

INDIANA BLACK EXPO, INC.

FINANCIAL STATEMENTS

December 31, 2012 and 2011

INDIANA BLACK EXPO, INC.
Indianapolis, Indiana

FINANCIAL STATEMENTS
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INDEPENDENT AUDITORS REPORT

Board of Directors
Indiana Black Expo, Inc.
Indianapolis, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Indiana Black Expo, Inc. ("Organization"), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

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 audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's 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 auditor considers 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 Indiana Black Expo, Inc. as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Crowe Horwath LLP
Crowe Horwath LLP

Indianapolis, Indiana
May 21, 2013

INDIANA BLACK EXPO, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash	\$ 1,003,331	\$ 1,458,431
Accounts receivable, net of allowance of \$0 and \$0 in 2012 and 2011	282,158	420,003
Prepaid expenses and other assets	22,634	1,007
Property and equipment, net (Note 2)	940,766	705,287
Art collection (Note 3)	<u>9,980</u>	<u>9,980</u>
Total assets	<u>\$ 2,258,869</u>	<u>\$ 2,594,708</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 58,178	\$ 369,454
Deferred revenue	32,191	15,000
Accrued payroll and benefits	<u>48,064</u>	<u>65,441</u>
Total liabilities	138,433	449,895
Net assets:		
Unrestricted		
Designated	-	100,000
Undesignated	<u>1,445,436</u>	<u>1,359,548</u>
	1,445,436	1,459,548
Temporarily restricted (Note 4)	<u>675,000</u>	<u>685,265</u>
Total net assets	<u>2,120,436</u>	<u>2,144,813</u>
	<u>\$ 2,258,869</u>	<u>\$ 2,594,708</u>

See accompanying notes to financial statements.

INDIANA BLACK EXPO, INC.
STATEMENT OF ACTIVITIES
Year ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Programs and events	\$ 1,112,828	\$ -	\$ 1,112,828
Circle City Classic	1,609,825	-	1,609,825
Contributions and grants	1,811,346	607,500	2,418,846
Other income	<u>127,427</u>	<u>-</u>	<u>127,427</u>
	4,661,426	607,500	5,268,926
Net assets released from restrictions (Note 4)	<u>617,765</u>	<u>(617,765)</u>	<u>-</u>
Total revenues	5,279,191	(10,265)	5,268,926
Expenses:			
Program Services:			
Youth programs and other	473,830	-	473,830
Scholarships	183,250	-	183,250
Circle City Classic	1,419,217	-	1,419,217
Summer Celebration	<u>2,030,773</u>	<u>-</u>	<u>2,030,773</u>
Total program services	4,107,070	-	4,107,070
Management and general	918,293	-	918,293
Chapter membership and development	<u>267,940</u>	<u>-</u>	<u>267,940</u>
Total expenses	<u>5,293,303</u>	<u>-</u>	<u>5,293,303</u>
Change in net assets	(14,112)	(10,265)	(24,377)
Net assets at beginning of year	<u>1,459,548</u>	<u>685,265</u>	<u>2,144,813</u>
Net assets at end of year	<u>\$ 1,445,436</u>	<u>\$ 675,000</u>	<u>\$ 2,120,436</u>

See accompanying notes to financial statements.

INDIANA BLACK EXPO, INC.
STATEMENT OF ACTIVITIES
Year ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Programs and events	\$ 1,765,708	\$ -	\$ 1,765,708
Circle City Classic	1,571,006	-	1,571,006
Contributions and grants	1,415,110	642,500	2,057,610
Other income	<u>143,830</u>	<u>-</u>	<u>143,830</u>
	4,895,654	642,500	5,538,154
Net assets released from restrictions (Note 4)	<u>554,270</u>	<u>(554,270)</u>	<u>-</u>
Total revenues	5,449,924	88,230	5,538,154
Expenses:			
Program Services:			
Youth programs and other	429,611	-	429,611
Scholarships	148,150	-	148,150
Circle City Classic	1,684,709	-	1,684,709
Summer Celebration	<u>2,335,489</u>	<u>-</u>	<u>2,335,489</u>
Total program services	4,597,959	-	4,597,959
Management and general	803,018	-	803,018
Chapter membership and development	<u>278,313</u>	<u>-</u>	<u>278,313</u>
Total expenses	<u>5,679,290</u>	<u>-</u>	<u>5,679,290</u>
Change in net assets	(229,366)	88,230	(141,136)
Net assets at beginning of year	<u>1,688,914</u>	<u>597,035</u>	<u>2,285,949</u>
Net assets at end of year	<u>\$ 1,459,548</u>	<u>\$ 685,265</u>	<u>\$ 2,144,813</u>

See accompanying notes to financial statements.

INDIANA BLACK EXPO, INC.
 STATEMENTS OF CASH FLOWS
 Years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Change in net assets	\$ (24,377)	\$ (141,136)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	96,985	71,681
Bad debt expense	26,492	96,538
Net change in assets and liabilities:		
Accounts receivable	111,353	(138,527)
Prepaid expenses	(12,223)	218
Other Assets	(9,404)	-
Accounts payable	(311,276)	317,199
Deferred revenue	17,191	(17,683)
Accrued payroll and benefits	<u>(17,377)</u>	<u>(12,352)</u>
Net cash from operating activities	<u>(122,636)</u>	<u>175,938</u>
Cash flows from investing activities		
Purchase of property and equipment	<u>(332,464)</u>	<u>(140,900)</u>
Net cash from investing activities	<u>(332,464)</u>	<u>(140,900)</u>
Cash flows from financing activities		
Borrowings on line of credit	340,000	290,000
Repayments on line of credit	<u>(340,000)</u>	<u>(290,000)</u>
Net cash from financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	(455,100)	35,038
Cash at beginning of year	<u>1,458,431</u>	<u>1,423,393</u>
Cash at end of year	<u>\$ 1,003,331</u>	<u>\$ 1,458,431</u>
Supplemental disclosure:		
Interest paid on line of credit	\$ 868	\$ 2,716

See accompanying notes to financial statements.

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General: Indiana Black Expo, Inc. ("Organization") was organized to establish scholarships; develop, implement and support youth programs; and to inform and educate the public as to the economic, educational, political, religious, and social achievements and cultural development of African-Americans.

The Organization was incorporated as a not-for-profit organization in 1971 under the laws of the State of Indiana. Since inception, the Organization has established 12 chapters in surrounding cities and states. The accompanying financial statements do not include the financial activities of the chapters.

The Organization's program services include the following activities:

Youth Programs and Other: The focus of Youth and Family Programs (YFP) is to strengthen services to the community. To do this effectively, it is important for the Organization to research how African-Americans are living statewide. As information is gathered, the Organization takes steps to ensure programs that keep our community healthy, wealthy and wise are continually offered.

YFP strives to serve as a catalyst throughout Indiana to address (1) education, (2) health and (3) economic empowerment issues regarding youth and families. These programs foster relationships between businesses, government agencies, educational institutions, youth service agencies, churches and other community based organizations. YFP serves as a clearinghouse for quality chapter programs and community outreach activities that address issues affecting youth and families statewide. It also actively involves the Organization's staff and volunteers in program administration to keep them abreast of issues and trends affecting African-American families and youth.

YFP provides year-round educational youth programs, services and events as well as important health awareness campaigns and economic development initiatives. The Organization played a crucial role in the establishment of the Andrew J. Brown Academy. This charter school has completed its ninth full-year of operation and currently serves more than 600 students in grades K-7 and has already seen significant increases in student ISTEP scores. The Organization's signature program, the Youth Video Institute, offers comprehensive after-school career exploration and technology-oriented training to middle and high school students and our annual scholarship program awards over \$150,000 to college students annually.

Other Programs includes activities such as We Can Feed the Hungry at Christmas which annually serves over 800 families with a focus on residents from low income housing agencies, assisted living facilities and referrals from various social service organizations. The program provides families with groceries to feed their families a traditional holiday dinner.

Scholarships: Indiana Black Expo, Inc. is committed to assisting Indiana students in their pursuit of higher education. Scholarships are awarded to current high school seniors and students currently enrolled in a post-secondary institution who exhibit outstanding leadership, scholarship and community service. Emphasis is placed on financial need and first generation students. Applicants are evaluated based on the application information provided and recipients are selected by a review committee. The scholarships are funded by our Circle City Classic and are payable upon recipient's full-time enrollment in a post-secondary institution

(Continued)

INDIANA BLACK EXPO, INC.
NOTES TO FINANCIAL STATEMENTS
Years ended December 31, 2012 and 2011

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Circle City Classic: In 1983, Indiana Black Expo organizers had a desire to create an opportunity to showcase academic excellence amongst our nations historically black colleges and universities. That year, Mississippi Valley State and Grambling University came together during the first ever Circle City Classic. However, the Circle City Classic is not just a football game. Academic excellence is the priority and in order to achieve this goal, the Organization hosts a college fair featuring historically black colleges and universities; college preparedness workshops are hosted across the city and annually over \$150,000 in scholarships are awarded to area students.

The Circle City Classic event represented a joint venture between the Organization and the Indiana Sports Corporation. The Indiana Sports Corporation provided administrative services for the Circle City Classic event. In 2011, the Organization took over this function from Indiana Sports Corporation.

Summer Celebration: Summer Celebration serves as a conduit for the Indianapolis community, the state of Indiana and the nation at-large. Summer Celebration began in 1970 at the end of the Civil Rights movement as an effort to bring awareness of business opportunities and achievements of African-Americans within the Indianapolis community. Since those early days, it has become a fixture for Indianapolis tourism, business, political and academic communities while also serving as a social awareness vehicle for the advancement of African-Americans. Summer Celebration provides financial resources for the Organization's youth and family and social responsibility efforts.

Basis of Accounting: The financial statements have been prepared on the accrual basis of accounting in accordance with accounting standards generally accepted in the United States of America.

Income Taxes: The Organization is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. The Organization is not considered to be a private foundation.

During 2009, the Organization adopted new accounting guidance related to accounting for uncertainty in income taxes. This guidance requires the Organization to recognize a tax benefit only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit is recorded. The Organization has examined this issue and has determined there are no material contingent tax liabilities or questionable tax positions.

The Organization is no longer subject to examination by taxing authorities for years before 2009. The Organization does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months. The Organization recognizes interest and/or penalties related to income tax matters in income tax expense. The Organization did not have any amounts accrued for interest and penalties at December 31, 2012 and 2011.

Use of Estimates in Preparation of Financial Statements: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

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INDIANA BLACK EXPO, INC.
NOTES TO FINANCIAL STATEMENTS
Years ended December 31, 2012 and 2011

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Reclassifications: Certain reclassifications have been made to present last year's financial statements on a basis comparable to the current year's financial statements. These reclassifications had no effect on the change in net assets or total net assets.

Net Asset Classifications: The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Represents assets resulting from all activities for which no donor imposed restrictions were stipulated beyond the general purpose of the Organization. Undesignated funds are available for any purpose within the scope of the Organization's activities. Designated funds are appropriated by the Board of Directors for a specific activity or group of activities. Such designations could be changed only by action of the Board of Directors. At December 31, 2011, the Organization had designated \$100,000 of its unrestricted net assets for the annual Circle City Classic event. In 2012, the Organization removed the \$100,000 designation of its unrestricted net assets for the annual Circle City Classic event.

Temporarily restricted net assets – Represents assets whose use by the Organization is limited by donor-imposed stipulations that either expire by the passage of time, or are fulfilled and removed by actions of the Organization pursuant to those stipulations. As the restrictions are met, the net assets are released from restrictions and included in unrestricted net assets. Contributions for which the restrictions are all met in the same period in which the contribution is received are also recorded as unrestricted revenues.

Permanently restricted net assets – Represents assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by the passage of time, nor can be fulfilled or otherwise removed by actions of the Organization. No permanently restricted net assets were reported by management at December 31, 2012 and 2011.

Concentration of Risk: Cash consist of bank deposits in accounts that are federally insured up to \$250,000 per financial institution for interest bearing accounts and fully insured for non-interest bearing accounts. The Organizations had bank balances that exceeded the federally insured amount by approximately \$0 and \$500,000 at December 31, 2012 and 2011.

Accounts and Grants Receivable: The Organization's accounts and grants receivable balances consist primarily of amounts billed for services provided, sponsorships and grant reimbursements. An allowance for uncollectible accounts is determined by management based upon historical losses, specific circumstances and general economic conditions. No interest is accrued on past due receivables.

Contributions Receivable and Allowance: Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a discount rate commensurate with the risks involved. Conditional promises to give are not included as support until the conditions are substantially met.

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INDIANA BLACK EXPO, INC.
NOTES TO FINANCIAL STATEMENTS
Years ended December 31, 2012 and 2011

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Property and Equipment: Expenditures for property and equipment and items which substantially increase the useful lives of existing assets are capitalized at cost. The Organization normally capitalizes items over \$500 dollars. Repairs and maintenance costs are expensed as incurred. The Organization provides for depreciation on the straight-line method at rates designed to depreciate the costs of assets over estimated useful lives as follows:

Buildings and improvements	40 years
Land improvements	40 years
Furnishings and equipment	5 -10 years
Automobiles	5 years

Impairment of Long-Lived Assets: On an ongoing basis, the Organization reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying amounts may be overstated. The Organization recognizes impairment losses if the undiscounted cash flows expected to be generated by the asset are less than the carrying value of the related asset. The impairment loss adjusts the asset to fair value. As of December 31, 2012 and 2011, management believes that no impairments exist.

Contribution Revenue: Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

All contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support.

Government Grants: Grant revenue is recognized as the Organization performs the services under grant agreements. Grant revenue is recognized as earned as the eligible expenses are incurred. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Non-Monetary Contributions: In addition to receiving cash contributions, the Organization receives in-kind contributions from various donors. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase donations by a like amount. Contributions of goods, services and use of facilities are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

For the years ended December 31, 2012 and 2011, in-kind contributions were approximately \$560,000 and \$726,000, respectively. The contributions relate primarily to radio and other advertising, promotion, and security for Summer Celebration and the Circle City Classic. In addition, a substantial number of volunteers have donated significant amounts of their time in relation to the Organization's program services; however, no amounts have been reflected in the accompanying financial statements for the value of these donated services because they do not meet the recognition criteria.

Expense Allocation: Expenses have been classified as program services, management and general, and chapter membership and development based on the actual direct expenditures and cost allocations based upon total program expenses.

(Continued)

INDIANA BLACK EXPO, INC.
NOTES TO FINANCIAL STATEMENTS
Years ended December 31, 2012 and 2011

NOTE 2 - PROPERTY AND EQUIPMENT

The Organization's property and equipment were as follows at December 31:

	<u>2012</u>	<u>2011</u>
Buildings and improvements	\$ 1,214,149	\$ 875,726
Land improvements	6,555	6,555
Furnishings and equipment	1,117,605	1,105,616
Automobiles	50,750	50,750
Construction in progress	<u>-</u>	<u>17,948</u>
	2,389,059	2,056,595
Less accumulated depreciation	<u>(1,448,293)</u>	<u>(1,351,308)</u>
	<u>\$ 940,766</u>	<u>\$ 705,287</u>

Depreciation expense for the years ended December 31, 2012 and 2011 was approximately \$96,985 and \$71,681, respectively. No material construction commitments existed at December 31, 2012 and 2011.

NOTE 3 - ART COLLECTION

The Organization has capitalized its collection of paintings. If purchased, items accessioned into the collection are capitalized at cost, and if donated, they are capitalized at their appraised or fair value at the date of the gift. The Organization's collections are considered "works of art" and, therefore, are not depreciated. At December 31, 2012 and 2011, collections amounted to \$9,980.

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

In 1984, the Organization received a \$150,000 capital seed grant that is to be used solely for the Circle City Classic event held annually in October. The funds may be used to pay operating costs and related expenses for a sponsored event, but must be recaptured from the profits of that event and remain unused until another event. The funds may not be obligated, loaned or borrowed from, but any interest earned on the funds may be used to support general operations.

During December 2012, the Organization received a temporarily restricted gift of \$600,000 of which \$75,000 is conditional on matching fundraising on a one to one basis. The Organization recognized \$525,000 during the year, as no matching occurred in 2012, but is eligible to be earned until October 31, 2013. During December 2011, the organization received a temporarily restricted gift of \$600,000 of which \$75,000 was conditional on matching fundraising on a one to one basis. The organization recognized the \$525,000 in 2011 and \$75,000 in 2012 as matching was met in 2012.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors totaling \$617,765, leaving a balance of \$675,000. Temporarily restricted balances were composed of the following:

	<u>2012</u>	<u>2011</u>
Circle City Classic	\$ 150,000	\$ 150,000
Building renovations	-	17,052
Program support	<u>525,000</u>	<u>518,213</u>
	<u>\$ 675,000</u>	<u>\$ 685,265</u>

(Continued)

INDIANA BLACK EXPO, INC.
NOTES TO FINANCIAL STATEMENTS
Years ended December 31, 2012 and 2011

NOTE 5 - LINE OF CREDIT

At December 31, 2012 and 2011, the Organization had a \$300,000 and \$250,000 revolving line of credit available, respectively. The Organization borrowed and repaid a total of \$340,000 and \$290,000 during 2012 and 2011, respectively. The line is collateralized by the Organization's accounts receivable. Interest varies with the bank's prime rate plus 0.5% and is payable monthly. Interest paid on the line of credit was \$868 in 2012 and \$2,716 in 2011.

NOTE 6 - EMPLOYEE BENEFITS

The Organization maintains a 401(k) profit-sharing plan for the benefit of substantially all of its employees, which allows for both employee and employer contributions. The Organization's contribution consists of a discretionary contribution as determined by the Board of Directors annually. The Organization's contribution to the plan was approximately \$1,650 and \$8,600 for 2012 and 2011, respectively.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

The Organization is subject to claims and lawsuits which arise primarily in the ordinary course of conducting operations. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial statements of the Organization.

NOTE 8 - SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to December 31, 2012, to determine the need for any adjustments or disclosures to the financial statements for the year ended December 31, 2012. Management has performed their analysis through May 21, 2013, the date the financial statements were available to be issued.