

**COMMUNITY FOUNDATION
OF UNION COUNTY, INC.**
FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Trustees
Community Foundation of Union County, Inc.
Marysville, Ohio

We have reviewed the accompanying financial statements of the Community Foundation of Union County, Inc. (the Foundation) (a nonprofit organization) which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, and cash flows for the years then ended and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the reviews in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads 'Holbrook & Manter' in a cursive script.

Certified Public Accountants

Marysville, Ohio
April 14, 2016

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

ASSETS

	<u>2015</u>	<u>2014</u>
CURRENT ASSETS:-		
Cash and cash equivalents	\$ 633,989	\$ 712,077
Certificates of deposit	200,862	160,351
Investments	6,081,713	5,847,527
Land held for sale	15,000	415,000
Pledge and contribution receivables	22,209	28,283
Prepaid expenses	<u>5,119</u>	<u>5,520</u>
 Total current assets	 6,958,892	 7,168,758
OTHER ASSETS:-		
Certificates of deposit	1,261,794	1,240,346
Pledge and contribution receivables	15,500	20,000
Note receivable	80,514	76,680
Cash surrender value of life insurance after policy loans of \$80,514 and \$76,680 for 2015 and 2014, respectively.	161,912	166,428
Deposits	<u>800</u>	<u>800</u>
 Total other assets	 <u>1,520,520</u>	 <u>1,504,254</u>
 Total assets	 \$ <u><u>8,479,412</u></u>	 \$ <u><u>8,673,012</u></u>

See Accompanying Notes and Independent Accountants' Review Report

LIABILITIES AND NET ASSETS

	<u>2015</u>	<u>2014</u>
CURRENT LIABILITIES:-		
Accounts payable	\$ 2,948	\$ 1,298
Charitable remainder unitrust liability	134,648	148,228
Charitable gift annuity liability	<u>63,129</u>	<u>71,220</u>
Total current liabilities	200,725	220,746
LONG TERM LIABILITIES:-		
Charitable remainder unitrust liability	13,250	14,026
Charitable gift annuity liability	<u>9,992</u>	<u>5,751</u>
Total long term liabilities	23,242	19,777
Total liabilities	223,967	240,523
NET ASSETS:-		
Unrestricted, donor advised	1,515,480	1,498,775
Unrestricted, board designated	<u>618,926</u>	<u>623,584</u>
Total unrestricted net assets	2,134,406	2,122,359
Temporarily restricted net assets	4,314,260	4,501,924
Permanently restricted net assets	<u>1,806,779</u>	<u>1,808,206</u>
Total net assets	<u>8,255,445</u>	<u>8,432,489</u>
Total liabilities and net assets	<u>\$ 8,479,412</u>	<u>\$ 8,673,012</u>

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT:-				
Contributions	\$ 372,522	\$ 223,760	\$ 0	\$ 596,282
Interest	11,941	24,135	0	36,076
Dividends	46,727	94,442	0	141,169
Realized/unrealized gain on investments	(55,677)	(58,182)	(1,427)	(115,286)
Other income	69,323	0	0	69,323
Net assets released from restrictions	465,677	(465,677)	0	0
 Total revenues and other support	 910,513	 (181,522)	 (1,427)	 727,564
OPERATING EXPENSES:-				
Program Services - grants	656,181	0	0	656,181
 Total program services - grants	 656,181	 0	 0	 656,181
Management and General:-				
Change in value of split interest agreements	0	6,142	0	6,142
Fundraising	11,295	0	0	11,295
Administrative fee	69,323	0	0	69,323
Salaries and wages	86,722	0	0	86,722
Employee benefits	16,377	0	0	16,377
Payroll taxes	6,623	0	0	6,623
Rent	10,800	0	0	10,800
Office equipment	420	0	0	420
Office supplies	1,164	0	0	1,164
Insurance	1,982	0	0	1,982
Interest	3,834	0	0	3,834
Meals and entertainment	555	0	0	555
Postage	748	0	0	748
Professional fees	8,873	0	0	8,873
Dues and subscriptions	1,203	0	0	1,203
Meetings	451	0	0	451
Repairs and maintenance	1,038	0	0	1,038
Hostnet fee	11,321	0	0	11,321
Training	327	0	0	327
Telephone and internet	1,720	0	0	1,720
Utilities	2,388	0	0	2,388
Real estate taxes	410	0	0	410
Miscellaneous	4,711	0	0	4,711
 Total management and general	 242,285	 6,142	 0	 248,427
 Total operating expenses	 898,466	 6,142	 0	 904,608
 Change in net assets	 12,047	 (187,664)	 (1,427)	 (177,044)
 Net assets at beginning of year	 2,122,359	 4,501,924	 1,808,206	 8,432,489
 Net assets at end of year	 \$ 2,134,406	 \$ 4,314,260	 \$ 1,806,779	 \$ 8,255,445

See Accompanying Notes and Independent Accountants' Review Report

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT:-				
Contributions	\$ 672,671	\$ 431,741	\$ 0	\$ 1,104,412
Interest	10,910	23,142	0	34,052
Dividends	41,830	88,727	0	130,557
Realized/unrealized gain on investments	28,953	253,983	0	282,936
Other income	61,629	0	0	61,629
Net assets released from restrictions	274,131	(274,131)	0	0
 Total revenues and other support	 1,090,124	 523,462	 0	 1,613,586
OPERATING EXPENSES:-				
Program Services - grants	385,683	0	0	385,683
 Total program services - grants	 385,683	 0	 0	 385,683
Management and General:-				
Change in value of split interest agreements	0	5,751	0	5,751
Fundraising	7,278	0	0	7,278
Administrative fee	61,629	0	0	61,629
Salaries and wages	89,010	0	0	89,010
Employee benefits	18,336	0	0	18,336
Payroll taxes	6,992	0	0	6,992
Rent	10,800	0	0	10,800
Office supplies	688	0	0	688
Insurance	1,797	0	0	1,797
Interest	3,651	0	0	3,651
Meals and entertainment	837	0	0	837
Postage	660	0	0	660
Professional fees	9,179	0	0	9,179
Dues and subscriptions	943	0	0	943
Meetings	215	0	0	215
Repairs and maintenance	638	0	0	638
Hostnet fee	10,981	0	0	10,981
Training	312	0	0	312
Telephone and internet	1,674	0	0	1,674
Utilities	2,361	0	0	2,361
Real estate taxes	397	0	0	397
Miscellaneous	2,915	0	0	2,915
 Total management and general	 231,293	 5,751	 0	 237,044
 Total expenses	 616,976	 5,751	 0	 622,727
 Change in net assets	 473,148	 517,711	 0	 990,859
 Net assets at beginning of year	 1,649,211	 3,984,213	 1,808,206	 7,441,630
 Net assets at end of year	 \$ 2,122,359	 \$ 4,501,924	 \$ 1,808,206	 \$ 8,432,489

See Accompanying Notes and Independent Accountants' Review Report

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:-		
Change in net assets	\$ (177,044)	\$ 990,859
Adjustments to reconcile change in net assets to net cash provided by operating activities:-		
Net realized and unrealized gain (loss) on investments	121,428	(277,185)
Decrease in pledge and contribution receivables	10,574	9,298
(Increase) in note receivable	(3,834)	(3,651)
Decrease (increase) in land held for sale	400,000	(400,000)
Decrease (increase) in other assets	4,917	(6,938)
Increase (decrease) in accounts payable	1,650	(877)
(Decrease) increase in charitable remainder unitrust liability	(14,356)	3,665
(Decrease) increase in charitable gift annuity liability	(3,850)	48,560
	339,485	363,731
CASH FLOWS FROM INVESTING ACTIVITIES:-		
(Loss) proceeds from investments	(90,034)	413,815
Purchases of investments	(265,580)	(361,518)
Proceeds of certificates of deposit	73,939	83,149
Purchases of certificates of deposit	(135,898)	(277,642)
	(417,573)	(142,196)
Net cash used by investing activities	(417,573)	(142,196)
Net (decrease) increase in cash and cash equivalents	(78,088)	221,535
Cash and cash equivalents - beginning of year	712,077	490,542
Cash and cash equivalents - end of year	\$ 633,989	\$ 712,077
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:-		
Cash paid for:		
Interest	\$ 3,834	\$ 3,651
Income taxes	\$ 0	\$ 0

See Accompanying Notes and Independent Accountants' Review Report

COMMUNITY FOUNDATION OF UNION COUNTY, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

NOTE 1 - PURPOSE OF FOUNDATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Community Foundation of Union County, Inc. (the Foundation) is a nonprofit corporation classified by the Internal Revenue Service as tax-exempt under Section 501(c)(3) and as a non-private foundation under Section 509(a)(1) of the Internal Revenue Code of 1986. The Foundation is responsible for charitable funds and the income generated by funds of many donors. The Foundation is committed to promoting the wellbeing of mankind and to serving the general charitable, educational and scientific needs of the inhabitants of Union County, Ohio through charitable grants at the discretion of the Board of Trustees.

Basis of Presentation

The Foundation has adopted the Accounting Standard Codification (ASC) No. 958-205-45, "Financial Statements of Not-For-Profit Organizations". Under ASC 958-205-45, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Foundation is required to present a statement of cash flows.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Investments

The Foundation has adopted ASC No. 958-320-45, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under ASC No. 958-320-45, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Property Held for Investment

Land is held for investment purposes and is recorded at estimated fair market value each year based upon the county treasurer's valuation for real estate taxes.

Contributions

The Foundation recognizes contributions received and contributions made in accordance with ASC 958-605-25, "Accounting for Contributions Received and Contributions Made". Under ASC 958-605-25, a contribution received by the Foundation is recognized when the donor makes an unconditional promise to give to the Foundation. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor imposed restrictions. The Foundation reports gifts of cash and other assets as temporarily restricted contributions when they are received with donor stipulations that limit the use of the donated assets. When the intent of the donor is that the assets are to remain in perpetuity and the Foundation does not have the right to invade the original principal, the assets are reported as permanently restricted. When a donor restriction expires (such as when a stipulated time restriction ends), temporarily restricted net assets are released to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Net assets are primarily released from donor restrictions when time restrictions are satisfied. Contributions received with donor imposed restrictions that are met in the same reporting period are reported as unrestricted contributions.

Operating Activities

Operating revenues of the Foundation include investment income, advisory fees, unrestricted grants and contributions.

COMMUNITY FOUNDATION OF UNION COUNTY, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

Federal Income Taxes

The Foundation has been determined, by the Internal Revenue Service, as exempt from Federal income taxes as a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Services as other than a private foundation and, as a result, a provision for taxes is not required. The Foundation follows ASC No. 740-10 "Accounting for Uncertainty in Income Taxes". Under ASC 740-10, the Foundation's tax returns for the years 2012-2014 are subject to examination by tax authorities. The Foundation records interest and penalties, if any, in interest expense and other expense, respectively, in operating expenses. The Foundation did not have any interest or penalties related to taxes during the year. Management believes that there are no uncertain tax positions as of December 31, 2015 and 2014.

Grants

Grants are recorded as expenses when they are approved by the Board of Trustees for payment and when grant conditions are satisfied.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain amounts from the prior year have been reclassified to conform to the current year presentation.

NOTE 2 - FAIR VALUE MEASUREMENTS

The Foundation follows the Accounting Standards Codification (ASC) No. 820, Fair Value Measurements. ASC No. 820 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC No. 820 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2015 and 2014.

Shares of common stock: Valued at the net asset value ("NAV") of shares held by the Foundation at year end.

COMMUNITY FOUNDATION OF UNION COUNTY, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held are deemed to be actively traded.

The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2015 and December 31, 2014:

Investments at Fair Value as of December 31, 2015

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutal Funds				
Index	\$ 1,121,816	\$ 0	\$ 0	\$ 1,121,816
Bonds	443,377	0	0	443,377
Alternatives	596,182	0	0	596,182
Equity	484,803	0	0	484,803
Global equity	777,108	0	0	777,108
Growth	341,082	0	0	341,082
Inflation	182,930	0	0	182,930
Inter-term	216,660	0	0	216,660
Mid cap	200,115	0	0	200,115
Real estate	197,224	0	0	197,224
Short-term	309,534	0	0	309,534
Small cap	175,319	0	0	175,319
International	629,221	0	0	629,221
Common Stock				
U.S	<u>141,750</u>	<u>264,592</u>	<u>0</u>	<u>406,342</u>
Total investments	<u>\$ 5,817,121</u>	<u>\$ 264,592</u>	<u>\$ 0</u>	<u>\$ 6,081,713</u>

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Investments at Fair Value as of December 31, 2014

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutal Funds:				
500 Index	\$ 1,093,887	\$ 0	\$ 0	\$ 1,093,887
Bonds	420,440	0	0	420,440
Alternatives	597,391	0	0	597,391
Equity	491,175	0	0	491,175
Global Equity	730,366	0	0	730,366
Growth	332,218	0	0	332,218
Inflation	170,815	0	0	170,815
Inter-Term	209,812	0	0	209,812
Mid Cap	202,970	0	0	202,970
Reit Index	206,473	0	0	206,473
Short-term	292,630	0	0	292,630
Small Cap	182,026	0	0	182,026
International	574,966	0	0	574,966
Common Stock			0	0
U.S	103,530	238,828	0	342,358
Total investments	<u>\$ 5,608,699</u>	<u>\$ 238,828</u>	<u>\$ 0</u>	<u>\$ 5,847,527</u>

Management believes that the carrying amounts of the Foundation's financial instruments, which included cash, receivables, and payables, approximate fair value.

NOTE 3 - CONCENTRATION OF CREDIT RISK

During 2015 and 2014, the Foundation maintained in a financial institution cash amounts in excess of the Federal Deposit Insurance Corporation (FDIC) maximum limits.

NOTE 4 - INVESTMENTS

Investments in marketable securities consist of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
	<u>Fair</u>	<u>Fair</u>
	<u>Market Value</u>	<u>Market Value</u>
Investments	\$ 5,816,713	\$ 5,567,019
Investments;- Charitable Remainder Trusts	265,000	280,508
	<u>\$ 6,081,713</u>	<u>\$ 5,847,527</u>
	<u>2015</u>	<u>2014</u>
	<u>Fair</u>	<u>Fair</u>
	<u>Market Value</u>	<u>Market Value</u>
Equity - Mutual Funds	\$ 5,675,371	\$ 5,505,169
Equity - Stock	406,342	342,358
	<u>\$ 6,081,713</u>	<u>\$ 5,847,527</u>

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 5 - CHARITABLE REMAINDER UNITRUST

In 2005 and 2007, donors established charitable remainder trusts naming the Foundation as the trustee. Charitable remainder trusts provide for the payment of distributions to designated beneficiaries over the trusts' terms. At the end of the trusts' terms, the remaining assets are to be available for the Foundation's use, subject to donor-imposed restrictions. Assets held in charitable remainder trusts at December 31, 2015 and 2014 totaled \$265,000 and \$280,508, respectively, and are reported at fair value in the Foundation's statements of financial position. Changes in fair value of charitable remainder trusts are reflected as changes in temporarily restricted net assets in the Foundation's statement of activities. On an annual basis, the Foundation reviews the need to revalue the liabilities to make distributions to the designated beneficiaries based on actuarial assumptions. There are no significant changes in actuarial assumptions resulting in revaluations during 2015 and 2014. The present value of the estimated future payments at December 31, 2015 and 2014 was \$147,898 and \$162,254, respectively and was calculated using a discount rate of 5% to 6% and applicable mortality tables. During 2015 and 2014, there were no contributions to the charitable remainder trusts.

NOTE 6 - CERTIFICATES OF DEPOSIT

The Foundation held several certificates of deposit with maturity dates from May 2016 through October 2019. Certificates of deposit as of December 31, 2015 and 2014 consisted of the following:

Financial Institution	Interest Rate(s)	2015	2014
Citizens Federal	2.71%	\$ 490,023	\$ 477,663
Richwood Banking Company	0.30% - 1.50%	241,091	270,314
Synchrony Bank	2.27%	80,183	78,378
Merchants National Bank	1.00% - 2.23%	168,070	100,370
FirstFinancial Bank	2.23%	238,659	233,422
US Bank	1.79%	244,630	240,550
Total Certificates of Deposit		\$ 1,462,656	\$ 1,400,697

NOTE 7 - PROPERTY HELD FOR INVESTMENT

Property held for investment included the following at December 31, 2015 and 2014:

	2015	2014
Land	\$ 15,000	\$ 415,000

The land was donated to the Foundation and is held for investment purposes. During 2013, the Union County Auditor completed re-valuation procedures and revalued the Foundation's land at \$15,000.

During 2014, additional land was donated to the Foundation. In January 2015, the Foundation received the official appraisal estimating the value of the land to be \$400,000. The foundation sold the property and closed on March 26, 2015 with a selling price of \$400,000.

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 8 - OPERATING LEASES

In May 2009, the Foundation entered into a ten month lease for office space. Under the terms of this lease, the Foundation must make monthly lease payments of \$600 over the life of the lease. This lease expired on February 28, 2010. At the end of this lease, the Foundation verbally agreed to lease the office space on a month to month basis for \$900 a month. Rent expense for the years ended 2015 and 2014 was \$10,800 and \$10,800, respectively.

NOTE 9 - PLEDGE AND CONTRIBUTION RECEIVABLES

Pledge and contribution receivables consist of unconditional promises to give from trustees of the Foundation and other third party donors. As of December 31, 2015 and 2014, pledge and contribution receivables are comprised of the following:

	2015	2014
Current	\$ 22,209	\$ 28,283
2 year to 5 years	15,500	20,000
Total pledge receivables	\$ 37,709	\$ 48,283

NOTE 10 - NOTE RECEIVABLE

	2015	2014
Marysville housing note receivable	\$ 0	\$ 0
Other notes receivable	80,514	76,680
Total notes receivable	\$ 80,514	\$ 76,680

On March 19, 2002, a \$310,000 note was donated to the Foundation by Marysville Housing, Inc. Management has valued the note using a discounted cash flow method based on a 15.75% return over a 14 year period of time. The discounted value at December 31, 2013 was \$43,475, based on anticipated cash flow. During 2013, the Foundation deemed the Marysville Housing Note to be uncollectible and the balance was written off as bad debt.

Upon the write off of this note no notification was given to Marysville Housing, Inc. and in turn during 2014, the Foundation received \$100,000 for the sale and purchase of the promissory note made by Windsor Manor East Partners in the original principal amount of \$310,000 that was held by the Foundation as payment of the purchase price. The Foundation accepted this payment, placed the contribution in the Marysville Housing Fund, and continued to consider the note as written off during 2013.

In October 2011, the Foundation paid off the loan on the life insurance policy gifted to the foundation. The policy, held at Cincinnati Life Insurance Company, had a loan balance of \$65,530 with a 7.4% interest rate. The Investment Committee directed that the loan be paid off by the Foundation and that the Foundation hold a receivable. The Foundation reduced the interest rate charged to 5% compounded annually to be charged at year end. As of December 31, 2015 and 2014, the note receivable balance was \$80,514 and \$76,680, respectively.

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 11 - NET ASSETS

Included in unrestricted net assets for the years ended December 31, 2015 and 2014 are donor advised funds of \$1,515,480 and \$1,498,775 respectively. Although grant recommendations are accepted from the donors or other advisors of these funds, the Foundation has variance power; that is, the ultimate discretion of the use of these funds lies with the Board of Trustees. Thus, such funds represent unrestricted net assets to the Foundation.

Temporarily restricted net assets represent donor-restricted and time-restricted donations. The restrictions are for the donated assets to remain in the fund until the restrictions are met. Once the time or donor restrictions are met, the funds can be expended and released to unrestricted net assets. See summary of temporarily restricted net assets in Note 14.

Permanently restricted net assets represent donor-restricted donations. The restrictions are for the donated assets to remain in perpetuity, and the Foundation does not have the right to invade the original principal. Only the earnings from these donations may be expended for grant distributions. See summary of permanently restricted net assets in Note 15.

As of December 31, 2015, the following permanently restricted fund had deficiencies, whereas the fair value of the assets at the reporting date is less than the level required by the donor stipulations or law due to the loss in investment earnings.

<u>December 31, 2015</u>	<u>Permanently Restricted Balance</u>	<u>Permanently Restricted Amount Per Donor</u>	<u>Deficiency</u>
Sara Mae Burnside Scholarship Fund	\$ <u>345,863</u>	\$ <u>347,290</u>	\$ (<u>1,427</u>)

NOTE 12 - BOARD DESIGNATED INVESTMENTS

As of December 31, 2015 and 2014, the Board of Trustees has designated \$618,926 and \$623,584, respectively, of unrestricted net assets as an office endowment fund, an office operating fund, and an uncommitted grant fund, consisting of cash and cash equivalents, investments for operations, and a land investment, to support the mission of the Foundation. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets within the Statement of Financial Position.

With a goal of long term sustainability, the Foundation continues to focus on additional sources of unrestricted support to cover annual appropriations for operations. A capital campaign entitled Next Generation's Initiative (NGI) has netted contributions of more than \$1,000,000 since 2010. These contributions have been held in the temporarily restricted NGI Fund. The NGI Fund annually appropriates 4% of its year end balance to unrestricted Foundation operations. Additionally, in 2015 the Foundation held two inaugural fundraising events to further support the operations of the Foundation. Combining appropriations from the NGI Fund, fundraising proceeds, trustee pledges, investment returns, and administrative fee income, the Foundation has been able minimize appropriations from its board-designated endowment funds.

COMMUNITY FOUNDATION OF UNION COUNTY, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

Composition of changes in the endowment in net assets for the year ended December 31, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Board-designated endowment net assets, beginning	\$ 623,584	\$ 637,461
Contributions and administrative fee income	153,382	116,112
Investment income	6,680	36,104
Reclassification based upon restrictions	24,018	23,390
Amounts appropriated for expenditure	<u>(188,738)</u>	<u>(189,483)</u>
Board-designated endowment net assets, ending	<u>\$ 618,926</u>	<u>\$ 623,584</u>

NOTE 13 - DONOR DESIGNATED INVESTMENTS

The Foundation's endowment consists of approximately 85 individual funds established for a variety of purposes. This endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

The Foundation classifies permanently restricted net assets by the original value of gifts contributed to the permanent endowment, plus any additional contributions to the permanent endowment in future periods. Accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift that is not classified in permanently restricted net assets are classified as temporarily restricted net assets, until those amounts are appropriated for expenditure by the Foundation.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of approximately 4%, while growing the funds if possible. Therefore, the Foundation expects its endowment assets, over time, to produce an average rate of return in excess of the average annual distribution amount. The investment policy establishes an achievable return objective through the use of an asset allocation model which includes a quarterly rebalancing process to maintain the recommended asset allocations as directed by the Investment Committee. The Foundation anticipates that the asset allocation model will result in an average rate of return greater than or equal to the annual distribution rate so as to provide sufficient liquidity. Actual return in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risks.

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Endowment net assets composition by type of fund as of December 31, 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Donor-restricted endowment funds	\$ 0	\$ 4,314,260	\$ 1,806,779
Unrestricted donor-advised funds	<u>1,515,480</u>	<u>0</u>	<u>0</u>
Total funds	<u>\$ 1,515,480</u>	<u>\$ 4,314,260</u>	<u>\$ 1,806,779</u>

Changes in endowment net assets as of December 31, 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning	\$ 1,498,775	\$ 4,501,924	\$ 1,808,206
Contributions	288,462	223,760	0
Investment (loss) income	(5,116)	60,395	(1,427)
Reclassification based upon restriction	0	(465,677)	0
Amounts appropriated for expenditure	<u>(266,641)</u>	<u>(6,142)</u>	<u>0</u>
Endowment net assets, ending	<u>\$ 1,515,480</u>	<u>\$ 4,314,260</u>	<u>\$ 1,806,779</u>

Endowment net assets composition by type of fund as of December 31, 2014 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Donor-restricted endowment funds	\$ 0	\$ 4,501,924	\$ 1,808,206
Unrestricted donor-advised funds	<u>1,498,775</u>	<u>0</u>	<u>0</u>
Total funds	<u>\$ 1,498,775</u>	<u>\$ 4,501,924</u>	<u>\$ 1,808,206</u>

Changes in endowment net assets as of December 31, 2014 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning	\$ 1,011,750	\$ 3,984,213	\$ 1,808,206
Contributions	618,188	431,741	0
Investment income	45,588	365,852	0
Reclassification based upon restriction	0	(274,131)	0
Amounts appropriated for expenditure	<u>(176,751)</u>	<u>(5,751)</u>	<u>0</u>
Endowment net assets, ending	<u>\$ 1,498,775</u>	<u>\$ 4,501,924</u>	<u>\$ 1,808,206</u>

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 14 - TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2015 and 2014, temporarily restricted net assets consist of the following:

	<u>2015</u>	<u>2014</u>
American Legion Post #79 Legacy Fund	\$ 14,593	\$ 9,942
Andrew Daum Memorial Soccer Scholarship Fund	8,664	9,647
Artbox Fund	1,716	3,004
Charles Andrew Baesmann II Memorial Fund	19,709	12,656
Charles and Marjorie Green Scholarship Fund	24,846	30,128
Corey Hoehn Memorial Scholarship Fund	22,100	17,642
Dan B Kyle Scholarship Fund	65,472	65,689
Dr. C.B. Mills Memorial Kiwanis College Scholarship Fund	19,503	20,805
Dr. Malcolm & Barbara MacIvor Scholarship Fund	52,295	65,944
Elizaveta Fund	7,666	8,219
Fairbanks Education Fund	55,266	53,584
Georgeann Vollrath Memorial Fund	36,940	39,588
George Perry Family Fund	606,933	634,939
Gift Annuity - Bump	32,966	34,964
Gift Annuity - Bump 2	47,027	50,479
GL Kingsmore HOF Scholarship Fund	34,261	35,603
Hildreth Endowment Fund	96,752	127,326
J. Carl & Jeanie Thiergartner Family Fund	169,938	129,658
Jarret Westlake Memorial Scholarship Fund	3,141	3,366
Jason K. Mathewson Memorial Scholarship Fund	25,115	26,368
Kathryn I. Marsh Coleman & James Coleman Memorial Scholarship Fund	474,172	501,624
Keckley Park Development Fund	8,045	8,282
LaVerne & Juanita Yoder Charitable Fund	99,356	127,284
Lee Family Fund	60,294	65,908
Ryan J. and Kristin K. Lee Family Charitable Fund	3,000	0
Marysville Art League Scholarship Fund	4,556	5,273
Marysville Housing Fund	454,806	620,850
Marysville Moose Family Center Scholarship Fund	2,415	11,493
McElheny Foundation Fund	164,077	154,580
Memorial Hospital Medical Staff Scholarship Fund	7,975	11,234
MHS Alumni Scholarship Foundation Fund	160,400	168,745
Milford Center Parks and Recreation Fund	5,211	0
Ted & Kathryn Miller Memorial Fund	11,742	13,253
Mintier Veteran's Scholarship Fund	5,642	6,471
Next Generations Initiative	674,278	600,454
Pat Conlon Scholarship Fund	39,167	40,838
Patricia Biehl Humanities Scholarship Fund	872	692
Perry Family Charitable Fund	233,283	248,431
Roy A Wallace BIF Memorial Fund	67,056	70,774
Robert M. Fox Scholarship Fund	15,388	16,614
Sara Mae Burnside Scholarship Fund	0	8,072
Sargent V. Chamberlain Kiwanis College Scholarship Fund	19,622	20,925
Susan Finch Simpson Memorial Scholarship Fund	20,060	21,202
Stolte Excellence in Leadership Scholarship Fund	10,326	10,454
Summer Theater Workshop Scholarship Fund	1,920	2,010
UCF Founders Fund	5,996	6,493

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COMMUNITY FOUNDATION OF UNION COUNTY, INC.

NOTES TO THE FINANCIAL STATEMENTS

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	<u>2015</u>	<u>2014</u>
Union Rural Electric Cooperative Scholarship Fund	\$ 58,619	\$ 62,855
United Way of Union County Reserve Fund	59,209	0
Veteran's Memorial Capital Fund	6,788	6,889
Veteran's Memorial Program Fund	4,881	5,016
Vicky Shower Memorial Scholarship Fund	0	1,255
Walter and Doris Herd Scholarship Fund	64,301	70,585
Weis Family Eagle Scout and Youth Leadership Fund	0	910
William Logan Krebehenne Memorial Scholarship	21,886	23,225
Charitable Remainder Unitrust- Youngkin	24,507	25,082
Charitable Remainder Unitrust- Bump	17,596	18,172
Cash surrender value of life insurance	<u>161,911</u>	<u>166,428</u>
Total temporarily restricted net assets	\$ <u>4,314,260</u>	\$ <u>4,501,924</u>

NOTE 15 - PERMANENTLY RESTRICTED NET ASSETS

At December 31, 2015 and 2014, permanently restricted net assets consist of the following:

	<u>2015</u>	<u>2014</u>
Charles W. Green Family Scholarship Fund	\$ 80,465	\$ 80,465
Sara Mae Burnside Scholarship Fund	345,863	347,290
Dr. Malcolm & Barbara MacIvor Scholarship Fund	217,955	217,955
Hildreth Endowment Fund	403,750	403,750
LaVerne & Juanita Yoder Charitable Fund	587,501	587,501
Mintier Veteran's Scholarship Fund	10,000	10,000
Walter and Doris Herd Scholarship Fund	86,245	86,245
Charitable Remainder Unitrust	<u>75,000</u>	<u>75,000</u>
Total permanently restricted net assets	\$ <u>1,806,779</u>	\$ <u>1,808,206</u>

NOTE 16 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 14, 2016, the date which the financial statements were available to be issued.