

**COMMUNITY FOUNDATION
OF UNION COUNTY, INC.**
FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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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 statements of financial position as of December 31, 2017 and 2016, 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.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Foundation of Union County, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in dark ink that reads 'Holbrook & Manter'.

Certified Public Accountants

April 26, 2018
Marysville, Ohio

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COMMUNITY FOUNDATION OF UNION COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS:-		
Cash and cash equivalents	\$ 687,413	\$ 866,607
Certificates of deposit	101,511	1,023,218
Investments	8,186,963	6,984,083
Land held for sale	15,000	15,000
Pledge and contribution receivables	19,888	20,283
Prepaid expenses	<u>7,173</u>	<u>4,054</u>
 Total current assets	 9,017,948	 8,913,245
OTHER ASSETS:-		
Certificates of deposit	1,439,152	741,466
Pledge and contribution receivables	20,750	28,039
Note receivable	88,767	84,540
Cash surrender value of life insurance after policy loans of \$88,767 and \$84,540 for 2017 and 2016, respectively.	108,036	108,061
Deposits	<u>800</u>	<u>800</u>
 Total other assets	 <u>1,657,505</u>	 <u>962,906</u>
 Total assets	 \$ <u>10,675,453</u>	 \$ <u>9,876,151</u>

See Accompanying Notes To the Financial Statements.

LIABILITIES AND NET ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT LIABILITIES:-		
Accounts payable	\$ 3,720	\$ 2,224
Charitable remainder unitrust liability	3,611	13,449
Charitable gift annuity liability	<u>16,497</u>	<u>26,492</u>
Total current liabilities	23,828	42,165
LONG TERM LIABILITIES:-		
Charitable remainder unitrust liability	22,186	139,618
Charitable gift annuity liability	<u>154,486</u>	<u>221,961</u>
Total long term liabilities	176,672	361,579
Total liabilities	200,500	403,744
NET ASSETS:-		
Unrestricted, donor advised	1,873,988	1,704,512
Unrestricted, board designated	<u>755,414</u>	<u>650,910</u>
Total unrestricted net assets	2,629,402	2,355,422
Temporarily restricted net assets	6,112,345	5,383,779
Permanently restricted net assets	<u>1,733,206</u>	<u>1,733,206</u>
Total net assets	<u>10,474,953</u>	<u>9,472,407</u>
Total liabilities and net assets	<u>\$ 10,675,453</u>	<u>\$ 9,876,151</u>

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT:-				
Contributions	\$ 371,148	\$ 438,446	\$ 0	\$ 809,594
Interest	12,340	28,683	0	41,023
Dividends	51,338	119,335	0	170,673
Realized/unrealized gain on investments	172,805	738,597	0	911,402
Other income	107,556	0	0	107,556
Net assets released from restrictions	<u>647,932</u>	<u>(647,932)</u>	<u>0</u>	<u>0</u>
Total revenues and other support	1,363,119	677,129	0	2,040,248
OPERATING EXPENSES:-				
Program Services - grants	<u>787,711</u>	<u>0</u>	<u>0</u>	<u>787,711</u>
Total program services - grants	787,711	0	0	787,711
Management and General:-				
Change in value of split interest agreements	0	(51,437)	0	(51,437)
Fundraising	18,408	0	0	18,408
Administrative fee	106,857	0	0	106,857
Salaries and wages	95,572	0	0	95,572
Employee benefits	18,853	0	0	18,853
Payroll taxes	7,328	0	0	7,328
Rent	10,800	0	0	10,800
Office supplies	1,271	0	0	1,271
Insurance	2,066	0	0	2,066
Interest	4,227	0	0	4,227
Meals and entertainment	710	0	0	710
Postage	758	0	0	758
Professional fees	11,892	0	0	11,892
Dues and subscriptions	671	0	0	671
Meetings	920	0	0	920
Repairs and maintenance	1,103	0	0	1,103
Hostnet fee	12,231	0	0	12,231
Travel reimbursement	272	0	0	272
Telephone and internet	1,606	0	0	1,606
Utilities	2,184	0	0	2,184
Real estate taxes	413	0	0	413
Miscellaneous	<u>3,286</u>	<u>0</u>	<u>0</u>	<u>3,286</u>
Total management and general	<u>301,428</u>	<u>(51,437)</u>	<u>0</u>	<u>249,991</u>
Total operating expenses	<u>1,089,139</u>	<u>(51,437)</u>	<u>0</u>	<u>1,037,702</u>
Change in net assets	273,980	728,566	0	1,002,546
Net assets at beginning of year	<u>2,355,422</u>	<u>5,383,779</u>	<u>1,733,206</u>	<u>9,472,407</u>
Net assets at end of year	<u>\$ 2,629,402</u>	<u>\$ 6,112,345</u>	<u>\$ 1,733,206</u>	<u>\$ 10,474,953</u>

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, 2016

	<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
Travel reimbursement	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 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	4,389,260	1,733,206	8,255,445
Net assets at end of year	\$ 2,355,422	\$ 5,383,779	\$ 1,733,206	\$ 9,472,407

See Accompanying Notes To the Financial Statements.

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:-		
Change in net assets	\$ 1,002,546	\$ 1,216,962
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:-		
Net realized and unrealized gain on investments	(962,839)	(376,496)
(Increase) decrease in pledge and contribution receivables	7,684	(10,613)
(Increase) in note receivable	(4,227)	(4,026)
(Increase) decrease in other assets	(3,094)	54,916
Increase (decrease) in accounts payable	1,496	(724)
Increase (decrease) in charitable remainder unitrust liability	(127,270)	5,169
Increase (decrease) in charitable gift annuity liability	(77,470)	175,332
Net cash (used) provided by operating activities	(163,174)	1,060,520
 CASH FLOWS FROM INVESTING ACTIVITIES:-		
Sale of investments	332,633	0
Purchases of investments	(572,672)	(525,873)
Proceeds of certificates of deposit	1,038,837	137,971
Purchases of certificates of deposit	(814,818)	(440,000)
Net cash used by investing activities	(16,020)	(827,902)
Net (decrease) increase in cash and cash equivalents	(179,194)	232,618
Cash and cash equivalents - beginning of year	866,607	633,989
Cash and cash equivalents - end of year	\$ 687,413	\$ 866,607
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:-		
Cash paid for:		
Interest	\$ 4,227	\$ 4,026
Income taxes	\$ 0	\$ 0

See Accompanying Notes To the Financial Statements.

COMMUNITY FOUNDATION OF UNION COUNTY, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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 includes cash on hand and on deposit and 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 statement of activities and changes 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 at present value, net of the allowance for doubtful accounts. As of December 31, 2017 and 2016, there was no allowance for doubtful accounts.

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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, 2017 and 2016.

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.

Reclassification

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

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update (ASU) No. 2016-02, Leases (*Topic 842*), which amends existing accounting standards for lease accounting, including by requiring lessees to recognize most leases on the balance sheet and making certain changes to lessor accounting. The new standard is effective for non-public entities for fiscal years beginning after December 15, 2019 and for interim periods therein with early adoption permitted. The Foundation is currently evaluating the impact on the financial statements.

In June 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which creates a single source of revenue guidance. The new standard provides accounting guidance for all revenue arising from contracts with customers and affects all entities that enter into contracts to provide goods and services to their customers (unless the contracts are in scope of other U.S. GAAP requirements, such as the leasing literature). The guidance also provides a model for the measurement and recognition of gains and losses on the sale of certain nonfinancial assets, such as property and equipment, including real estate. The new standard is effective for non-public entities for the fiscal years beginning after December 15, 2018 and for interim periods therein. Early adoption is permitted for non-public entities beginning after December 15, 2017. The Foundation is currently evaluating the impact on the financial statements.

In August 2016, the Financial Accounting Standards Board (the "FASB") issued an update to Not-For-Profit accounting to help charities, foundations, universities, and other Not-For-Profit Groups (Organization) better tell their "Financial Story". The Accounting Standards Update (ASU) No. 2016-14, Not-For-Profit Entities, deals largely with financial statement presentation issues – how organizations convey how they spend and invest their resources. The standard requires an organization to classify their assets into two categories – those with donor restrictions and those without. The update also aims to enhance information about an organization's expenses through new expense analysis that shows expenses broken down by nature and function. Further, the update will require organizations to provide information that shows how they manage their access to cash over twelve months and retain liquidity. The update goes into effect for financial statements issued for fiscal years beginning after December 15, 2017. Organizations will be allowed to follow the standard ahead of the overall effective date. The Foundation is evaluating the impact ASU 2016-14 will have on its financial statements.

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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, 2017 and 2016.

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

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.

COMMUNITY FOUNDATION OF UNION COUNTY, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2017 and December 31, 2016:

Investments at Fair Value as of December 31, 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutal Funds				
500 Index	\$ 1,527,018	\$ 0	\$ 0	\$ 1,527,018
Bonds	564,785	0	0	564,785
Alternatives	755,951	0	0	755,951
Equity	695,325	0	0	695,325
Global equity	1,089,417	0	0	1,089,417
Growth	441,288	0	0	441,288
Inflation	227,194	0	0	227,194
Inter-term	343,250	0	0	343,250
Mid cap	279,417	0	0	279,417
Real estate	248,453	0	0	248,453
Short-term	359,799	0	0	359,799
Small cap	259,517	0	0	259,517
International	930,121	0	0	930,121
Common Stock				
U.S	<u>154,995</u>	<u>310,433</u>	<u>0</u>	<u>465,428</u>
Total investments	<u>\$ 7,876,530</u>	<u>\$ 310,433</u>	<u>\$ 0</u>	<u>\$ 8,186,963</u>

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:				
500 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

DECEMBER 31, 2017 AND 2016

NOTE 3 - CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash and cash equivalent balances in both interest-bearing and noninterest-bearing accounts at various financial institutions located throughout Ohio. Effective January 1, 2013, noninterest-bearing accounts are no longer insured separately from the Foundation's other accounts at the same Federal Deposit Insurance Corporation (FDIC) insured depository institution (IDI). Therefore, from time to time, the Foundation may have balances that exceed the FDIC insured limit.

During 2017 and 2016, 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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
	<u>Fair</u>	<u>Fair</u>
	<u>Market Value</u>	<u>Market Value</u>
Investments	\$ 8,140,693	\$ 6,715,104
Investments;- Charitable Remainder Trusts	<u>46,270</u>	<u>268,979</u>
	<u>\$ 8,186,963</u>	<u>\$ 6,984,083</u>

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, 2017 and 2016 totaled \$46,270 and \$268,979, 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 2017 and 2016. The present value of the estimated future payments at December 31, 2017 and 2016 was \$25,797 and \$153,067, respectively and was calculated using a discount rate of 5% to 6% and applicable mortality tables. During 2017 and 2016, there were no contributions to the charitable remainder trusts. During 2017, one trust ended and the remaining assets available after the donor-imposed restrictions were met were placed in the Next Generations Initiative (NGI) fund. Assets transferred to the NGI fund during 2017 were \$60,412 (not including the \$1,216 held for final distribution and expense). Admin fees of \$25,596 were charged to the CRUT and placed in the Foundation's Operating fund.

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 6 - CERTIFICATES OF DEPOSIT

Certificates of deposit as of December 31, 2017 and 2016 consisted of the following:

Financial Institution	Interest Rate(s)	2017	2016
Citizens Federal	2.47%	\$ 254,076	\$ 504,663
Richwood Banking Company	1.0% - 1.75%	339,767	236,139
Synchrony Bank	1.64% - 2.27%	184,868	82,025
Merchants National Bank	2.23%	107,318	104,953
FirstFinancial Bank	2.00%	202,686	243,759
US Bank	1.79%	0	249,326
State Farm Bank	2.27%	101,530	0
First Federal Bank	2.00%	221,420	217,220
Fifth Third Bank	1.98%	129,000	126,600
Total Certificates of Deposit		\$ 1,540,665	\$ 1,764,685

NOTE 7 - 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 2017 and 2016 was \$10,800.

NOTE 8 - 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, 2017 and 2016, payments on pledges and contribution receivables are expected to be received as follows:

	2017	2016
Less than 1 year	\$ 19,888	\$ 20,283
2 year to 5 years	20,750	28,039
Total pledge receivables	\$ 40,638	\$ 48,322

NOTE 9 - 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, 2017 and 2016, the note receivable balance was \$88,767 and \$84,540, respectively.

NOTE 10 - NET ASSETS

Included in unrestricted net assets for the years ended December 31, 2017 and 2016 are donor advised funds of \$1,873,988 and \$1,704,512 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.

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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.

NOTE 11 - BOARD DESIGNATED INVESTMENTS

As of December 31, 2017 and 2016, the Board of Trustees has designated \$755,414 and \$650,910, 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, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Board-designated endowment net assets, beginning	\$ 650,910	\$ 617,499
Contributions and administrative fee income	244,352	185,149
Investment income	74,819	40,632
Reclassification based upon restrictions	10,000	11,427
Amounts appropriated for expenditure	<u>(224,667)</u>	<u>(203,797)</u>
Board-designated endowment net assets, ending	<u>\$ 755,414</u>	<u>\$ 650,910</u>

NOTE 12 - 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.

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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, 2017 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Donor-restricted endowment funds	\$ 0	\$ 6,112,345	\$ 1,733,206
Unrestricted donor-advised funds	<u>1,873,988</u>	<u>0</u>	<u>0</u>
Total funds	<u><u>\$ 1,873,988</u></u>	<u><u>\$ 6,112,345</u></u>	<u><u>\$ 1,733,206</u></u>

Changes in endowment net assets as of December 31, 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning	\$ 1,704,512	\$ 5,308,779	\$ 1,808,206
Contributions	513,809	438,446	0
Investment (loss) income	185,227	886,615	0
Reclassification based upon restriction	(519,560)	(572,932)	(75,000)
Amounts appropriated for expenditure	<u>(10,000)</u>	<u>51,437</u>	<u>0</u>
Endowment net assets, ending	<u><u>\$ 1,873,988</u></u>	<u><u>\$ 6,112,345</u></u>	<u><u>\$ 1,733,206</u></u>

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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	1,704,512	0	0
Total funds	<u>\$ 1,704,512</u>	<u>\$ 5,308,779</u>	<u>\$ 1,808,206</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 income	82,986	446,347	0
Reclassification based upon restriction	0	(417,713)	0
Amounts appropriated for expenditure	(186,268)	(9,487)	0
Endowment net assets, ending	<u>\$ 1,704,512</u>	<u>\$ 5,308,779</u>	<u>\$ 1,808,206</u>

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NOTE 13 - TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2017 and 2016, temporarily restricted net assets consist of the following:

	<u>2017</u>	<u>2016</u>
American Legion Post #79 Legacy Fund	\$ 26,923	\$ 19,881
Andrew Daum Memorial Soccer Scholarship Fund	8,118	8,314
Bob and Eula Jean Davis Memorial Scholarship Fund	64,638	0
Charles Andrew Baesmann II Memorial Fund	32,889	25,970
Charles and Marjorie Green Scholarship Fund	37,003	27,336
Corey Hoehn Memorial Scholarship Fund	31,207	27,193
Dan B Kyle Scholarship Fund	66,459	65,698
David Fisher Scholarship Fund	11,148	0
Dr. C.B. Mills Memorial Kiwanis College Scholarship Fund	20,932	19,580
Dr. Malcolm & Barbara MacIvor Scholarship Fund	80,528	56,472
Elijah Meadows Scholarship Fund	17,597	0
Elizaveta Fund	20,023	13,174
Eyes of Freedom Fund	0	4,151
Fairbanks Education Fund	59,433	56,406
Georgeann Vollrath Memorial Fund	40,936	37,665
George Perry Family Fund	678,834	622,125
Gift Annuity - Bump	0	33,864
Gift Annuity - Bump 2	0	48,207
Gift Annuity - Parker	93,783	78,749
Gift Annuity - Parker 2	47,472	39,900
GL Kingsmore HOF Scholarship Fund	37,518	33,856
Hildreth Endowment Fund	148,421	105,201
J. Carl & Jeanie Thiergartner Family Fund	195,805	190,725
Jarret Westlake Memorial Scholarship Fund	2,641	2,891
Jason K. Mathewson Memorial Scholarship Fund	25,719	25,275
Jeffrey L. "Griff" Griffith Scholarship Fund	6,007	0
Kathryn I. Marsh Coleman & James Coleman Memorial Scholarship Fund	524,362	483,770
Keckley Park Development Fund	9,264	8,361
LaVerne & Juanita Yoder Charitable Fund	194,912	125,602
Lee Family Fund	201,171	178,838
Ryan J. and Kristin K. Lee Family Charitable Fund	5,531	3,750
Lya Snider Vocal Music Scholarship Fund	21,346	0
Marysville Art League Scholarship Fund	3,254	3,915
Marysville Housing Fund	459,717	447,639
Marysville Moose Family Center Scholarship Fund	2,521	8,629
McElheny Foundation Fund	182,799	171,226
Memorial Hospital Medical Staff Scholarship Fund	11,385	3,269
MHS Alumni Scholarship Foundation Fund	185,822	169,212
Milford Center Parks and Recreation Fund	18,844	18,590
Ted & Kathryn Miller Memorial Fund	9,135	10,467
Mintier Veteran's Scholarship Fund	7,252	5,910
Next Generations Initiative	1,326,884	1,011,210
Pat Conlon Scholarship Fund	36,440	38,188
Pat & Tom Nuckles Scholarship Fund	229,354	205,252

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	2017	2016
Patty Pease Memorial Scholarship	\$ 2,513	\$ 0
Patricia Biehl Humanities Scholarship Fund	84	527
Perry Family Charitable Fund	257,067	237,335
Paul & Betty Devine Fund	12,958	11,550
Pottersburg Bridge Preservation Fund	8,777	4,100
Rita Rubeck Parker Fund	89,392	81,144
Richwood Area Business Association Scholarship Fund	570	500
Roy A Wallace BIF Memorial Fund	74,372	68,585
Robert & Joan Deaton Memorial Scholarship Fund	10,681	9,114
Robert M. Fox Scholarship Fund	16,271	15,333
Sara Mae Burnside Scholarship Fund	13,229	2,863
Sargent V. Chamberlain Kiwanis College Scholarship Fund	21,098	19,709
Silver Scene Players Charitable Fund	2,597	1,229
Susan Finch Simpson Memorial Scholarship Fund	21,201	20,301
Stolte Excellence in Leadership Scholarship Fund	15,686	10,604
Summer Theater Workshop Scholarship Fund	1,340	1,630
UCF Founders Fund	6,066	5,523
Union Rural Electric Cooperative Scholarship Fund	63,845	59,034
United Way of Union County Reserve Fund	64,100	62,797
Veteran's Memorial Capital Fund	0	6,677
Veteran's Memorial Program Fund	0	4,731
Walter and Doris Herd Scholarship Fund	84,075	70,388
Dave & Elizabeth Ward Scholarship Fund	7,224	7,579
William Logan Krebehenne Memorial Scholarship	23,825	22,092
Charitable Remainder Unitrust- Youngkin	23,311	23,912
Charitable Remainder Unitrust- Bump	0	92,000
Cash surrender value of life insurance	108,036	108,061
	\$ 6,112,345	\$ 5,383,779

NOTE 14 - PERMANENTLY RESTRICTED NET ASSETS

At December 31, 2017 and 2016, permanently restricted net assets consist of the following:

	2017	2016
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
	\$ 1,733,206	\$ 1,733,206

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NOTE 15 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 26, 2018, the date which the financial statements were available to be issued.