASSETS

\$ 1,053,026

LIABILITIES:

Accounts payable	\$ 34,370
Accrued and withheld payroll taxes	5,297

TOTAL LIABILITIES

39,667

NET ASSETS:

Permanently restricted	93,191
Temporarily restricted	72,642
Unrestricted:	
Board designated for special projects	75,000
Unrestricted	772,526

TOTAL NET ASSETS

1,013,359

TOTAL LIABILITIES AND NET ASSETS

\$ 1,053,026

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

GRANT COUNTY ECONOMIC GROWTH COUNCIL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, GAINS AND OTHER SUPPORT:				
Private contributions	\$ 81,211	\$ 16,352	\$ -	\$ 97,563
Government grants	101,564	-	-	101,564
Special projects	-	43,046	-	43,046
Other income	14,087	-	-	14,087
Investment income	8,478	-	7,271	15,749
Grants	-	107,500	-	107,500
Rental income	39,500	-	-	39,500
Net assets released from restrictions	237,379	(237,379)	-	-
Total Revenue, Gains & Other Support	482,219	(70,481)	7,271	419,009
EXPENSES:				
Program Services-job retention and expansion:				
Employee costs	125,603	-	-	125,603
Travel and promotion	15,197	-	-	15,197
Advertising and direct mail	11,336	-	-	11,336
Printing and office expense	8,633	-	-	8,633
Marketing project	32,730	-	-	32,730
Fact book	7,045	-	-	7,045
Support	19,500	-	-	19,500
Telephone and internet service	4,639	-	-	4,639
Rental expenses	37,094	-	-	37,094
Special projects	129,021	-	-	129,021
Annual meetings	17,850	-	-	17,850
Grants	500	-	-	500
Legal and accounting	1,688	-	-	1,688
Dues and subscriptions	1,883	-	-	1,883
Miscellaneous	4,421	-	-	4,421
Total Program Services	417,140	-	-	417,140
Management and General:				
Employee costs	13,956	-	-	13,956
Legal and accounting	3,465	-	-	3,465
Insurance	2,425	-	-	2,425
Occupancy	11,916	-	-	11,916
Depreciation expense	664	-	-	664
Miscellaneous	491	-	-	491
Total Management and General	32,917	-	-	32,917
Total Expenses	450,057	-	-	450,057
CHANGE IN NET ASSETS	32,162	(70,481)	7,271	(31,048)
NET ASSETS, beginning of year	815,364	143,123	85,920	1,044,407
NET ASSETS, end of year	\$ 847,526	\$ 72,642	\$ 93,191	\$ 1,013,359

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, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash contributions, grants and income	\$ 403,260
Cash paid to suppliers	(424,196)
Investment income	<u>8,478</u>
Net Cash Provided (Used) by Operating Activities	<u>(12,458)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Loan receivable	(52,000)
Payments received on loan	8,787
Purchase of new equipment	<u>(2,562)</u>
Net Cash Provided (Used) by Investing Activities	<u>(45,775)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (58,233)

CASH AND CASH EQUIVALENTS AT BEGINNING 271,911

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 213,678

**RECONCILIATION OF CHANGE IN NET ASSETS
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:**

Change in net assets	\$ (31,048)
Depreciation	664
Amortize leasehold improvements	11,628
(Increase) in endowment value	(7,271)
(Increase) in accounts receivable	(9,111)
Increase in accounts payable	20,489
Increase in accrued and withheld payroll taxes	5,024
(Decrease) in deferred rent	<u>(2,833)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (12,458)</u></u>

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

GRANT COUNTY ECONOMIC GROWTH COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

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 purpose 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, 2007 the Organization incurred expenses of \$11,336.

See Independent Auditor's Report.

GRANT COUNTY ECONOMIC GROWTH COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 1 – Accounting Policies (cont'd):

- (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.
- (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 expense as incurred. Significant renewals and improvements are capitalized. Depreciation expense for the year ended December 31, 2007 was \$664.
- (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 office space under a month to month operating lease arrangement. Rental expense for the lease in the statement of activities for the year ended December 31, 2007 was \$11,916.

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 of Directors and are limited to the lesser of \$44,000 or 25 percent of each employee's total compensation. Employee benefit expense under this plan was \$13,063 for 2007.

See Independent Auditor's Report.

GRANT COUNTY ECONOMIC GROWTH COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 4 – Temporarily Restricted Net Assets:

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

Rural Enterprise grant	\$ 40,990
Deferred dues	16,352
AT&T Website project	5,800
I-69 Collegiate project	<u>9,500</u>
	<u>\$72,642</u>

Assets released from restrictions in 2007 were due to the lapse of time restrictions or satisfying donor 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>\$93,191</u>
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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 \$93,191, 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 banks in excess of FDIC insurable limits of \$100,000 per customer. As of December 31, 2007 the Organization's uninsured balance was \$89,575.

See Independent Auditor's Report.

GRANT COUNTY ECONOMIC GROWTH COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

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.

NOTE 9 – Loans Receivable:

On September 27, 2006 the Organization loaned \$18,000 at an interest rate of 5.3%. This loan is payable in 60 equal payments of \$342 with final payment due in September, 2011. The balance in the loan at December 31, 2007 was \$13,931.

On June 18, 2007 the Organization loaned \$25,000 at an interest rate of 5.1%. This loan is payable in 36 equal payments of \$751 with final payment due in August, 2010. The balance in the loan at December 31, 2007 was \$21,088.

On August 20, 2007 the Organization loaned \$27,000 at an interest rate of 4.8%. This loan is payable in 60 equal payments of \$508 with final payment due in August, 2012. The balance in the loan at December 31, 2007 was \$25,393.

NOTE 10 – Real Estate Lease & Leasehold Improvements:

- (a) In September, 2006 the Organization rented real estate from Mississinewa Community Schools for 24 months with an option to renew for an additional 24 months. When the property is subleased the monthly rent is \$2,001.

This property was subleased in September 2006 for 24 months with additional options for renewal for an additional 24 months. Total monthly rental income totals \$3,333.

The Organization incurred \$46,500 in leasehold improvement to the subleased property. This amount is being amortized over 48 months. If the lease is cancelled at 24 months a termination penalty is \$23,250, if cancelled at 36 months the penalty is \$11,675 and no penalty if leased for 48 months. Total unamortized leasehold improvements at December 31, 2007 were \$31,966.

See Independent Auditor's Report.

GRANT COUNTY ECONOMIC GROWTH COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

Future lease payments due to Mississinewa Community School for the next five years are as follows:

2008	\$	24,012
2009		24,012
2010		18,009
2011		<u>-</u>
Total	\$	<u>66,033</u>

- (b) On January 18, 2007 the Organization entered into a lease agreement with Marion Community Schools to rent out Lloyd D. Jones Middle School. The Organization sub-leased the real estate to ACS Human Services, LLC.

In the event ACS Human Services, LLC would default under the terms of the sub-lease and does not make payments as provided or in any other manner not fulfill its obligations to the Organization, then and in such event the Organization shall not be obligated to make the lease payments to Marion Community Schools, nor shall have any liability for ongoing repairs, improvements, upkeep, maintenance, taxes, utilities or any other obligations for the leased premises.

Marion Community Schools accepted an offer on May 5, 2008 to sell Lloyd D. Jones Middle School.