



**INDIANA ASSOCIATION FOR COMMUNITY
ECONOMIC DEVELOPMENT, INC.**

FINANCIAL REPORT

December 31, 2007



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Indiana Association for Community
Economic Development, Inc.
Indianapolis, Indiana

We have audited the accompanying statements of financial position for the Indiana Association for Community Economic Development, Inc., as of December 31, 2007 and 2006, as well as the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We have conducted our audits in accordance with U.S. generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether or not 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 the Indiana Association for Community Economic Development, Inc., as of December 31, 2007 and 2006, and the changes in its activities and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

RJPile, LLC

Indianapolis, Indiana
May 30, 2008

**INDIANA ASSOCIATION FOR COMMUNITY
ECONOMIC DEVELOPMENT, INC.**

STATEMENTS OF FINANCIAL POSITION

December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 1,421	\$ 113,533
Cash and cash equivalents - board designated	-	13,606
Cash designated - subsequent year's operations	<u>125,000</u>	<u>125,000</u>
Total operating cash	126,421	252,139
Cash - conference (Note 5)	9,722	22,901
Cash - State Affordable Housing Trust Campaign (Note 6)	12,401	15,002
Grants receivable	65,326	74,139
Accounts receivable	48,942	37,547
Prepaid expense	<u>7,234</u>	<u>5,633</u>
TOTAL CURRENT ASSETS	<u>270,046</u>	<u>407,361</u>
<u>PROPERTY AND EQUIPMENT</u>		
Office equipment (net of accumulated depreciation - 2007: \$55,002; 2006: \$45,014)	<u>14,024</u>	<u>20,466</u>
TOTAL ASSETS	<u>\$ 284,070</u>	<u>\$ 427,827</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 61,602	\$ 22,792
Accrued expenses	4,976	9,880
Deposits held for others	<u>-</u>	<u>3,049</u>
TOTAL CURRENT LIABILITIES	<u>66,578</u>	<u>35,721</u>
<u>NET ASSETS</u>		
Unrestricted	70,369	207,385
Unrestricted - board designated	-	13,606
Unrestricted - designated for operations	125,000	125,000
Unrestricted - conference	9,722	22,901
Unrestricted - State Affordable Housing Trust Campaign	<u>12,401</u>	<u>23,215</u>
Total unrestricted net assets	<u>217,492</u>	<u>392,107</u>
TOTAL NET ASSETS	<u>217,492</u>	<u>392,107</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 284,070</u>	<u>\$ 427,827</u>

See Notes to Financial Statements.

**INDIANA ASSOCIATION FOR COMMUNITY
ECONOMIC DEVELOPMENT, INC.**

STATEMENTS OF ACTIVITIES

Years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>SUPPORT AND REVENUE</u>		
Grants	\$ 452,555	\$ 416,875
Contributions	21,500	29,040
Sponsorships	17,500	16,855
Member dues	54,625	50,350
Registrations	34,616	4,030
Fees	98,005	332,765
Interest income	4,618	4,002
Subtotal	683,419	853,917
Conference income	170,246	129,640
State Affordable Housing Trust Fund Campaign	-	34,021
TOTAL SUPPORT AND REVENUE	853,665	1,017,578
<u>EXPENSES</u>		
Operating expenses:		
Technical assistance and training	311,439	243,959
Fee for service	139,239	86,448
Policy and membership	245,467	309,307
Administration and organizational development	123,732	75,687
Fundraising	13,775	12,304
	833,652	727,705
Conference expenses	183,346	134,452
State Affordable Housing Trust Fund Campaign	11,282	10,806
TOTAL EXPENSES	1,028,280	872,963
CHANGE IN NET ASSETS	(174,615)	144,615
<u>NET ASSETS</u>		
Beginning of year	392,107	247,492
End of year	\$ 217,492	\$ 392,107

See Notes to Financial Statements.

**INDIANA ASSOCIATION FOR COMMUNITY
ECONOMIC DEVELOPMENT, INC.**

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2007

Operating

	Technical Assistance and <u>Training</u>	Fee for Service	Policy and <u>Membership</u>	Administration & Organizational <u>Development</u>
Bank charges	\$ -	\$ -	\$ 20	\$ 1,563
Board development	-	-	-	1,325
Business insurance	-	-	-	2,935
CHDO pass through	57,179	-	7,500	341
Depreciation expense	2,337	2,729	4,144	686
Dues/subscriptions	1,655	1,207	4,814	1,887
Equipment lease rental	1,723	1,766	2,682	4,738
Equipment purchases	-	1,160	182	-
Facility rental	5,300	-	5,167	-
Food & refreshments	4,989	4,149	8,297	2,710
Janitorial	623	728	1,105	183
Miscellaneous expenses	-	-	165	2,148
Office supplies	525	2,356	453	6,377
Other conference expense	-	-	1,200	-
Payroll taxes and benefits	11,119	13,333	20,298	13,868
Postage	1,201	24	233	3,899
Printing/copying	6,823	2,731	6,758	806
Professional fees	131,076	13,990	34,369	44,103
Rent	4,985	5,822	8,841	1,463
Salaries and wages	71,034	82,951	125,977	20,840
Staff development	320	300	1,352	621
Telephone/internet	2,015	2,396	4,148	(27)
Travel	8,535	3,597	7,762	8,449
Utilities	-	-	-	4,817
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TOTAL	\$ 311,439	\$ 139,239	\$ 245,467	\$ 123,732

See Notes to Financial Statements

<u>Fundraising</u>	<u>Operating Total</u>	<u>Conference</u>	<u>State Affordable Housing Trust Fund Campaign</u>	<u>Total</u>
\$ -	\$ 1,583	\$ -	\$ -	\$ 1,583
-	1,325	-	-	1,325
-	2,935	-	-	2,935
-	65,020	-	-	65,020
229	10,125	-	-	10,125
-	9,563	-	-	9,563
148	11,057	-	-	11,057
-	1,342	-	-	1,342
-	10,467	-	290	10,757
-	20,145	-	11	20,156
61	2,700	-	-	2,700
-	2,313	-	-	2,313
47	9,758	-	-	9,758
-	1,200	183,346	-	184,546
1,094	59,712	-	-	59,712
404	5,761	-	-	5,761
3,658	20,776	-	4,534	25,310
475	224,013	-	4,646	228,659
489	21,600	-	-	21,600
6,967	307,769	-	1,200	308,969
-	2,593	-	-	2,593
198	8,730	-	-	8,730
5	28,348	-	601	28,949
-	4,817	-	-	4,817
<u>\$ 13,775</u>	<u>\$ 833,652</u>	<u>\$ 183,346</u>	<u>\$ 11,282</u>	<u>\$ 1,028,280</u>

**INDIANA ASSOCIATION FOR COMMUNITY
ECONOMIC DEVELOPMENT, INC.**

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2006

	Operating			
	Technical Assistance and Training	Fee for Service	Policy and Membership	Administration & Organizational Development
Bank charges	\$ 10	\$ -	\$ -	\$ 389
Board development	-	-	4,062	-
Business insurance	-	-	-	3,502
CHDO pass through	18,030	-	-	-
Depreciation expense	1,752	1,920	6,008	110
Dues/subscriptions	41	593	2,099	690
Equipment lease rental	1,275	1,397	4,373	4,697
Equipment purchases	-	-	-	762
Facility rental	3,401	-	1,273	-
Food & refreshments	1,285	-	15,031	2,013
Janitorial	442	484	1,514	27
Miscellaneous expenses	-	22	1,531	1,037
Office supplies	220	82	2,935	6,796
Other conference expense	-	-	-	-
Payroll taxes and benefits	9,529	10,105	32,278	8,135
Postage	974	37	807	2,576
Printing/copying	16,399	2,055	7,731	4,302
Professional fees	117,490	6,149	29,766	35,107
Rent	3,150	3,451	10,831	167
Salaries and wages	49,935	54,713	171,243	3,132
Staff development	35	150	3,224	2,245
Telephone/internet	1,544	1,692	5,630	-
Travel	18,447	3,598	8,971	-
	TOTAL	\$ 86,448	\$ 309,307	\$ 75,687
	\$ 243,959	\$ 86,448	\$ 309,307	\$ 75,687

See Notes to Financial Statements.

<u>Fundraising</u>	<u>Operating Total</u>	<u>Conference</u>	<u>State Affordable Housing Trust Fund Campaign</u>	<u>Total</u>
\$ -	\$ 399	\$ -	\$ -	\$ 399
-	4,062	-	-	4,062
-	3,502	-	-	3,502
-	18,030	-	-	18,030
229	10,019	-	-	10,019
-	3,423	-	-	3,423
167	11,909	-	-	11,909
-	762	-	-	762
-	4,674	9,933	-	14,607
-	18,329	40,543	-	58,872
58	2,525	-	-	2,525
-	2,590	-	1,512	4,102
-	10,033	7,480	568	18,081
-	-	8,320	-	8,320
1,188	61,235	-	-	61,235
-	4,394	-	-	4,394
3,529	34,016	12,664	3,164	49,844
-	188,512	55,450	5,539	249,501
411	18,010	-	-	18,010
6,520	285,543	-	-	285,543
-	5,654	-	-	5,654
202	9,068	-	-	9,068
-	31,016	62	23	31,101
<u>\$ 12,304</u>	<u>\$ 727,705</u>	<u>\$ 134,452</u>	<u>\$ 10,806</u>	<u>\$ 872,963</u>

**INDIANA ASSOCIATION FOR COMMUNITY
ECONOMIC DEVELOPMENT, INC.**

STATEMENTS OF CASH FLOWS

Years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from members and grantors	\$ 862,245	\$ 918,389
Cash paid to suppliers and organizations	(988,899)	(870,636)
Interest income	4,618	4,002
Net cash provided by (used in) operating activities	<u>(122,036)</u>	<u>51,755</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of property and equipment	(4,957)	(3,810)
Sale of property and equipment	1,275	-
Net cash provided by (used in) investing activities	<u>(3,682)</u>	<u>(3,810)</u>
Increase (decrease) in cash and cash equivalents	(125,718)	47,945
<u>CASH AND CASH EQUIVALENTS</u>		
Beginning of year	<u>252,139</u>	<u>204,194</u>
End of year	<u>\$ 126,421</u>	<u>\$ 252,139</u>
<u>RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Changes in net assets	\$ (174,615)	\$ 144,615
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation	10,125	10,019
Changes in certain assets and liabilities:		
Cash - conference	13,179	4,350
Cash - State Affordable Housing Trust Campaign	2,601	(15,002)
Grants and accounts receivable	(2,582)	(78,902)
Prepays	(1,601)	(5,633)
Accounts payable and accrued liabilities	<u>30,857</u>	<u>(7,692)</u>
Net cash flows provided by (used in) operating activities	<u>\$ (122,036)</u>	<u>\$ 51,755</u>

See Notes to Financial Statements.

INDIANA ASSOCIATION FOR COMMUNITY
ECONOMIC DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

**NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES**

Nature of Organization

Indiana Association for Community Economic Development, Inc. (IACED) is a nonprofit organization committed to community economic development in rural, small city, and urban areas. IACED provides information and training to membership organizations seeking greater economic development, within their geographical areas of influence. IACED provides a wide range of direct technical assistance, advocates public policy related to affordable housing and community development, and supplies training and resources to its members.

Significant accounting policies followed by the Association are listed below:

A. Accrual Basis

The financial statements have been prepared on the accrual basis of accounting.

B. Basis of Accounting

These financial statements have been prepared to focus on the entity as a whole and to present transactions according to the existence or absence of donor-imposed restrictions in conformity with Statements of Financial Accounting Standards No. 116 and 117 adopted by the Financial Accounting Standards Board (FASB) in June 1993. This has been done by classification of transactions and balances into three categories of net assets: unrestricted net assets which have no donor-imposed restrictions, temporarily restricted net assets which have donor-imposed restrictions that will expire in the future, and permanently restricted net assets which have donor-imposed restrictions which do not expire.

Ordinary income derived from investment, receivables, and other income-producing assets, is accounted for as unrestricted net assets. Income derived from investments is accounted for as temporarily restricted or, if unrestricted, as revenues in unrestricted net assets. Gains and losses on investments are classified as an increase or decrease, in unrestricted net assets, unless restricted by donor-imposed stipulations. If restricted, such gains or losses are reported as increases or decreases in temporarily- or permanently- restricted net assets.

Grants received from governmental agencies are considered exchange transactions and/or unrestricted resources for the Association.

C. Cash and Cash Equivalents

The Association considers all highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

INDIANA ASSOCIATION FOR COMMUNITY
ECONOMIC DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES - continued

D. Property and Equipment

The Association capitalizes expenditures for purchased property and equipment at cost. Donated property and equipment is reflected as a contribution in the financial statements at its estimated fair market value. It is the Association's policy to consider a donor restriction of or for long-lived assets satisfied when the asset is purchased and put into service.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of the equipment range from three to five years. The Association's capitalization policy is \$500 with a life of three or more years.

E. Support and Revenue

All contributions of cash and other assets are considered to be available for unrestricted use unless the donor specifically restricts the use.

A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Restricted contributions are presented as temporarily restricted revenue. Upon expiration of a donor-imposed restriction on contributions, the contributions are reclassified to unrestricted net assets.

Support funded by government grants is recognized as the Association performs contracted services under grant agreements. Government grant revenue is recognized as earned when eligible expenses are incurred. Government grant expenditures are subject to audit and acceptance by the granting agency. Adjustments would be required for any unallowed expenditures.

Funding is primarily provided through government agencies, foundation grants, contributions and membership dues. The Association also receives fees for member services such as strategic planning and consulting fees from tax credit projects.

F. Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain indirect costs have been allocated among programs and other activities based on percentages of staff time spent.

**INDIANA ASSOCIATION FOR COMMUNITY
ECONOMIC DEVELOPMENT, INC.**

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

**NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES** - continued

G. Concentration of Financial Risk

IACED receives significant funding under multiple year grants from the U.S. Department of Housing and Urban Development (HUD) and from other funding sources. Under the grants' terms, additional periodic audits are possible by the grantor agency. Failure to comply with grant requirements may result in suspension of further HUD and other grant funding and possible reimbursement for disallowed expenditures. Management believes that disallowed costs, if any, will not be material. As of December 31, 2007, management was not aware of any potential disallowance of claims asserted by grantor agencies; therefore, no estimate of contingent reimbursement to the grantor was made.

IACED receives a significant portion of its total revenue from three funding sources. The percentage of total revenue received from those sources is as follows:

<u>Funding Sources</u>	<u>2007 % of Revenue</u>
Lilly Endowment	18.3
IN Housing & Community Dev. Authority	21.2
HUD	19.0

The Association maintains its cash balances in a reputable financial institution. The demand deposit accounts are insured by the Federal Deposit Insurance Corporation up to \$100,000 per institution. During the fiscal year, cash deposits may exceed the insured limits.

H. Use of Estimates

The preparation of financial statements, in conformity with U.S. generally accepted accounting principles, 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.

I. Tax Status

IACED is exempt from the income taxes under Section 501(c)(3) of the Internal Revenue Code.

**INDIANA ASSOCIATION FOR COMMUNITY
ECONOMIC DEVELOPMENT, INC.**

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 2 NET ASSETS

In 2006, the Board of Directors designated \$13,606 of total unrestricted net assets for a future use. In January 2007, the Board approved the use of these funds and there were no additional funds designated for future use at December 31, 2007.

Grants from Lilly Endowment for general operating support have been classified as unrestricted but designated for operations. Also, IACED segregates for the Statewide Conference and State Affordable Housing Trust Campaign in which they are the fiscal agent for programs shared with other exempt organizations.

There were no remaining temporarily restricted net assets for the years ended December 31, 2007 and 2006.

There were no net assets released from restriction during 2007 and 2006.

NOTE 3 COMMITMENTS

Effective August 1, 2006, IACED entered into a five-year agreement to lease office space. There is an option to renew the lease at the end of the five-year term for an additional five years. Monthly lease payments are \$1,500. IACED must pay the landlord an additional \$300 per month throughout the lease term in payment of share of operating expenses, regardless of the actual amount of operating expenses incurred. In addition, the Association leases a minimal amount of office equipment. Total rent expense was \$21,600 and \$18,010 in 2007 and 2006, respectively. Future minimum rent and lease payments are as follows:

2008	\$	21,600
2009		21,600
2010		21,600
2011		12,600
2012		-
Thereafter		-
Total	\$	<u>77,400</u>

**INDIANA ASSOCIATION FOR COMMUNITY
ECONOMIC DEVELOPMENT, INC.**

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 4 RELATED PARTIES

IACED purchased services from a board member's company in 2007 and 2006. These services related to providing assistance and training to member organizations. All purchased services had written contracts and were approved by the board of directors. IACED incurred expenses for services from the related party of \$7,029 in 2007 and \$7,281 in 2006.

At December 31, 2007 and 2006, IACED had a payable to the related party of \$0 and \$3,531, respectively.

In 2004, IACED and House Investments formed the Indiana Redevelopment Corporation, an Indiana nonprofit corporation, for the sole purpose of promoting economic development in Indiana through the New Markets Tax Credit Program. IACED and House Investments each appoint 50% of the entity's board members, neither having majority control. IACED entered a consulting agreement with Indiana Redevelopment Corporation (IRC). IACED receives an annual consulting fee equal to 38% of the quarterly net income of IRC, as defined by the agreement. IACED earned fees of \$6,129 and \$279,161 in 2007 and 2006, respectively.

NOTE 5 ANNUAL CONFERENCE

IACED serves as the reporting entity and administrator for the Statewide Conference on Affordable Housing and Community Economic Development, which is co-hosted by IACED, the Indiana Housing and Community Development Authority and the Indiana Coalition on Housing and Homeless Issues. These funds are segregated separately in the accounting system, and the funds are deposited in a separate bank account. Revenues collected for the conference can only be used to pay conference expenses or other financial obligations of the conference. If another party takes on the fiscal agent responsibility and facilitates the annual conference, the cash balance would be transferred to the other party.

**INDIANA ASSOCIATION FOR COMMUNITY
ECONOMIC DEVELOPMENT, INC.**

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 6 STATEWIDE AFFORDABLE HOUSING TRUST FUND CAMPAIGN

IACED serves as the reporting entity and administrator for the Statewide Affordable Housing Trust Fund Campaign. The Campaign's purpose is to educate affordable housing practitioners, policy makers, volunteers and the public about the impact and use of the State Affordable Housing Trust Fund in an effort to develop a steady revenue stream for the Fund. The Campaign is funded by supporters, including other not-for-profit organizations who are interested in affordable housing issues. These funds are segregated in the accounting system and the funds are deposited in a separate bank account. Revenues collected for the Campaign can only be used to pay Campaign expenses and Campaign financial obligations. The Campaign will continue until all cash collected is depleted. If another party takes on the fiscal agent responsibility, the cash balance would be transferred to the other party.

The net assets of the Campaign as of December 31, are comprised of the following:

	<u>2007</u>	<u>2006</u>
Cash	\$ 12,401	\$ 15,002
Receivables	-	8,703
Other	-	(490)
Net Assets	<u>\$ 12,401</u>	<u>\$ 23,215</u>