



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

FINANCIAL REPORT

December 31, 2008



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astute, knowledgeable, intuitive, proficient

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, 2008 and 2007, and 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 conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 2008 and 2007, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 7 to the financial statements, the 2007 financial statements have been restated to properly reflect temporarily restricted net assets.

RJPile, LLC

Indianapolis, Indiana
June 18, 2009

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

STATEMENTS OF FINANCIAL POSITION

December 31, 2008 and 2007

	<u>2008</u>	<u>Restated 2007</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 109,643	\$ 1,421
Cash designated - subsequent year's operations	125,000	125,000
Total operating cash	234,643	126,421
Grants receivable	103,714	65,326
Accounts receivable	2,586	48,942
Prepaid expense	4,114	7,234
	345,057	247,923
Assets held as fiscal agent:		
Cash and receivables - Statewide Conference	21,279	9,722
Cash advance IHEDA - Statewide Conference	20,000	-
Cash and receivables - State Affordable Housing Trust	11,783	12,401
TOTAL CURRENT ASSETS	398,119	270,046
<u>PROPERTY AND EQUIPMENT</u>		
Office equipment (net of accumulated depreciation - 2008: \$64,134; 2007: \$55,002)	5,850	14,024
TOTAL ASSETS	\$ 403,969	\$ 284,070
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 42,327	\$ 61,602
Accounts payable IHEDA - Statewide Conference	20,000	-
Accrued expenses	4,976	4,976
TOTAL CURRENT LIABILITIES	67,303	66,578
<u>NET ASSETS</u>		
Unrestricted - undesignated	60,026	70,369
Unrestricted - designated for operations	125,000	125,000
Total unrestricted net assets	185,026	195,369
Temporarily restricted - grants	118,578	-
Temporarily restricted - Statewide Conference	21,279	9,722
Temporarily restricted - State Affordable Housing Trust	11,783	12,401
Total temporarily restricted net assets	151,640	22,123
TOTAL NET ASSETS	336,666	217,492
TOTAL LIABILITIES AND NET ASSETS	\$ 403,969	\$ 284,070

See Notes to Financial Statements.

2007 RESTATED

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 452,555	\$ -	\$ 452,555
21,500	-	21,500
17,500	-	17,500
54,625	-	54,625
34,616	-	34,616
98,005	-	98,005
-	-	-
4,618	-	4,618
<hr/>	<hr/>	<hr/>
683,419	-	683,419
<hr/>	<hr/>	<hr/>
-	-	-
<hr/>	<hr/>	<hr/>
683,419	-	683,419
<hr/>	<hr/>	<hr/>
308,239	-	308,239
135,501	-	135,501
239,793	-	239,793
<hr/>	<hr/>	<hr/>
136,658	-	136,658
13,461	-	13,461
<hr/>	<hr/>	<hr/>
833,652	-	833,652
<hr/>	<hr/>	<hr/>
-	-	-
(150,233)	-	(150,233)
<hr/>	<hr/>	<hr/>
-	170,246	170,246
(183,346)	-	(183,346)
-	-	-
(11,282)	-	(11,282)
194,628	(194,628)	-
<hr/>	<hr/>	<hr/>
(150,233)	(24,382)	(174,615)
<hr/>	<hr/>	<hr/>
345,602	46,505	392,107
<hr/>	<hr/>	<hr/>
\$ 195,369	\$ 22,123	\$ 217,492
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<u>Fundraising</u>	<u>Total</u>
\$ -	\$ 1,654
-	1,733
-	2,965
-	4,156
862	9,133
-	7,604
632	9,616
-	-
-	15,626
-	15,267
234	2,476
-	439
22	5,254
-	-
3,357	42,408
577	2,099
3,519	10,863
1,089	363,798
2,038	21,599
17,903	232,596
-	(41,145)
-	110
660	8,457
26	8,504
-	4,124
<u>\$ 30,919</u>	<u>\$ 729,336</u>

<u>Fundraising</u>	<u>Operating Total</u>
\$ -	\$ 1,583
-	1,325
-	2,935
-	65,020
192	10,125
-	9,563
124	11,057
-	1,342
-	10,467
-	20,145
51	2,700
-	2,313
47	9,758
-	1,200
964	59,712
404	5,761
3,658	20,776
475	224,013
409	21,600
6,967	367,892
-	(60,123)
-	2,593
165	8,730
5	28,348
-	4,817
<u>\$ 13,461</u>	<u>\$ 833,652</u>

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

STATEMENTS OF CASH FLOWS

Years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from members and grantors	\$ 953,278	\$ 862,245
Cash paid to suppliers and organizations	(845,206)	(988,899)
Interest income	1,108	4,618
Net cash provided by (used in) operating activities	<u>109,180</u>	<u>(122,036)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of property and equipment	(958)	(4,957)
Sale of property and equipment	-	1,275
Net cash provided by (used in) investing activities	<u>(958)</u>	<u>(3,682)</u>
Increase (decrease) in cash and cash equivalents	108,222	(125,718)
<u>CASH AND CASH EQUIVALENTS</u>		
Beginning of year	<u>126,421</u>	<u>252,139</u>
End of year	<u>\$ 234,643</u>	<u>\$ 126,421</u>
<u>RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Changes in net assets	\$ 119,174	\$ (174,615)
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation	9,133	10,125
Changes in certain assets and liabilities:		
Cash - Statewide Conference	(31,557)	13,179
Cash - State Affordable Housing Trust	618	2,601
Grants and accounts receivable	7,968	(2,582)
Prepaid expense	3,120	(1,601)
Accounts payable and accrued liabilities	<u>724</u>	<u>30,857</u>
Net cash flows provided by (used in) operating activities	<u>\$ 109,180</u>	<u>\$ (122,036)</u>

See Notes to Financial Statements.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

**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. 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

Cash and cash equivalents consist of checking and savings accounts. The Association maintains its cash balances with reputable financial institutions. The demand deposit accounts are insured by the Federal Deposit Insurance Corporation up to the maximum amount prescribed by law per institution. The balances may exceed the insured limit at various times.

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, 2008

**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 and grants are presented as temporarily restricted revenue. Upon expiration of a donor-imposed restriction, the contributions or grants 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, 2008

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

G. Concentration of Financial Risk

IACED receives 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, 2008, 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>2008 % of Revenue</u>
IN Housing & Community Dev. Authority	35.4
Local Initiatives Support Corporation	15.7
Lilly Endowment	15.5

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.

J. New Accounting Pronouncement

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes* – an interpretation of FASB Statement 109. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return including positions that the Association is exempt from income taxes or not subject to income taxes on unrelated business income. If there are changes in net assets as a result of application of FIN 48 these will be accounted for as an adjustment to the opening balance of retained earnings. Additional disclosures about the amounts of such liabilities will be required also.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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

J. New Accounting Pronouncement - continued

The Association presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable, respectively, that a liability has been incurred for unrecognized income tax benefits by applying FASB Statement No. 5, *Accounting for Contingencies*. The Association has elected to defer the application of Interpretation 48 in accordance with FASB Staff Position (FSP) FIN 48-3. This FSP defers the effective date of Interpretation 48 for nonpublic enterprises, such as IACED, included within its scope to the annual financial statements for fiscal years beginning after December 15, 2008. The Association will be required to adopt FIN 48 in its 2009 annual financial statements. Management has not assessed the impact of FIN 48 on its financial position and results of operations and has not determined if the adoption of FIN 48 will have a material effect on its financial statements.

NOTE 2 NET ASSETS

The grants from Lilly Endowment are for general operating support and are classified as unrestricted but designated for operations. IACED is the fiscal agent for the Statewide Conference and State Affordable Housing Trust Campaign. These funds are for programs shared with other exempt organizations and are segregated from other unrestricted funds.

Net assets consist of:

	<u>2008</u>	<u>2007</u>
Unrestricted :		
Undesignated	\$ 60,026	\$ 70,369
Designated for operations	125,000	125,000
Total unrestricted	\$ 185,026	\$ 195,369
Temporarily restricted:		
Grants:		
LISC- Unsong Indy	\$ 71,272	\$ -
LISC- Public Policy & TA	9,968	-
INHP- Deputy Director grant	30,000	-
5/3 Bank Foundation-Asset Building Initiative	7,338	-
	118,578	-
Fiscal Agent:		
Statewide Conference	21,279	9,722
State Affordable Housing Trust Campaign	11,783	12,401
Total temporarily restricted	\$ 151,640	\$ 22,123

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

NOTE 2 NET ASSETS - continued

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes during the years ended December 31, 2008 and 2007 as follows:

	<u>2008</u>	<u>2007</u>
Grants:		
LISC- Unsong Indy	\$ 14,228	\$ -
LISC- Public Policy & TA	32	-
LISC- Capital Access	36,084	-
INHP-Homeownership Counseling	20,625	-
5/3 Bank Foundation-Asset Building Initiative	662	-
	<u>\$ 71,631</u>	<u>\$ -</u>
Fiscal Agent:		
Statewide Conference	\$ 128,229	\$ 183,346
State Affordable Housing Trust Campaign	618	11,282
	<u>\$ 128,847</u>	<u>\$ 194,628</u>

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. In addition to the monthly rent, the lease requires a payment of \$300 per month throughout the lease term for operating expenses, regardless of the actual amount of operating expenses incurred. The Association also leases a minimal amount of office equipment. Total rent expense was \$21,600 in both 2008 and 2007, respectively. Future minimum rent and lease payments are as follows:

2009	21,600
2010	21,600
2011	12,600
2012	-
Thereafter	<u>-</u>
Total	<u>\$ 55,800</u>

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

NOTE 4 RELATED PARTIES

IACED purchased services from a board member's company in 2007. 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. No such expenses were incurred during 2008.

At December 31, 2008 and 2007, IACED had no payables to related parties.

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 \$0 and \$6,129 in 2008 and 2007, respectively.

NOTE 5 ANNUAL STATEWIDE 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 Statewide Conference, the cash balance would be transferred to the other party.

	<u>2008</u>	<u>2007</u>
Cash and Receivables - beginning of year	\$ 9,722	\$ 22,822
Income	139,786	170,246
Expense	<u>(128,229)</u>	<u>(183,346)</u>
Cash and Receivables - end of year	<u>\$ 21,279</u>	<u>\$ 9,722</u>
Net Assets:		
Temporarily restricted - Statewide Conference	<u>\$ 21,279</u>	<u>\$ 9,722</u>

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

NOTE 6 STATE AFFORDABLE HOUSING TRUST FUND CAMPAIGN

IACED serves as the reporting entity and administrator for the State 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.

	<u>2008</u>	<u>2007</u>
Cash and Receivables - beginning of year	\$ 12,401	\$ 23,683
Income	-	-
Expense	<u>(618)</u>	<u>(11,282)</u>
Cash and Receivables - end of year	<u>\$ 11,783</u>	<u>\$ 12,401</u>
Net Assets:		
Temporarily restricted - State Affordable Housing Trust	<u>\$ 11,783</u>	<u>\$ 12,401</u>

NOTE 7 RESTATEMENT

During 2008, IACED changed the financial statement presentation of net assets for the annual Statewide Conference and State Affordable Housing Trust Fund Campaign. The annual Statewide Conference and State Housing Trust Fund Campaign's net assets were previously included in IACED's unrestricted net assets. IACED is only the reporting entity and if another party were to take on the fiscal agent responsibility, the net asset balance would be transferred to the other party. The funds are restricted for uses specifically related to the annual Statewide Conference and State Affordable Housing Trust Fund Campaign. Management believes these funds are more properly reflected as temporarily restricted net assets than as unrestricted net assets. Therefore, net assets have been restated to reflect this change as of January 1, 2007. The total change in net assets for the years presented did not change.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
January 1, 2007 Net Assets as previously reported	\$ 392,107	\$ -	\$ 392,107
Reclassify Statewide Conference	(22,901)	22,901	-
Reclassify State Affordable Housing Trust	<u>(23,604)</u>	<u>23,604</u>	<u>-</u>
January 1, 2007 Net Assets as restated	<u>\$ 345,602</u>	<u>\$ 46,505</u>	<u>\$ 392,107</u>