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October 14, 2011

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

We have reviewed the audit report prepared by Summers, Carroll, Whisler, LLC, Independent Public Accountants, for the period January 1, 2007 to December 31, 2008. 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, 2008 and 2007, and the results of its operations for the periods then ended, on the basis of accounting described in the report.

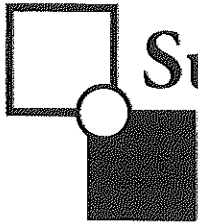
The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**CARDINAL GREENWAY, INC.**

**DECEMBER 31, 2008 AND 2007**



# Summers, Carroll, Whisler *LLC*

*Certified Public Accountants*

## Independent Auditors' Report

**Board of Directors  
Cardinal Greenway, Inc.**

We have audited the accompanying statements of financial position of Cardinal Greenway, Inc. (a nonprofit organization) as of December 31, 2008 and 2007 and the related statements of activities, and cash flow for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform an 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 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 Cardinal Greenway, Inc. as of December 31, 2008 and 2007 and the changes in its net assets and its cash flow for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of program and supporting services expenses on page 5 are presented for purposes of additional analysis and are 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.

*Summers, Carroll, Whisler LLC*

Muncie, Indiana  
October 30, 2009

Cardinal Greenway, Inc.

STATEMENTS OF FINANCIAL POSITION

December 31,

ASSETS	2008			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>CURRENT ASSETS</b>				
Cash	\$ 212	\$1,419,042		\$1,419,254
Investments		349,920		349,920
Receivables	5,633	150,000		155,633
Prepaid expenses	4,820			4,820
Inventory	1,750			1,750
Total current assets	12,415	1,918,962		1,931,377
<b>PROPERTY AND EQUIPMENT</b>				
Land improvements	12,662,244			12,662,244
Building	834,966			834,966
Equipment	106,468			106,468
Construction in process	548,771			548,771
	14,152,449			14,152,449
Less accumulated depreciation	735,095			735,095
	13,417,354			13,417,354
Land	977,034			977,034
	14,394,388			14,394,388
<b>OTHER ASSETS</b>				
Deposits on construction				---
Beneficial interest		(124,009)	\$622,419	498,410
		(124,009)	\$622,419	498,410
	\$14,406,803	\$1,794,953	\$622,419	\$16,824,175
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 6,008			\$ 6,008
Unearned revenue	2,351	\$1,652,082		1,654,433
Accrued payroll and related liabilities	16,477			16,477
Sales tax payable	386			386
Total current liabilities	25,222	1,652,082		1,677,304
<b>NET ASSETS</b>	14,381,581	142,871	\$622,419	15,146,871
	\$14,406,803	\$1,794,953	\$622,419	\$16,824,175

The accompanying notes are an integral part of these statements.

2007			
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 152,860	\$158,327		\$ 311,187
			---
42,083			42,083
3,584			3,584
<u>2,046</u>			<u>2,046</u>
200,573	158,327		358,900
4,955,260			4,955,260
834,966			834,966
101,222			101,222
<u>7,838,119</u>			<u>7,838,119</u>
13,729,567			13,729,567
<u>74,408</u>			<u>74,408</u>
13,655,159			13,655,159
<u>953,284</u>			<u>953,284</u>
14,608,443			14,608,443
16,007			16,007
	<u>40,413</u>	<u>\$508,419</u>	<u>548,832</u>
<u>16,007</u>	<u>40,413</u>	<u>508,419</u>	<u>564,839</u>
<u>\$14,825,023</u>	<u>\$198,740</u>	<u>\$508,419</u>	<u>\$15,532,182</u>
\$ 13,887			\$ 13,887
19,982			19,982
10,764			10,764
<u>258</u>			<u>258</u>
44,891			44,891
<u>14,780,132</u>	<u>\$198,740</u>	<u>\$508,419</u>	<u>15,487,291</u>
<u>\$14,825,023</u>	<u>\$198,740</u>	<u>\$508,419</u>	<u>\$15,532,182</u>

Cardinal Greenway, Inc.

STATEMENTS OF ACTIVITIES

Year Ended December 31,

	2008			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and revenue				
Contributions	\$ 108,679		\$114,000	\$222,679
Grants	402,331	\$221,924		624,255
Lease income	2,425			2,425
Consulting	16,509			16,509
Miscellaneous	5,038			5,038
Interest and dividends	11,929	13,337		25,266
Special events	25,220	605		25,825
Realized gain on investments		11,627		11,627
Unrealized loss on investments		(153,773)		(153,773)
	572,131	93,720	114,000	779,851
Net assets released from restrictions	<u>149,589</u>	<u>(149,589)</u>		
	721,720	(55,869)	114,000	779,851
Program and supporting services expenses (schedule)	<u>1,120,271</u>			<u>1,120,271</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(398,551)	(55,869)	114,000	(340,420)
Net assets at beginning of year	<u>14,780,132</u>	<u>198,740</u>	<u>508,419</u>	<u>15,487,291</u>
Net assets at end of year	<u>\$14,381,581</u>	<u>\$142,871</u>	<u>\$622,419</u>	<u>\$15,146,871</u>

The accompanying notes are an integral part of these statements.

2007			
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 153,052	\$ 2,018		\$ 155,070
274,826	122,251		397,077
2,125			2,125
4,266			4,266
11,411	25,063		36,474
36,497			36,497
21,771	1,818		23,589
	40,868		40,868
	<u>(20,734)</u>		<u>(20,734)</u>
503,948	171,284		675,232
<u>124,857</u>	<u>(124,857)</u>		
628,805	46,427		675,232
<u>464,382</u>			<u>464,382</u>
164,423	46,427		210,850
<u>14,615,709</u>	<u>152,313</u>	<u>\$508,419</u>	<u>15,276,441</u>
<u>\$14,780,132</u>	<u>\$198,740</u>	<u>\$508,419</u>	<u>\$15,487,291</u>

## Cardinal Greenway, Inc.

## STATEMENTS OF CASH FLOW

Year Ended December 31,

	<u>2008</u>	<u>2007</u>
Cash flow from operating activities:		
Cash received from contributions / grants	\$2,367,835	\$366,770
Interest and dividends received	25,266	36,474
Cash paid to employees and suppliers	(446,555)	(393,521)
Cash received from other sources	<u>49,797</u>	<u>66,477</u>
Net cash provided by operating activities	1,996,343	76,200
Cash flow from investing activities:		
Capital expenditures	(446,632)	(38,867)
Purchase of investments	(459,067)	
Interest and dividends reinvested	(8,449)	(20,411)
Proceeds from Community Foundation	<u>25,872</u>	<u>33,444</u>
Net cash used in investing activities	<u>(888,276)</u>	<u>(25,834)</u>
Net increase in cash and cash equivalents	1,108,067	50,366
Cash and cash equivalents at beginning of year	<u>311,187</u>	<u>260,821</u>
Cash and cash equivalents at end of year	<u>\$1,419,254</u>	<u>\$311,187</u>

## Cardinal Greenway, Inc.

## STATEMENTS OF CASH FLOW - CONTINUED

Year Ended December 31,

	<u>2008</u>	<u>2007</u>
Cash flow from operating activities:		
Increase (decrease) in net assets	\$(340,420)	\$210,850
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	660,687	38,454
Realized gains	(11,627)	(40,868)
Unrealized losses	153,773	20,734
Noncash revenue included in increase in net assets	(3,855)	(134,830)
Noncash expenses included in increase in net assets	3,855	29,922
(Increase) decrease in assets:		
Accounts receivable	(113,550)	(20,625)
Inventory	296	617
Prepaid expenses	(1,236)	2,696
Deposits	16,007	(8,082)
Increase (decrease) in liabilities:		
Accounts payable	(7,751)	(12,044)
Accrued payroll	7,451	3,057
Accrued payroll taxes	(1,738)	1,337
Unearned revenue	<u>1,634,451</u>	<u>(15,018)</u>
	<u>2,336,763</u>	<u>(134,650)</u>
Net cash provided by operating activities	<u>\$1,996,343</u>	<u>\$ 76,200</u>
 <u>Supplemental disclosure:</u>		
Noncash purchase of capital expenditures	<u>\$ ---</u>	<u>\$131,135</u>

The accompanying notes are an integral part of these statements.

## Cardinal Greenway, Inc.

SCHEDULES OF PROGRAM AND  
SUPPORTING SERVICES EXPENSES

Year Ended December 31,

	<u>2008</u>	<u>2007</u>
Grant expense	\$ 27,498	\$ 15,691
Program expenses	29,060	39,205
Administrative fees	10	56
Advertising	8,379	8,198
Conferences and meetings	2,144	4,002
Utilities	8,526	9,239
Supplies	16,389	23,131
Postage and shipping	4,067	2,925
Rent - equipment	9,147	11,775
Trail maintenance	16,041	11,795
Printing	6,023	6,491
Bank charges	2,603	1,027
Insurance	43,623	35,228
Legal fees	653	1,650
Accounting fees	28,085	48,433
Payroll tax expense	16,787	14,126
Rent	4,200	4,200
Salaries and wages	203,753	173,824
Security	1,528	504
Telephone	2,457	1,779
Travel	5,219	4,173
Property taxes	11,051	2,358
Depreciation	660,687	38,454
Dues and subscriptions	1,026	1,336
Investment fees	4,889	4,651
Miscellaneous	<u>6,426</u>	<u>131</u>
	<u>\$1,120,271</u>	<u>\$464,382</u>

The accompanying notes are an integral part of these schedules.

Cardinal Greenway, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities

Cardinal Greenway, Inc. is a nonprofit organization providing recreational opportunities in east central Indiana through the acquisition, development, and maintenance of former railway corridors into multi-purposes recreational trails.

2. Basis of Accounting

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

3. Basis of Presentation

The organization has adopted *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. In addition, the organization is required to present a statement of cash flow.

4. 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.

5. 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).

6. Inventories

Inventories are stated at cost. Cost is determined using the first-in first-out method.

## Cardinal Greenway, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

7. Land, Building, and Equipment

Land, building, and equipment are 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 years ended December 31, 2008 and 2007 was \$660,687 and \$38,454, respectively.

8. Cash and Cash Equivalents

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

9. Accounts Receivable

The organization considers accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is required.

10. Advertising Costs

Advertising costs are generally charged to operations in the year incurred and totaled \$8,379 and \$8,198 for the years ended December 31, 2008 and 2007, respectively.

11. 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.

## NOTE B - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

Cardinal Greenway, Inc. has transferred funds to the Community Foundation of Muncie & Delaware County, Inc. 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 of Muncie & Delaware County, Inc. is required to distribute the net income of the fund as requested by Cardinal Greenway, Inc.'s board of directors at convenient intervals. At December 31, 2008 and 2007, the balances held in the fund were \$498,410 and \$548,832, respectively.

## Cardinal Greenway, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

**NOTE C - 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 foundation to Cardinal Greenway, Inc. and recorded as income when received.

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, 2008 and 2007 are as follows.

	<u>2008</u>	<u>2007</u>
Cardinal Greenway Endowment Fund	\$ 39,741	\$ 56,474
Cardinal Greenway Fund	94,524	174,196
Rails to Trails Fund	<u>35,049</u>	<u>866</u>
	<u>\$169,314</u>	<u>\$231,536</u>

**NOTE D - DEPOSITS ON CONSTRUCTION**

The organization is required to fund 20% 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, 2008 and 2007 totaled \$0- and \$16,007, respectively.

**NOTE E - 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, 2008 and 2007 totaled \$149,589 and \$124,857, respectively.

**NOTE F - DONATED SERVICES**

No amounts have been reflected in the financial statements for donated services provided by volunteers 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.

## Cardinal Greenway, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

## NOTE G - GRANTS

The organization received the following grants for the years ended December 31, 2008 and 2007.

	<u>2008</u>	<u>2007</u>
Grants for construction	\$420,831	\$113,486
Grants for operations	121,500	141,340
Corporate partnership	10,000	20,000
Private grants	<u>71,924</u>	<u>122,251</u>
	<u>\$624,255</u>	<u>\$397,077</u>

## NOTE H - LEASE INCOME

The organization maintains leases for right-of-way privileges along the recreational trail. The total lease income during the year ended December 31, 2008 and 2007 was \$2,425 and \$2,125, respectively.

## NOTE I - INVESTMENTS AND INVESTMENT GAINS / LOSSES

The organization holds funds in an investment account managed by The Community Foundation of Muncie & Delaware County, Inc. It is a managed fund that is reported at fair market value of \$498,410 and \$548,832 at December 31, 2008 and 2007, respectively. In order to record the investment at fair market value, an unrealized loss of \$153,773 and \$20,734 and realized gain of \$11,627 and \$40,868 were recorded and included in investment income in the Statement of Activities for December 31, 2008 and 2007, respectively.

The organization holds funds in an investment account at First Merchants Trust Company which is used to hold funds that are temporarily restricted for project construction. Earnings on these funds can be used for the general operation of the organization. The funds consist of the following.

Cash equivalents:		<u>\$1,378,392</u>
Investments:		
	<u>Cost</u>	<u>Carrying Value</u>
Federal Home Loan Bank, due 01-12-09	\$148,605	\$150,000
Federal Home Loan Bank, due 04-13-09	<u>196,462</u>	<u>199,920</u>
	<u>\$345,067</u>	<u>\$349,920</u>

The unrealized gain of \$4,853 is reflected in the statement of activities.

Cardinal Greenway, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

**NOTE J - 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.

**NOTE K - CONTINGENT LIABILITIES AND SUBSEQUENT EVENT**

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.

After submitting the corrective action plan to IDEM, IDEM 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. complied with the request for further testing of the site and received a letter dated January 2, 2008 requiring no further action.

**NOTE L - COMMITMENTS AND CONTINGENCIES**

The organization is subject to laws and regulations relating to the protection of the environment. The organization's policy is to accrue environmental and cleanup-related costs of a noncapital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Although it is not possible to quantify with any degree of certainty the potential financial impact of the organization's continuing compliance efforts, management believes any future remediation or other compliance-related costs will not have a material adverse effect on the financial condition or reported results of operations of the organization.

**NOTE M - NET ASSET RESTATED**

At December 31, 2006, permanently restricted net assets were restated to reflect the historical gifts to the endowment funds. The accumulated earnings in the amount of \$33,312 were transferred to temporarily restricted net assets.

At December 31, 2006, unrestricted net assets were restated to reflect \$71,046 of net assets that were restricted and should have been reported in temporarily restricted net assets.

## Cardinal Greenway, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

## NOTE N - SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

The organization has concentrated its credit risk for cash by maintaining deposits in the same financial institution. The maximum loss that would have resulted from that risk totaled \$-0- and \$139,823 at December 31, 2008 and 2007, respectively, for the excess of the balances over the amounts that would have been covered by federal insurance.

## NOTE O - FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board Statement No. 157, *Fair Value Measurements* (FASB No. 157), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy under FASB No. 157 are described below.

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Carrying amounts and estimated fair market values of financial instruments at year end were as follows.

	<u>2008</u>		<u>2007</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Assets:				
Cash	\$1,419,254	\$1,419,254	\$311,187	\$311,187
Investments	\$349,920	\$349,920		
Receivables	\$155,633	\$155,633	\$42,083	\$42,083

## NOTE P - RELATED-PARTY TRANSACTIONS

During 2008, the organization engaged Flat Land Resources, LLC for construction work totaling \$47,270. Flat Land Resources, LLC is owned by an employee of the organization.