

**COMMUNITY FOUNDATION
OF UNION COUNTY, INC.**
FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Community Foundation of Union County, Inc. (the Foundation) (a nonprofit organization) which comprise the statement of financial position as of December 31, 2016, and the related statement of activities and changes in net assets, and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 the Community Foundation of Union County, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The 2015 financial statements were reviewed by us, and our report thereon, dated April 14, 2016, stated we were not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

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

Certified Public Accountants

May 1, 2017
Marysville, Ohio

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 (Audited) AND 2015 (Reviewed)

ASSETS

| | <u>2016</u> | <u>2015</u> |
|--|--------------------------------|--------------------------------|
| CURRENT ASSETS:- | | |
| Cash and cash equivalents | \$ 866,607 | \$ 633,989 |
| Certificates of deposit | 1,023,218 | 200,862 |
| Investments | 6,984,083 | 6,081,713 |
| Land held for sale | 15,000 | 15,000 |
| Pledge and contribution receivables | 20,283 | 22,209 |
| Prepaid expenses | <u>4,054</u> | <u>5,119</u> |
| Total current assets | 8,913,245 | 6,958,892 |
| OTHER ASSETS:- | | |
| Certificates of deposit | 741,466 | 1,261,794 |
| Pledge and contribution receivables | 28,039 | 15,500 |
| Note receivable | 84,540 | 80,514 |
| Cash surrender value of life insurance after policy loans of \$84,540 and \$80,514 for 2016 and 2015, respectively. | 108,061 | 161,912 |
| Deposits | <u>800</u> | <u>800</u> |
| Total other assets | <u>962,906</u> | <u>1,520,520</u> |
| Total assets | \$ <u>9,876,151</u> | \$ <u>8,479,412</u> |

See Accompanying Notes To the Financial Statements.

LIABILITIES AND NET ASSETS

| | <u>2016</u> | <u>2015</u> |
|---|---------------------|---------------------|
| CURRENT LIABILITIES:- | | |
| Accounts payable | \$ 2,224 | \$ 2,948 |
| Charitable remainder unitrust liability | 13,449 | 13,250 |
| Charitable gift annuity liability | <u>26,492</u> | <u>9,992</u> |
| Total current liabilities | 42,165 | 26,190 |
| LONG TERM LIABILITIES:- | | |
| Charitable remainder unitrust liability | 139,618 | 134,648 |
| Charitable gift annuity liability | <u>221,961</u> | <u>63,129</u> |
| Total long term liabilities | 361,579 | 197,777 |
| Total liabilities | 403,744 | 223,967 |
| NET ASSETS:- | | |
| Unrestricted, donor advised | 1,705,939 | 1,515,480 |
| Unrestricted, board designated | <u>649,483</u> | <u>617,499</u> |
| Total unrestricted net assets | 2,355,422 | 2,132,979 |
| Temporarily restricted net assets | 5,308,779 | 4,314,260 |
| Permanently restricted net assets | <u>1,808,206</u> | <u>1,808,206</u> |
| Total net assets | <u>9,472,407</u> | <u>8,255,445</u> |
| Total liabilities and net assets | <u>\$ 9,876,151</u> | <u>\$ 8,479,412</u> |

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016 (Audited)

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| REVENUES AND OTHER SUPPORT:- | | | | |
| Contributions | \$ 403,627 | \$ 975,372 | \$ 0 | \$ 1,378,999 |
| Interest | 12,995 | 29,294 | 0 | 42,289 |
| Dividends | 40,847 | 92,075 | 0 | 132,922 |
| Realized/unrealized gain on investments | 61,005 | 324,978 | 0 | 385,983 |
| Other income | 74,837 | 0 | 0 | 74,837 |
| Net assets released from restrictions | 417,713 | (417,713) | 0 | 0 |
| | | | | |
| Total revenues and other support | 1,011,024 | 1,004,006 | 0 | 2,015,030 |
| OPERATING EXPENSES:- | | | | |
| Program Services - grants | 533,840 | 0 | 0 | 533,840 |
| | | | | |
| Total program services - grants | 533,840 | 0 | 0 | 533,840 |
| Management and General:- | | | | |
| Change in value of split interest agreements | 0 | 9,487 | 0 | 9,487 |
| Fundraising | 10,526 | 0 | 0 | 10,526 |
| Administrative fee | 73,836 | 0 | 0 | 73,836 |
| Salaries and wages | 92,216 | 0 | 0 | 92,216 |
| Employee benefits | 17,454 | 0 | 0 | 17,454 |
| Payroll taxes | 7,191 | 0 | 0 | 7,191 |
| Rent | 10,800 | 0 | 0 | 10,800 |
| Office equipment | 0 | 0 | 0 | 0 |
| Office supplies | 985 | 0 | 0 | 985 |
| Insurance | 1,982 | 0 | 0 | 1,982 |
| Interest | 4,026 | 0 | 0 | 4,026 |
| Meals and entertainment | 251 | 0 | 0 | 251 |
| Postage | 629 | 0 | 0 | 629 |
| Professional fees | 9,957 | 0 | 0 | 9,957 |
| Dues and subscriptions | 1,706 | 0 | 0 | 1,706 |
| Meetings | 603 | 0 | 0 | 603 |
| Repairs and maintenance | 771 | 0 | 0 | 771 |
| Hostnet fee | 11,674 | 0 | 0 | 11,674 |
| Training | 302 | 0 | 0 | 302 |
| Telephone and internet | 1,795 | 0 | 0 | 1,795 |
| Utilities | 2,323 | 0 | 0 | 2,323 |
| Real estate taxes | 412 | 0 | 0 | 412 |
| Miscellaneous | 5,302 | 0 | 0 | 5,302 |
| | | | | |
| Total management and general | 254,741 | 9,487 | 0 | 264,228 |
| | | | | |
| Total operating expenses | 788,581 | 9,487 | 0 | 798,068 |
| | | | | |
| Change in net assets | 222,443 | 994,519 | 0 | 1,216,962 |
| | | | | |
| Net assets at beginning of year | 2,132,979 | 4,314,260 | 1,808,206 | 8,255,445 |
| | | | | |
| Net assets at end of year | \$ 2,355,422 | \$ 5,308,779 | \$ 1,808,206 | \$ 9,472,407 |

See Accompanying Notes To the Financial Statements.

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

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| REVENUES AND OTHER SUPPORT:- | | | | |
| Contributions | \$ 338,449 | \$ 223,760 | \$ 0 | \$ 562,209 |
| Interest | 11,941 | 24,135 | 0 | 36,076 |
| Dividends | 46,727 | 94,442 | 0 | 141,169 |
| Realized/unrealized gain on investments | (57,104) | (58,182) | 0 | (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 | 875,013 | (181,522) | 0 | 693,491 |
| OPERATING EXPENSES:- | | | | |
| Program Services - grants | 622,108 | 0 | 0 | 622,108 |
| | | | | |
| Total program services - grants | 622,108 | 0 | 0 | 622,108 |
| 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 expenses | 864,393 | 6,142 | 0 | 870,535 |
| | | | | |
| Change in net assets | 10,620 | (187,664) | 0 | (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 | <u>\$ 2,132,979</u> | <u>\$ 4,314,260</u> | <u>\$ 1,808,206</u> | <u>\$ 8,255,445</u> |

See Accompanying Notes To the Financial Statements.

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 (Audited) AND 2015 (Reviewed)

| | 2016 | 2015 |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES:- | | |
| Change in net assets | \$ 1,216,962 | \$ (177,044) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities:- | | |
| Net realized and unrealized (loss) gain on investments | (376,496) | 121,428 |
| (Increase) decrease in pledge and contribution receivables | (10,613) | 10,574 |
| (Increase) in note receivable | (4,026) | (3,834) |
| Decrease in land held for sale | 0 | 400,000 |
| Decrease in other assets | 54,916 | 4,917 |
| (Decrease) increase in accounts payable | (724) | 1,650 |
| Increase (Decrease) in charitable remainder unitrust liability | 5,169 | (14,356) |
| Increase (decrease) in charitable gift annuity liability | 175,332 | (3,850) |
| | 1,060,520 | 339,485 |
| CASH FLOWS FROM INVESTING ACTIVITIES:- | | |
| Sale of investments | (50,433) | (90,034) |
| Purchases of investments | (475,440) | (265,580) |
| Proceeds of certificates of deposit | 137,971 | 73,939 |
| Purchases of certificates of deposit | (440,000) | (135,898) |
| | (827,902) | (417,573) |
| Net cash used by investing activities | (827,902) | (417,573) |
| Net increase (decrease) in cash and cash equivalents | 232,618 | (78,088) |
| Cash and cash equivalents - beginning of year | 633,989 | 712,077 |
| Cash and cash equivalents - end of year | \$ 866,607 | \$ 633,989 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:- | | |
| Cash paid for: | | |
| Interest | \$ 4,026 | \$ 3,834 |
| Income taxes | \$ 0 | \$ 0 |

See Accompanying Notes To the Financial Statements.

COMMUNITY FOUNDATION OF UNION COUNTY, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

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.

Pledges Receivable

Pledges are unconditional promises to give from trustees of the Foundation and other third party donors. Pledges are presented net of the allowance for doubtful accounts.

COMMUNITY FOUNDATION OF UNION COUNTY, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

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". 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, 2016 and 2015.

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.

Functional Allocation - The costs of providing the program and various management and general activities have been summarized on a functional basis in the statement of activities and changes in net assets.

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, 2016 and 2015.

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
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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 Foundation's assets at fair value as of December 31, 2016 and December 31, 2015:

Investments at Fair Value as of December 31, 2016

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--------------------------|---------------------|-------------------|----------------|---------------------|
| Mutal Funds | | | | |
| Index | \$ 1,326,157 | \$ 0 | \$ 0 | \$ 1,326,157 |
| Bonds | 481,527 | 0 | 0 | 481,527 |
| Alternatives | 564,167 | 0 | 0 | 564,167 |
| Equity | 609,313 | 0 | 0 | 609,313 |
| Global equity | 883,272 | 0 | 0 | 883,272 |
| Growth | 354,464 | 0 | 0 | 354,464 |
| Inflation | 183,115 | 0 | 0 | 183,115 |
| Inter-term | 343,768 | 0 | 0 | 343,768 |
| Mid cap | 247,055 | 0 | 0 | 247,055 |
| Real estate | 213,989 | 0 | 0 | 213,989 |
| Short-term | 327,858 | 0 | 0 | 327,858 |
| Small cap | 246,648 | 0 | 0 | 246,648 |
| International | 760,589 | 0 | 0 | 760,589 |
| Common Stock | | | | |
| U.S | <u>157,785</u> | <u>284,376</u> | <u>0</u> | <u>442,161</u> |
| Total investments | <u>\$ 6,699,707</u> | <u>\$ 284,376</u> | <u>\$ 0</u> | <u>\$ 6,984,083</u> |

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
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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: | | | | |
| 500 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 | 141,750 | 264,592 | 0 | 406,342 |
| Total investments | <u>\$ 5,817,121</u> | <u>\$ 264,592</u> | <u>\$ 0</u> | <u>\$ 6,081,713</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 2016 and 2015, the Foundation maintained in a financial institution cash amounts in excess of the Federal Deposit Insurance Corporation (FDIC) maximum limits.

During 2016 and 2015, the Foundation maintained in broker accounts investment amounts in excess of the Securities Investment Protection Corporation maximum limits.

NOTE 4 - INVESTMENTS

Investments in marketable securities consist of the following at December 31, 2016 and 2015:

| | <u>2016</u> | <u>2015</u> |
|-----------------------------|---------------------|---------------------|
| | <u>Fair</u> | <u>Fair</u> |
| | <u>Market Value</u> | <u>Market Value</u> |
| Investments | \$ 6,715,104 | \$ 5,816,713 |
| Investments;- | | |
| Charitable Remainder Trusts | 268,979 | 265,000 |
| | <u>\$ 6,984,083</u> | <u>\$ 6,081,713</u> |

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
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| | 2016 | 2015 |
|-----------------------|---------------------|---------------------|
| | Fair | Fair |
| | Market Value | Market Value |
| Equity - Mutual Funds | \$ 6,541,922 | \$ 5,675,371 |
| Equity - Stock | 442,161 | 406,342 |
| | \$ 6,984,083 | \$ 6,081,713 |

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, 2016 and 2015 totaled \$268,979 and \$265,000, 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 and changes in net assets. 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 2016 and 2015. The present value of the estimated future payments at December 31, 2016 and 2015 was \$153,067 and \$147,898, respectively and was calculated using a discount rate of 5% to 6% and applicable mortality tables. During 2016 and 2015, 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 April 2017 through June 2021. Certificates of deposit as of December 31, 2016 and 2015 consisted of the following:

| Financial Institution | Interest Rate(s) | 2016 | 2015 |
|--------------------------------------|-----------------------------|--------------|--------------|
| Citizens Federal | 2.71% | \$ 504,663 | \$ 490,023 |
| Richwood Banking Company | 0.30% - 1.50% | 236,139 | 241,091 |
| Synchrony Bank | 2.27% | 82,025 | 80,183 |
| Merchants National Bank | 2.23% | 104,953 | 168,070 |
| FirstFinancial Bank | 2.23% | 243,759 | 238,659 |
| US Bank | 1.79% | 249,326 | 244,630 |
| First Federal Bank | 2.00% | 217,220 | 0 |
| Fith Third Bank | 1.98% | 126,600 | 0 |
| Total Certificates of Deposit | | \$ 1,764,685 | \$ 1,462,656 |

NOTE 7 - PROPERTY HELD FOR INVESTMENT

Property held for investment included the following at December 31, 2016 and 2015:

| | 2016 | 2015 |
|------|-------------|-------------|
| Land | \$ 15,000 | \$ 15,000 |

COMMUNITY FOUNDATION OF UNION COUNTY, INC.

NOTES TO THE FINANCIAL STATEMENTS

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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.

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 2016 and 2015 was \$10,800.

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, 2016 and 2015, pledge and contribution receivables are comprised of the following:

| | <u>2016</u> | <u>2015</u> |
|---------------------------------|-------------------------|-------------------------|
| Current | \$ 20,283 | \$ 22,209 |
| 2 year to 5 years | <u>28,039</u> | <u>15,500</u> |
| Total pledge receivables | <u>\$ 48,322</u> | <u>\$ 37,709</u> |

NOTE 10 - NOTE RECEIVABLE

In October 2011, the Foundation paid off a 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, 2016 and 2015, the note receivable balance was \$84,540 and \$80,514, respectively.

NOTE 11 - NET ASSETS

Included in unrestricted net assets for the years ended December 31, 2016 and 2015 are donor advised funds of \$1,704,512 and \$1,515,480 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 a deficiency, 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.

COMMUNITY FOUNDATION OF UNION COUNTY, INC.

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| <u>December 31, 2015</u> | <u>Permanently Restricted Balance</u> | <u>Actual Balance</u> | <u>Deficiency</u> |
|---------------------------------------|---|---------------------------|-------------------|
| Sara Mae Burnside Scholarship Fund | \$ <u>347,290</u> | \$ <u>345,863</u> | \$ <u>1,427</u> |

NOTE 12 - BOARD DESIGNATED INVESTMENTS

As of December 31, 2016 and 2015, the Board of Trustees has designated \$650,910 and \$617,499, 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 Statements 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.

Composition of changes in the endowment in net assets for the year ended December 31, 2016 and 2015 were as follows:

| | <u>2016</u> | <u>2015</u> |
|--|--------------------------|--------------------------|
| Board-designated endowment net assets, beginning | \$ 617,499 | \$ 623,584 |
| Contributions and administrative fee income | 185,149 | 153,382 |
| Investment income | 40,632 | 6,680 |
| Reclassification based upon restrictions | 11,427 | 22,591 |
| Amounts appropriated for expenditure | <u>(203,797)</u> | <u>(188,738)</u> |
| Board-designated endowment net assets, ending | \$ <u>650,910</u> | \$ <u>617,499</u> |

NOTE 13 - DONOR DESIGNATED INVESTMENTS

The Foundation's endowment consists of approximately 95 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.

COMMUNITY FOUNDATION OF UNION COUNTY, INC.

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DECEMBER 31, 2016 AND 2015

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.

Endowment net assets composition by type of fund as of December 31, 2016 is as follows:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> |
|----------------------------------|----------------------------|-----------------------------------|-----------------------------------|
| Donor-restricted endowment funds | \$ 0 | \$ 5,308,779 | \$ 1,808,206 |
| Unrestricted donor-advised funds | <u>1,704,512</u> | <u>0</u> | <u>0</u> |
| Total funds | <u><u>\$ 1,704,512</u></u> | <u><u>\$ 5,308,779</u></u> | <u><u>\$ 1,808,206</u></u> |

Changes in endowment net assets as of December 31, 2016 are as follows:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> |
|---|----------------------------|-----------------------------------|-----------------------------------|
| Endowment net assets, beginning | \$ 1,515,480 | \$ 4,314,260 | \$ 1,808,206 |
| Contributions | 292,314 | 975,372 | 0 |
| Investment (loss) income | 82,986 | 446,347 | 0 |
| Reclassification based upon restriction | 0 | (417,713) | 0 |
| Amounts appropriated for expenditure | <u>(186,268)</u> | <u>(9,487)</u> | <u>0</u> |
| Endowment net assets, ending | <u><u>\$ 1,704,512</u></u> | <u><u>\$ 5,308,779</u></u> | <u><u>\$ 1,808,206</u></u> |

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
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DECEMBER 31, 2016 AND 2015

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 | \$ 1,808,206 |
| 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>\$ 1,808,206</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 income | (5,116) | 60,395 | 0 |
| 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>\$ 1,808,206</u> |

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NOTE 14 - TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2016 and 2015, temporarily restricted net assets consist of the following:

| | <u>2016</u> | <u>2015</u> |
|--|-------------|-------------|
| American Legion Post #79 Legacy Fund | \$ 19,881 | \$ 14,593 |
| Andrew Daum Memorial Soccer Scholarship Fund | 8,314 | 8,664 |
| Artbox Fund | 0 | 1,716 |
| Charles Andrew Baesmann II Memorial Fund | 25,970 | 19,709 |
| Charles and Marjorie Green Scholarship Fund | 27,336 | 24,846 |
| Corey Hoehn Memorial Scholarship Fund | 27,193 | 22,100 |
| Dan B Kyle Scholarship Fund | 65,698 | 65,472 |
| Dr. C.B. Mills Memorial Kiwanis College Scholarship Fund | 19,580 | 19,503 |
| Dr. Malcolm & Barbara MacIvor Scholarship Fund | 56,472 | 52,295 |
| Elizaveta Fund | 13,174 | 7,666 |
| Eyes of Freedom Fund | 4,151 | 0 |
| Fairbanks Education Fund | 56,406 | 55,266 |
| Georgeann Vollrath Memorial Fund | 37,665 | 36,940 |
| George Perry Family Fund | 622,125 | 606,933 |
| Gift Annuity - Bump | 33,864 | 32,966 |
| Gift Annuity - Bump 2 | 48,207 | 47,027 |
| Gift Annuity - Parker | 78,749 | 0 |
| Gift Annuity - Parker 2 | 39,900 | 0 |
| GL Kingsmore HOF Scholarship Fund | 33,856 | 34,261 |
| Hildreth Endowment Fund | 105,201 | 96,752 |
| J. Carl & Jeanie Thiergartner Family Fund | 190,725 | 169,938 |
| Jarret Westlake Memorial Scholarship Fund | 2,891 | 3,141 |
| Jason K. Mathewson Memorial Scholarship Fund | 25,275 | 25,115 |
| Kathryn I. Marsh Coleman & James Coleman Memorial Scholarship Fund | 483,770 | 474,172 |
| Keckley Park Development Fund | 8,361 | 8,045 |
| LaVerne & Juanita Yoder Charitable Fund | 125,602 | 99,356 |
| Lee Family Fund | 178,838 | 60,294 |
| Ryan J. and Kristin K. Lee Family Charitable Fund | 3,750 | 3,000 |
| Marysville Art League Scholarship Fund | 3,915 | 4,556 |
| Marysville Housing Fund | 447,639 | 454,806 |
| Marysville Moose Family Center Scholarship Fund | 8,629 | 2,415 |
| McElheny Foundation Fund | 171,226 | 164,077 |
| Memorial Hospital Medical Staff Scholarship Fund | 3,269 | 7,975 |
| MHS Alumni Scholarship Foundation Fund | 169,212 | 160,400 |
| Milford Center Parks and Recreation Fund | 18,590 | 5,211 |
| Ted & Kathryn Miller Memorial Fund | 10,467 | 11,742 |
| Mintier Veteran's Scholarship Fund | 5,910 | 5,642 |
| Next Generations Initiative | 1,011,210 | 674,278 |
| Pat Conlon Scholarship Fund | 38,188 | 39,167 |
| Pat & Tom Nuckles Scholarship Fund | 205,252 | 0 |
| Patricia Biehl Humanities Scholarship Fund | 527 | 872 |
| Perry Family Charitable Fund | 237,335 | 233,283 |
| Paul & Betty Devine Fund | 11,550 | 0 |
| Pottersburg Bridge Preservation Fund | 4,100 | 0 |
| Rita Rubeck Parker Fund | 81,144 | 0 |

Continued on next page

COMMUNITY FOUNDATION OF UNION COUNTY, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

| | <u>2016</u> | | <u>2015</u> |
|---|---------------------|-----------|------------------|
| Richwood Area Business Association Scholarship Fund | \$ 500 | \$ | 0 |
| Roy A Wallace BIF Memorial Fund | 68,585 | | 67,056 |
| Robert & Joan Deaton Memorial Scholarship Fund | 9,114 | | 0 |
| Robert M. Fox Scholarship Fund | 15,333 | | 15,388 |
| Sara Mae Burnside Scholarship Fund | 2,863 | | 0 |
| Sargent V. Chamberlain Kiwanis College Scholarship Fund | 19,709 | | 19,622 |
| Silver Scene Players Charitable Fund | 1,229 | | 0 |
| Susan Finch Simpson Memorial Scholarship Fund | 20,301 | | 20,060 |
| Stolte Excellence in Leadership Scholarship Fund | 10,604 | | 10,326 |
| Summer Theater Workshop Scholarship Fund | 1,630 | | 1,920 |
| UCF Founders Fund | 5,523 | | 5,996 |
| Union Rural Electric Cooperative Scholarship Fund | 59,034 | | 58,619 |
| United Way of Union County Reserve Fund | 62,797 | | 59,209 |
| Veteran's Memorial Capital Fund | 6,677 | | 6,788 |
| Veteran's Memorial Program Fund | 4,731 | | 4,881 |
| Walter and Doris Herd Scholarship Fund | 70,388 | | 64,301 |
| Dave & Elizabeth Ward Scholarship Fund | 7,579 | | 0 |
| William Logan Krebehenne Memorial Scholarship | 22,092 | | 21,886 |
| Charitable Remainder Unitrust- Youngkin | 23,912 | | 24,507 |
| Charitable Remainder Unitrust- Bump | 17,000 | | 17,596 |
| Cash surrender value of life insurance | 108,061 | | 161,911 |
| | <u>108,061</u> | | <u>161,911</u> |
| Total temporarily restricted net assets | \$ 5,308,779 | \$ | 4,314,260 |

NOTE 15 - PERMANENTLY RESTRICTED NET ASSETS

At December 31, 2016 and 2015, permanently restricted net assets consist of the following:

| | <u>2016</u> | | <u>2015</u> |
|--|---------------------|-----------|------------------|
| Charles W. Green Family Scholarship Fund | \$ 80,465 | \$ | 80,465 |
| Sara Mae Burnside Scholarship Fund | 347,290 | | 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 | 75,000 | | 75,000 |
| | <u>75,000</u> | | <u>75,000</u> |
| Total permanently restricted net assets | \$ 1,808,206 | \$ | 1,808,206 |

NOTE 16 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 1, 2017, the date which the financial statements were available to be issued.