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February 6, 2018

Board of Directors
Hendricks County 4-H and Agricultural Fair Association, Inc.
1900 East Main Street
Danville, IN 46122

We have reviewed the report prepared by Hendricks County 4-H and Agricultural Fair Association, Inc. and opined upon by Donovan, CPAs & Advisors, Independent Public Accountants, for the period January 1, 2016 to December 31, 2016. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Hendricks County 4-H and Agricultural Fair Association, Inc. as of December 31, 2016 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Donovan, CPAs and Advisors prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

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

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

**HENDRICKS COUNTY 4-H AND AGRICULTURAL
FAIR ASSOCIATION, INC.**

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For The Years Ended December 31, 2016 and 2015



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Independent Auditors' Report

To the Board of Directors and Management
Hendricks County 4-H and Agricultural Fair Association, Inc.
Danville, Indiana

We have audited the accompanying financial statements of Hendricks County 4-H and Agricultural Fair Association, Inc., which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and change in net assets, cash flows, and functional expenses for the years then ended and the related notes to the financial statements. Each of the financial statements was prepared using the modified cash basis of accounting as described in Note 1.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hendricks County 4-H and Agricultural Fair Association, Inc. as of December 31, 2016 and 2015, and the changes in its net assets, cash flows, and functional expenses for the years then ended in conformity with the modified cash basis of accounting, as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The signature is written in a cursive style with a large, prominent initial "D".

Avon, Indiana
April 28, 2017

HENDRICKS COUNTY 4-H AND AGRICULTURAL FAIR ASSOCIATION, INC.

STATEMENTS OF FINANCIAL POSITION - MODIFIED CASH BASIS

December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 452,549	\$ 404,444
Accounts receivable	5,000	-
	<hr/>	<hr/>
<i>Total current assets</i>	457,549	404,444
	<hr/>	<hr/>
PROPERTY AND EQUIPMENT		
Buildings	880,488	804,927
Machinery and equipment	852,897	766,779
Land improvements	376,847	315,495
Less accumulated depreciation	(1,426,150)	(1,371,588)
	<hr/>	<hr/>
<i>Property and equipment, net</i>	684,082	515,613
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 1,141,631</u>	<u>\$ 920,057</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued expenses	\$ 10,671	\$ 3,420
Deposits payable	28,940	37,915
Deferred revenue	40,000	-
	<hr/>	<hr/>
<i>Total current liabilities</i>	79,611	41,335
	<hr/>	<hr/>
NET ASSETS		
Unrestricted	1,052,215	859,917
Temporarily restricted	9,805	18,805
	<hr/>	<hr/>
<i>Total net assets</i>	1,062,020	878,722
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,141,631</u>	<u>\$ 920,057</u>

HENDRICKS COUNTY 4-H AND AGRICULTURAL FAIR ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS - MODIFIED CASH BASIS
For the Year Ended December 31, 2016

SUPPORT AND REVENUE	Unrestricted	Temporarily Restricted	Total
<i>Support</i>			
Hendricks County appropriation	\$ 395,000	\$ -	\$ 395,000
Hendricks County innkeepers tax	305,051	-	305,051
Contributions and sponsorships	38,430	-	38,430
Memorial gifts	900	-	900
Released from restrictions	9,000	(9,000)	-
<i>Total support</i>	748,381	(9,000)	739,381
<i>Revenue</i>			
Fair income	279,747	-	279,747
Conference center rental income	200,957	-	200,957
Boat and storage rental fees	47,810	-	47,810
Camping fees	42,159	-	42,159
Interest Income	533	-	533
Miscellaneous income	22,124	-	22,124
<i>Total revenue</i>	593,330	-	593,330
<i>Total support and revenue</i>	1,341,711	(9,000)	1,332,711
EXPENSES			
<i>Program expenses</i>			
Fair expense	517,585	-	517,585
Facilities expense	410,682	-	410,682
Other program expenses	94,974	-	94,974
<i>Total program expenses</i>	1,023,241	-	1,023,241
<i>Supporting expenses</i>			
General and administrative	81,210	-	81,210
Fundraising	44,962	-	44,962
<i>Total supporting expenses</i>	126,172	-	126,172
<i>Total expenses</i>	1,149,413	-	1,149,413
CHANGE IN NET ASSETS	192,298	(9,000)	183,298
NET ASSETS, BEGINNING OF YEAR	859,917	18,805	878,722
NET ASSETS, END OF YEAR	<u>\$ 1,052,215</u>	<u>\$ 9,805</u>	<u>\$ 1,062,020</u>

See independent auditors' report and accompanying notes to the financial statements

HENDRICKS COUNTY 4-H AND AGRICULTURAL FAIR ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS - MODIFIED CASH BASIS
For the Year Ended December 31, 2015

SUPPORT AND REVENUE	Unrestricted	Temporarily Restricted	Total
<i>Support</i>			
Hendricks County appropriation	\$ 395,000	\$ -	\$ 395,000
Hendricks County innkeepers tax	199,269	-	199,269
Contributions and sponsorships	22,050	18,787	40,837
Memorial gifts	7,275	-	7,275
<i>Total support</i>	<u>623,594</u>	<u>18,787</u>	<u>642,381</u>
<i>Revenue</i>			
Fair income	275,704	-	275,704
Conference center rental income	133,237	-	133,237
Boat and storage rental fees	44,060	-	44,060
Camping fees	1,150	-	1,150
Interest Income	306	18	324
Miscellaneous income	1,859	-	1,859
<i>Total revenue</i>	<u>456,316</u>	<u>18</u>	<u>456,334</u>
<i>Total support and revenue</i>	<u>1,079,910</u>	<u>18,805</u>	<u>1,098,715</u>
EXPENSES			
<i>Program expenses</i>			
Fair expense	496,368	-	496,368
Facilities expense	407,198	-	407,198
Other program expenses	95,357	-	95,357
<i>Total program expenses</i>	<u>998,923</u>	<u>-</u>	<u>998,923</u>
<i>Supporting expenses</i>			
General and administrative	75,508	-	75,508
Fundraising	41,466	-	41,466
<i>Total supporting expenses</i>	<u>116,975</u>	<u>-</u>	<u>116,975</u>
<i>Total expenses</i>	<u>1,115,897</u>	<u>-</u>	<u>1,115,897</u>
CHANGE IN NET ASSETS	(35,987)	18,805	(17,182)
NET ASSETS, BEGINNING OF YEAR	<u>895,904</u>	<u>-</u>	<u>895,904</u>
NET ASSETS, END OF YEAR	<u>\$ 859,917</u>	<u>\$ 18,805</u>	<u>\$ 878,722</u>

See independent auditors' report and accompanying notes to the financial statements

HENDRICKS COUNTY 4-H AND AGRICULTURAL FAIR ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 183,298	\$ (17,182)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gain on sale of fixed assets	(14,305)	-
Depreciation expense	76,640	100,665
Changes in certain assets and liabilities:		
Accounts receivable	(5,000)	-
Accrued expenses	7,251	(3,425)
Deposits payable	(8,975)	31,395
Deferred revenue	40,000	-
	278,909	111,453
 <i>Net cash provided by operating activities</i>	 278,909	 111,453
INVESTING ACTIVITIES		
Purchases of property and equipment	(230,804)	(17,790)
	48,105	93,663
NET INCREASE IN CASH	48,105	93,663
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	404,444	310,781
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 452,549	\$ 404,444

See independent auditors' report and accompanying notes to the financial statements

HENDRICKS COUNTY 4-H AND AGRICULTURAL FAIR ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
For the Year Ended December 31, 2016

	Program Expenses			Supporting Expenses		Total 2016	
	Fair Expense	Facilities Expense	Other Program	Subtotal Program	General and Administrative		Fundraising
Direct fair expenses	\$ 295,978	\$ -	\$ -	\$ 295,978	\$ -	\$ -	\$ 295,978
Salaries and wages	73,237	104,624	31,387	209,249	24,618	12,309	246,175
Utilities	46,850	66,929	20,079	133,857	15,748	7,874	157,479
Depreciation expense	22,800	32,572	9,772	65,144	7,664	3,832	76,640
Equipment and rental	20,840	29,772	8,932	59,543	7,005	3,503	70,051
Insurance expense	18,061	25,802	7,741	51,604	6,071	3,036	60,710
Janitorial and supplies	-	46,151	-	46,151	-	-	46,151
Employee benefits	12,549	17,927	5,378	35,853	4,218	2,109	42,180
Innkeepers expense	-	30,136	-	30,136	-	-	30,136
Repairs and maintenance	7,335	10,478	3,143	20,956	-	-	20,956
Payroll taxes	5,737	8,196	2,459	16,391	1,928	964	19,284
Grounds	-	17,813	-	17,813	-	-	17,813
Legal and professional	4,051	5,787	1,736	11,574	1,362	681	13,616
Contract services	3,805	5,435	1,631	10,871	1,279	639	12,789
Board expense	-	-	-	-	4,918	4,918	9,836
Operations	-	-	-	-	4,298	4,298	8,595
Telephone	1,583	2,262	679	4,523	503	-	5,026
Computer expense	168	240	72	480	57	28	565
Miscellaneous	4,591	6,559	1,968	13,118	1,543	772	15,433
<i>Totals</i>	<u>\$ 517,585</u>	<u>\$ 410,682</u>	<u>\$ 94,974</u>	<u>\$ 1,023,241</u>	<u>\$ 81,210</u>	<u>\$ 44,962</u>	<u>\$ 1,149,413</u>

See independent auditors' report and accompanying notes to the financial statements

HENDRICKS COUNTY 4-H AND AGRICULTURAL FAIR ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
For the Year Ended December 31, 2015

	Program Expenses				Supporting Expenses		Total 2015
	Fair Expense	Facilities Expense	Other Program	Subtotal Program	General and Administrative	Fundraising	
Direct fair expenses	\$ 273,869	\$ -	\$ -	\$ 273,869	\$ -	\$ -	\$ 273,869
Salaries and wages	62,198	88,854	26,656	177,708	20,907	10,453	209,068
Utilities	42,544	60,777	18,233	121,553	14,300	7,150	143,004
Depreciation expense	29,948	42,783	12,835	85,565	10,067	5,033	100,665
Insurance expense	20,330	29,043	8,713	58,086	6,834	3,417	68,337
Repairs and maintenance	21,091	30,130	9,039	60,259	-	-	60,259
Innkeepers expense	-	51,491	-	51,491	-	-	51,491
Equipment and rental	13,404	19,148	5,744	38,296	4,505	2,253	45,054
Employee benefits	10,683	15,261	4,578	30,523	3,591	1,795	35,909
Janitorial and supplies	-	26,135	-	26,135	-	-	26,135
Payroll taxes	5,352	7,645	2,294	15,291	1,799	899	17,989
Legal and professional	4,244	6,063	1,819	12,127	1,427	713	14,267
Grounds	-	11,716	-	11,716	-	-	11,716
Operations	-	-	-	-	4,062	4,062	8,124
Board expense	-	-	-	-	3,770	3,770	7,540
Contract services	1,896	2,709	813	5,418	637	319	6,374
Telephone	1,285	1,836	551	3,671	408	-	4,079
Computer expense	137	195	59	390	46	23	459
Miscellaneous	9,389	13,412	4,024	26,824	3,156	1,578	31,558
<i>Totals</i>	<u>\$ 496,368</u>	<u>\$ 407,198</u>	<u>\$ 95,357</u>	<u>\$ 998,923</u>	<u>\$ 75,508</u>	<u>\$ 41,466</u>	<u>\$ 1,115,897</u>

See independent auditors' report and accompanying notes to the financial statements

HENDRICKS COUNTY 4-H AND AGRICULTURAL FAIR ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended December 31, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations – The Hendricks County 4-H and Agricultural Fair Association, Inc. (the Association) was formed in 1938 as a non-profit organization in Hendricks County, Indiana. The Association sponsors annual fair and other activities in which youth may learn agricultural, consumer, family and home industries and other life skills.

Basis of Accounting – The Association maintains its books on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Under the modified cash basis accounting, Hendricks County innkeepers tax revenue is recorded when received in cash by the Association. All other revenues and expenses are recorded as if the Association used the accrual basis of accounting.

Basis of Presentation – The Association reports financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets include unrestricted resources which represent the portion of funds that are available for the operating objectives of the Association. Temporarily restricted net assets represent resources restricted by donors for specific purposes for which restrictions have not yet been met. Permanently restricted net assets represent donated resources with stipulations that they be used for specific purpose, be preserved, or be invested to provide a permanent source of income. In 2015, the Association received a donation from Hendricks County Community Foundation and conducted its own fundraiser to establish a fund, the proceeds of which are to be used to maintain and improve the Cartilage Barn. The total of these contributions is approximately \$18,800 and is classified as temporarily restricted. As of December 31, 2016, approximately \$9,800 remained. The Association has no permanently restricted net assets.

Cash and Cash Equivalents – The Association considers all cash on hand, funds deposited at financial institutions, demand deposit accounts, money market funds and securities with original maturities of three months or less to be cash and cash equivalents for the statements of cash flows. There were no cash equivalents at December 31, 2016 or 2015.

Property and Equipment – Property and equipment is valued at historical cost and depreciated over the estimated useful lives of the related assets. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 40 years. It is the Association's policy to capitalize purchases of property and equipment that benefits future periods and exceeds \$1,000. The Association is in possession of certain assets owned by Hendricks County. These assets are not reflected in the financial statements. Depreciation expense for the years ended December 31, 2016 and 2015 was \$76,640 and 100,665, respectively.

HENDRICKS COUNTY 4-H AND AGRICULTURAL FAIR ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended December 31, 2016 and 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes – Hendricks County 4-H and Agricultural Fair Association, Inc. is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Association’s tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Association 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)(1).

The Forms 990, *Return of Organization Exempt from Income Tax*, of the Association are subject to examination by the IRS, generally for three years after they were filed. The Association is currently not under any federal or state audits.

Contributed Goods and Services – A substantial number of unpaid volunteers have made significant contributions of their time to the Association’s program services. The financial statements do not recognize the value of these donated services as they do not meet the recognition requirements under the Contributed Services topic of the Financial Accounting Standards Board Accounting Codification. However, the Association recognizes other non-cash contributions, including goods and property and equipment, at their estimated fair values at the date of donation.

Use of Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising – The Association expenses advertising costs as they are incurred. The total advertising expense for the years ended December 31, 2016 and 2015 was \$44,063 and \$35,790, respectively. Advertising expense is included in direct fair expenses and innkeepers expense on the statements of functional expenses – modified cash basis.

Subsequent Events - The Association has evaluated all events to the financial statement date of December 31, 2016 through April 28, 2017, which is the date these financial statements were available to be issued, and have determined that there are no subsequent events that require disclosure under FASB Accounting Standards Codification Topic 855, *Subsequent Events*.

NOTE 2 - PROPERTY LEASE

The Association leases the fairgrounds property from Hendricks County, Indiana. The lease is a 50 year lease expiring on August 31, 2055. The lease terms require an annual payment of \$1. The Association prepaid the entire term of the lease in the amount of \$50 in 2005.

HENDRICKS COUNTY 4-H AND AGRICULTURAL FAIR ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended December 31, 2016 and 2015

NOTE 3 - FUNCTIONAL ALLOCATION OF EXPENSES

Expenses are classified according to the functional purpose for which the costs are incurred. The cost of providing program and support services has been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the program and supporting services benefited.

NOTE 4 - SUPPORT AND REVENUE

The Association derives its support and revenue from several sources. Over 50% of support and revenue is obtained from Hendricks County through appropriations, innkeepers tax allocations, and County cumulative fund distributions. Revenue is earned through various events including the annual fair, rental of the conference center, boat and storage rental fees and camping fees.

NOTE 5 - SICK DAYS

The Association offers a certain number of benefit days (sick days) to each of its employees. Employees receive sick time at the rate of 9 days per year. The employee can carry over sick days each year until a maximum accumulation of 36 days has been reached. Employees that resign due to permanent disability or retirement and have greater than 10 years of service shall be granted pay for accrued sick time at a rate that is calculated based upon the years of service.

No sick day payout is currently accrued.

NOTE 6 - CARTLIDGE BARN

The Association received a non-cash contribution of the Cartlidge Barn in 2013. This historical barn stood in Hendricks County along a major highway for over 180 years and was relocated to the fairgrounds. The contributed value of the building was based on the fair market value at the date of donation including the cost to facilitate the relocation, reconstruction and improvements.

As of December 31, 2015 and 2016, the Association had \$18,805 and \$9,805, respectively, temporarily restricted for the purpose of maintaining and improving the Cartilage Barn. No expenses were paid from these restricted funds in 2015 and \$9,000 were paid in 2016.