

# **Renaissance Charitable Foundation Inc.**

Accountants' Report and Financial Statements

December 31, 2006 and 2005

# Renaissance Charitable Foundation Inc.

December 31, 2006 and 2005

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## Independent Accountants' Report

Board of Directors  
Renaissance Charitable Foundation Inc.  
Indianapolis, Indiana

We have audited the accompanying statements of financial position of Renaissance Charitable Foundation Inc. (Foundation) as of December 31, 2006 and 2005, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation'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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Renaissance Charitable Foundation Inc. as of December 31, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*BKD, LLP*

June 20, 2007

# Renaissance Charitable Foundation Inc.

## Statements of Financial Position December 31, 2006 and 2005

### Assets

|                               | <u>2006</u>          | <u>2005</u>          |
|-------------------------------|----------------------|----------------------|
| Cash                          | \$ 43,165            | \$ 12,585            |
| Accounts receivable           | 69,556               | 6,402                |
| Investments                   | 94,397,210           | 49,349,619           |
| Other assets                  | 194,350              | 48,745               |
| Interest in charitable trusts | <u>3,390,557</u>     | <u>3,306,235</u>     |
| Total assets                  | <u>\$ 98,094,838</u> | <u>\$ 52,723,586</u> |

### Liabilities and Net Assets

#### Liabilities

|                               |                |                |
|-------------------------------|----------------|----------------|
| Accounts payable              | \$ 63,522      | \$ 33,679      |
| Grants payable                | 404,846        | 385,463        |
| Note payable to related party | 59,000         | 69,339         |
| Annuities payable             | <u>167,818</u> | <u>55,006</u>  |
| Total liabilities             | <u>695,186</u> | <u>543,487</u> |

#### Net Assets

|                                  |                      |                      |
|----------------------------------|----------------------|----------------------|
| Unrestricted                     | 94,009,095           | 48,873,864           |
| Temporarily restricted           | <u>3,390,557</u>     | <u>3,306,235</u>     |
| Total net assets                 | <u>97,399,652</u>    | <u>52,180,099</u>    |
| Total liabilities and net assets | <u>\$ 98,094,838</u> | <u>\$ 52,723,586</u> |

**Renaissance Charitable Foundation Inc.**  
**Statements of Activities**  
**Years Ended December 31, 2006 and 2005**

|   | 2006                 |                           |                      | 2005                 |                           |                      |
|---|----------------------|---------------------------|----------------------|----------------------|---------------------------|----------------------|
|   | Unrestricted         | Temporarily<br>Restricted | Total                | Unrestricted         | Temporarily<br>Restricted | Total                |
| <b>Revenues, Gains and Other</b>                                    |                      |                           |                      |                      |                           |                      |
| <b>Support</b>  |                      |                           |                      |                      |                           |                      |
| Contributions   | \$ 47,014,376        | \$ 93,332                 | \$ 47,107,708        | \$ 37,521,177        | \$ 1,048,111              | \$ 38,569,288        |
| Investment income (net of broker<br>fees of \$325,166 and \$99,562) | 986,428              | -                         | 986,428              | 578,847              | -                         | 578,847              |
| Net realized gains on investments                                   | 4,684,458            | -                         | 4,684,458            | 823,383              | -                         | 823,383              |
| Net unrealized gains<br>on investments                              | 2,805,930            | -                         | 2,805,930            | 201,583              | -                         | 201,583              |
| Change in value of split<br>interest agreements                     | (11,326)             | (9,010)                   | (20,336)             | -                    | 245,263                   | 245,263              |
| Total revenues, gains and<br>other support                          | <u>55,479,866</u>    | <u>84,322</u>             | <u>55,564,188</u>    | <u>39,124,990</u>    | <u>1,293,374</u>          | <u>40,418,364</u>    |
| <b>Expenses</b>   |                      |                           |                      |                      |                           |                      |
| Grants to charitable organizations                                  | 9,866,302            | -                         | 9,866,302            | 5,261,069            | -                         | 5,261,069            |
| Management and general  | 465,833              | -                         | 465,833              | 244,487              | -                         | 244,487              |
| Fund raising  | 12,500               | -                         | 12,500               | 9,367                | -                         | 9,367                |
| Total expenses  | <u>10,344,635</u>    | <u>-</u>                  | <u>10,344,635</u>    | <u>5,514,923</u>     | <u>-</u>                  | <u>5,514,923</u>     |
| <b>Change in Net Assets</b>   | 45,135,231           | 84,322                    | 45,219,553           | 33,610,067           | 1,293,374                 | 34,903,441           |
| <b>Net Assets, Beginning of Year</b>                                | <u>48,873,864</u>    | <u>3,306,235</u>          | <u>52,180,099</u>    | <u>15,263,797</u>    | <u>2,012,861</u>          | <u>17,276,658</u>    |
| <b>Net Assets, End of Year</b>                                      | <u>\$ 94,009,095</u> | <u>\$ 3,390,557</u>       | <u>\$ 97,399,652</u> | <u>\$ 48,873,864</u> | <u>\$ 3,306,235</u>       | <u>\$ 52,180,099</u> |

# Renaissance Charitable Foundation Inc.

## Statements of Cash Flows Years Ended December 31, 2006 and 2005

|   | 2006          | 2005          |
|---|---------------|---------------|
| <b>Operating Activities</b>                                     |               |               |
| Change in net assets  | \$ 45,219,553 | \$ 34,903,441 |
| Items not requiring (providing) cash                            |               |               |
| Realized gain on investments                                    | (4,684,458)   | (823,383)     |
| Unrealized gain on investments                                  | (2,805,930)   | (201,583)     |
| Gifts of securities   | (19,345,739)  | (2,157,973)   |
| Changes in  |               |               |
| Accounts receivable   | (63,154)      | -             |
| Interest in charitable remainder trusts                         | (139,685)     | (245,263)     |
| Interest in charitable lead trusts                              | 55,363        | (1,048,111)   |
| Other assets  | (145,605)     | (48,745)      |
| Accounts payable  | 29,843        | 9,827         |
| Grants payable  | 19,383        | 299,713       |
| Annuities and trusts payable                                    | 112,812       | 55,006        |
| Net cash provided by operating activities                       | 18,252,383    | 30,742,929    |
| <b>Investing Activities</b>                                     |               |               |
| Purchase of investments   | (40,615,979)  | (40,645,135)  |
| Proceeds from disposition of investments                        | 35,942,055    | 12,162,296    |
| Net change in money market funds                                | (13,537,540)  | (2,252,897)   |
| Net cash used in investing activities                           | (18,211,464)  | (30,735,736)  |
| <b>Financing Activity</b> - draw (repayments) on line of credit | (10,339)      | 2,000         |
| <b>Increase in Cash</b>   | 30,580        | 9,193         |
| <b>Cash, Beginning of Year</b>                                  | 12,585        | 3,392         |
| <b>Cash, End of Year</b>  | \$ 43,165     | \$ 12,585     |
| <b>Supplemental Cash Flows Information</b>                      |               |               |
| Interest paid   | \$ 6,695      | \$ 6,204      |

# **Renaissance Charitable Foundation Inc.**

## **Notes to Financial Statements December 31, 2006 and 2005**

### **Note 1: Nature of Operations and Summary of Significant Accounting Policies**

#### ***Nature of Operations***

Renaissance Charitable Foundation Inc. (Foundation) was formed in December 2000 pursuant to the provisions of the Indiana Nonprofit Corporation Act of 1991 and is exempt from federal taxes under Section 501(a) of the Internal Revenue Code (Code) as an organization described in Sections 501(c)(3) and 170(b)(1)(A)(vi) and a similar provision of state law. The Foundation is a public benefit corporation that operates exclusively to conduct, support, encourage, and assist religious, charitable, educational, and other programs and projects as are described in Sections 170(c)(2)(B), 501(c)(3), 2055(a)(2) and 2522(a)(2) of the Code. The Foundation's revenues and other support are derived principally from contributions and investment return.

The Foundation offers a number of charitable giving programs, including donor advised funds, charitable gift annuities, and endowment funds. The Foundation markets its charitable programs to donors through the internet, financial advisors, attorneys, CPAs, and other financial services professionals. In general, the Foundation offers donors the opportunity to make lifetime or testamentary gifts to the Foundation. In addition, the Foundation offers a private labeled donor advised fund program to financial services partners. The program is an integrated turnkey solution that assists financial services companies in offering a donor advised fund product to their clients. The Foundation has service agreements with Renaissance Administration LLC ("Renaissance") and another third-party administrator to provide the Foundation with outsourced administrative support services for this program, including transaction processing and accounting, administration and reporting contributions to and distributions from individual donor accounts, customer service support, preparation and filing regulatory reports and tax returns, charitable planning support, and other related services.

#### ***Use of Estimates***

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 revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

#### ***Investments***

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are also valued at fair value.

# **Renaissance Charitable Foundation Inc.**

## **Notes to Financial Statements December 31, 2006 and 2005**

### ***Temporarily Restricted Net Assets***

Temporarily restricted net assets are those whose use by the Foundation has been limited by donors to a specific time period or purpose.

### ***Contributions***

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

Gifts of land, buildings, equipment and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

### ***Income Taxes***

The Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income.

# Renaissance Charitable Foundation Inc.

## Notes to Financial Statements December 31, 2006 and 2005

### Note 2: Investments

Investments consisted of the following:

|                                    | <u>2006</u>          | <u>2005</u>          |
|------------------------------------|----------------------|----------------------|
| Money markets and cash equivalents | \$ 23,611,617        | \$ 10,139,712        |
| Certificates of deposit            | 148,720              | 74,836               |
| Equity securities                  | 4,760,019            | 3,496,609            |
| Fixed income                       | 1,978,878            | 2,251,787            |
| Mutual funds                       | 63,009,241           | 32,976,634           |
| Other                              | <u>888,735</u>       | <u>410,041</u>       |
|                                    | <u>\$ 94,397,210</u> | <u>\$ 49,349,619</u> |

At December 31, 2006 and 2005, approximately 65% and 57%, respectively of the Foundation's investments were invested in various funds of Franklin Templeton Investments.

### Note 3: Interest in Charitable Trusts

The Foundation is the beneficiary under charitable remainder trusts and charitable lead trusts administered by Renaissance. Under the terms of the trusts, the Foundation has the irrevocable right to receive a specified percentage of the remaining trust assets upon the death of the income beneficiaries. The interest in charitable remainder trusts of \$3,390,557 and \$3,306,235 at December 31, 2006 and 2005, respectively, represents the present value of the expected net cash proceeds ultimately payable to the Foundation. The discount rate used by the Foundation to value its interest was 4.90% and 4.79% at December 31, 2006 and 2005, respectively.

### Note 4: Annuities Payable

The Foundation has been the recipient of several gift annuities which require future payments to the donor or their named beneficiaries. The assets received from the donor are recorded at fair value. The Foundation has recorded a liability at December 31, 2006 and 2005 of \$167,818 and \$55,006, respectively, which represents the present value of the future annuity obligations. The liability has been determined using discount rates ranging from 5.00% to 5.40%.

# **Renaissance Charitable Foundation Inc.**

## **Notes to Financial Statements December 31, 2006 and 2005**

### **Note 5: Note Payable to Related Party**

As of December 31, 2006, the Foundation has a \$90,000 unsecured line of credit with Renaissance, a related party, which expires on June 30, 2007. At December 31, 2006 and 2005, there was \$59,000 and \$69,339 borrowed against this line. Interest varies at 2% above the prime rate, which was 8.25% on December 31, 2006, and is payable monthly.

### **Note 6: Grants Payable**

At December 31, 2006 and 2005, the Foundation had awarded, but not disbursed, \$404,846 and \$385,463, respectively, of grants to various recipients. The grants were paid subsequent to the end of the year.

### **Note 7: Temporarily Restricted Net Assets**

Temporarily restricted net assets of \$3,390,557 and \$3,306,235 at December 31, 2006 and 2005 are subject to charitable remainder trust agreements and charitable lead trusts and will be available to the Foundation in future periods.

### **Note 8: Related Party Transactions**

The Foundation and Renaissance are related parties that are not financially interrelated organizations. Renaissance provides certain administration services, which are outlined in an Administrative Services Agreement, for the Foundation. In exchange for these services, the Foundation pays an administrative fee to Renaissance. The administrative fees paid to Renaissance for the years ended December 31, 2006 and 2005 were \$242,359 and \$130,923, respectively.

The Foundation also maintains a line of credit with Renaissance, which is described in Note 5.

# **Renaissance Charitable Foundation Inc.**

## **Notes to Financial Statements**

**December 31, 2006 and 2005**

### **Note 9: Five Year Review of Tax Exempt Status**

A charity seeking to be recognized as a publicly supported organization described in Section 501(c)(3) of the Code is required to file Form 8734 with the Internal Revenue Service (IRS) at the end of its five year advance ruling period. The purpose of the Form is to provide financial and other information supporting the charitable organization's qualification as a publicly supported organization under Section 509(a) of the Code. The IRS would not be required to issue a new determination letter (or to review all organizations), but would be permitted to revoke tax exempt status if a review undertaken by the IRS concluded that the organization no longer was entitled to exemption.

The Foundation filed Form 8734 in September 2005. In October 2005, the IRS informed the Foundation that it is classified as a public charity under Sections 170(b)(1)(A)(vi) and 509(a)(1) of the Code and continues to be classified as an organization exempt from Federal income taxes under Section 501(c)(3) of the Code.