

**COMMUNITY FOUNDATION  
OF UNION COUNTY, INC.  
FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

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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, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, 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, 2019 and 2018, 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.

Certified Public Accountants

April 20, 2020  
Marysville, Ohio

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**COMMUNITY FOUNDATION OF UNION COUNTY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2019 AND 2018**

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**ASSETS**

	<u>2019</u>	<u>2018</u>
<b>CURRENT ASSETS:-</b>		
Cash and cash equivalents	\$ 770,288	\$ 794,498
Certificates of deposit	601,928	727,806
Investments	10,154,128	8,448,023
Land held for sale	15,000	15,000
Pledge and contribution receivables	20,040	14,040
Prepaid expenses	<u>3,850</u>	<u>6,155</u>
 Total current assets	 11,565,234	 10,005,522
<b>OTHER ASSETS:-</b>		
Certificates of deposit	948,351	1,097,272
Pledge and contribution receivables	14,010	22,050
Note receivable	97,866	93,205
Cash surrender value of life insurance after policy loans of \$97,866 and \$93,205 for 2019 and 2018, respectively.	109,485	106,984
Deposits	<u>800</u>	<u>800</u>
 Total other assets	 <u>1,170,512</u>	 <u>1,320,311</u>
 <b>Total assets</b>	 <b>\$ <u>12,735,746</u></b>	 <b>\$ <u>11,325,833</u></b>

See Accompanying Notes To the Financial Statements.

**LIABILITIES AND NET ASSETS**

	<u>2019</u>	<u>2018</u>
<b>CURRENT LIABILITIES:-</b>		
Accounts payable	\$ 1,452	\$ 1,379
Charitable remainder unitrust liability	2,378	2,139
Charitable gift annuity liability	<u>16,500</u>	<u>16,500</u>
Total current liabilities	20,330	20,018
<b>LONG TERM LIABILITIES:-</b>		
Charitable remainder unitrust liability	23,112	17,949
Charitable gift annuity liability	<u>138,840</u>	<u>146,569</u>
Total long term liabilities	161,952	164,518
Total liabilities	182,282	184,536
<b>NET ASSETS:-</b>		
Without donor restrictions	12,519,414	11,105,207
With donor restrictions	<u>34,050</u>	<u>36,090</u>
Total net assets	<u>12,553,464</u>	<u>11,141,297</u>
<b>Total liabilities and net assets</b>	<u>\$ 12,735,746</u>	<u>\$ 11,325,833</u>

**COMMUNITY FOUNDATION OF UNION COUNTY, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUES AND OTHER SUPPORT:-</b>			
Contributions	\$ 1,040,524	\$ 30,000	\$ 1,070,524
Interest	44,287	0	44,287
Dividends	235,038	0	235,038
Realized/unrealized loss on investments	1,452,594	0	1,452,594
Other income	93,793	0	93,793
Net assets released from restrictions	32,040	( 32,040)	0
Total revenues and other support	2,898,276	( 2,040)	2,896,236
<b>OPERATING EXPENSES:-</b>			
Program Services	1,429,422	0	1,429,422
Management and General	38,108	0	38,108
Fundraising	16,539	0	16,539
Total operating expenses	1,484,069	0	1,484,069
Change in net assets	1,414,207	( 2,040)	1,412,167
Net assets beginning of year	11,105,207	36,090	11,141,297
<b>Net assets at end of year</b>	<b>\$ 12,519,414</b>	<b>\$ 34,050</b>	<b>\$ 12,553,464</b>

See Accompanying Notes To the Financial Statements.

**COMMUNITY FOUNDATION OF UNION COUNTY, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUES AND OTHER SUPPORT:-</b>			
Contributions	\$ 2,058,061	\$ 17,130	\$ 2,075,191
Interest	44,311	0	44,311
Dividends	172,946	0	172,946
Realized/unrealized gain on investments	( 689,704)	0	(689,704)
Other income	90,355	0	90,355
Net assets released from restrictions	21,678	( 21,678)	0
Total revenues and other support	1,697,647	( 4,548)	1,693,099
<b>OPERATING EXPENSES:-</b>			
Program Services	975,724	0	975,724
Management and General	38,582	0	38,582
Fundraising	12,449	0	12,449
Total operating expenses	1,026,755	0	1,026,755
Change in net assets	670,892	( 4,548)	666,344
Net assets beginning of year	10,434,315	40,638	10,474,953
<b>Net assets at end of year</b>	<b>\$ 11,105,207</b>	<b>\$ 36,090</b>	<b>\$ 11,141,297</b>

See Accompanying Notes To the Financial Statements.

**COMMUNITY FOUNDATION OF UNION COUNTY, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019				2018			
	Program	Management & General	Fundraising	Total	Program	Management & General	Fundraising	Total
Grants	\$ 1,176,021	\$ 0	\$ 0	\$ 1,176,021	\$ 721,714	\$ 0	\$ 0	\$ 721,714
Change in value of split interest	8,773	0	0	8,773	8,583	0	0	8,583
Salaries and wages, benefits, and taxes	111,867	19,741	0	131,608	115,903	20,454	0	136,357
Fees for service	0	12,678	0	12,678	0	12,216	0	12,216
Advertising	789	0	0	789	250	0	0	250
Office expenses	16,153	2,851	0	19,004	16,425	2,898	0	19,323
Occupancy	12,096	2,135	0	14,231	11,133	1,965	0	13,098
Travel, meetings, and meals	1,724	0	0	1,724	2,099	0	0	2,099
Interest	4,660	0	0	4,660	4,438	0	0	4,438
Insurance	2,146	379	0	2,525	2,146	379	0	2,525
Administrative fee	92,793	0	0	92,793	87,855	0	0	87,855
Fundraising	0	0	16,539	16,539	0	0	12,449	12,449
Dues and subscriptions	565	0	0	565	1,380	0	0	1,380
Miscellaneous	1,835	324	0	2,159	3,798	670	0	4,468
<b>Total</b>	<b>\$ 1,429,422</b>	<b>\$ 38,108</b>	<b>\$ 16,539</b>	<b>\$ 1,484,069</b>	<b>\$ 975,724</b>	<b>\$ 38,582</b>	<b>\$ 12,449</b>	<b>\$ 1,026,755</b>

See Accompanying Notes To the Financial Statements.



**COMMUNITY FOUNDATION OF UNION COUNTY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:-</b>		
Change in net assets	\$ 1,412,167	\$ 666,344
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:-		
Net realized and unrealized loss (gain) on investments	( 1,443,821)	698,287
Decrease in pledge and contribution receivables	2,040	4,548
(Increase) in note receivable	( 4,661)	( 4,438)
(Increase) decrease in other assets	( 196)	2,070
Increase (decrease) in accounts payable	73	( 2,341)
Increase (decrease) in charitable remainder unitrust liability	5,402	( 5,709)
(Decrease) in charitable gift annuity liability	( 7,729)	( 7,914)
Net cash (used) provided by operating activities	( 36,725)	1,350,847
<b>CASH FLOWS FROM INVESTING ACTIVITIES:-</b>		
Sale of investments	727,850	112,608
Purchases of investments	( 990,134)	( 1,071,955)
Proceeds of certificates of deposit	565,031	67,585
Purchases of certificates of deposit	( 290,232)	( 352,000)
Net cash provided (used) by investing activities	12,515	( 1,243,762)
Net (decrease) increase in cash and cash equivalents	( 24,210)	107,085
Cash and cash equivalents - beginning of year	794,498	687,413
<b>Cash and cash equivalents - end of year</b>	<b>\$ 770,288</b>	<b>\$ 794,498</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:-</b>		
Cash paid for:		
Interest	\$ 4,660	\$ 4,438
Income taxes	\$ 0	\$ 0

See Accompanying Notes To the Financial Statements.

**COMMUNITY FOUNDATION OF UNION COUNTY, INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

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**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 and Accounting***

The Foundation has adopted the Accounting Standards Codification (ASC) No. 958-205-45, Financial Statements of Not-for-Profit Organizations. The financial statements of the Foundation also have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

***Financial Statement Presentation***

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reports as follows:

Net assets without donor restrictions - net assets without donor restrictions are available for use at the discretion of the Board of Trustees and/or management to fulfill the mission and vision of the Foundation. From time to time the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion. For example, the Board has designated a portion of net assets without donor restrictions as a quasi-endowment (an amount to be treated by management as if it were part of the donor restricted endowment) for the purpose of securing the Foundation's long-term financial viability.

See Note 10 for more information on the composition of net assets without donor restrictions.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that: a) restrict their use to a specific purpose which will be satisfied by actions of the Foundation or the passage of time; or b) require that they be maintained in perpetuity by the Foundation; generally, the donor of these assets permit the Foundation to use all or part of the income earned, including capital appreciation, or related investments for purposes with or without donor restrictions.

See Note 11 for more information on the composition of net assets with donor restrictions.

***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.

**COMMUNITY FOUNDATION OF UNION COUNTY, INC.**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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***Revenue Recognition (outside ASC 606 scope)***

**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 without donor restrictions or with donor restrictions depending on the existence and nature of any donor imposed restrictions. Contributions received with donor-imposed restrictions that are met in the same reporting period are reported as without donor restrictions contributions. These contributions are considered nonreciprocal (contribution) transactions under accounting guidance ASU 2018-08.

***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, 2019 and 2018, there was no allowance for doubtful accounts.

***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, 2019 and 2018.

***Liquidity and Availability***

The Foundation regularly monitors the availability of resources required to meet its operating needs and other commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing activities as well as the conduct of services to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Refer to the statement of cash flows, which identifies the sources and uses of the Foundation's cash and shows positive cash flow generated by operations for years ended 2019 and 2018.

The following table reflects the Foundation's financial assets as of December 31, 2019 and 2018 that are available to meet cash needs for operating expenditures within one year:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 770,288	\$ 794,498
Certificate of deposit	601,928	727,806
Investments	<u>10,154,128</u>	<u>8,448,023</u>
Total assets available	<u>\$ 11,526,344</u>	<u>\$ 9,970,327</u>

***Grants***

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

**COMMUNITY FOUNDATION OF UNION COUNTY, INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

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***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 statements of functional expenses. Certain categories of expenses are attributed to both Program Services and Management and General expenses. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated on the basis of estimates of time and effort. Accordingly, certain estimates have been made to allocate costs among the program and supporting activities.

***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, 2020 and for interim periods therein with early adoption permitted. The Foundation is currently evaluating the impact on the financial statements.

In May 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. The financial statements reflect the application of ASC 606 beginning in 2019. No cumulative-effect adjustments in net assets was recorded, as the adoption of ASU 2014-09 did not significantly impart the Foundation’s reported historical revenue.

On June 21, 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard is intended to address questions stemming from FASB ASU No. 2014-09, Revenue from Contracts with Customers, regarding its implications on the grants and contracts of not-for-profit organizations. ASU 2018-08 applies to resource providers and resource recipients. It includes decision trees to assist in evaluating a transaction. The first decision for both parties to consider is whether each party directly receives commensurate value. If the transaction is reciprocal (i.e., an exchange), the recipient would follow ASU 2014-09, and the contributor would follow the guidance in Topic 720, Other Expenses, or other applicable topics. If the transaction is nonreciprocal (i.e., a contribution), the recipient would apply contribution guidance. This guidance was adopted by the Foundation at the beginning of 2019.

**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.

**COMMUNITY FOUNDATION OF UNION COUNTY, INC.**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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, 2019 and 2018.

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.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2019 and December 31, 2018:

**Investments at Fair Value as of December 31, 2019**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutal Funds:				
500 Index	\$ 1,856,882	\$ 0	\$ 0	\$ 1,856,882
Bonds	1,023,849	0	0	1,023,849
Alternatives	1,201,328	0	0	1,201,328
Equity	220,884	0	0	220,884
Global equity	1,310,211	0	0	1,310,211
Growth	541,852	0	0	541,852
Inflation	275,609	0	0	275,609
Inter-term	403,413	0	0	403,413
Mid cap	336,512	0	0	336,512
Real estate	358,938	0	0	358,938
Short-term	427,610	0	0	427,610
Small cap	607,840	0	0	607,840
International	1,099,122	0	0	1,099,122
Common Stock				
U.S	105,345	384,733	0	490,078
<b>Total investments</b>	<u>\$ 9,769,395</u>	<u>\$ 384,733</u>	<u>\$ 0</u>	<u>\$ 10,154,128</u>

**COMMUNITY FOUNDATION OF UNION COUNTY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**Investments at Fair Value as of December 31, 2018**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutal Funds				
500 Index	\$ 1,490,781	\$ 0	\$ 0	\$ 1,490,781
Bonds	616,401	0	0	616,401
Alternatives	841,867	0	0	841,867
Equity	708,009	0	0	708,009
Global equity	1,094,180	0	0	1,094,180
Growth	460,820	0	0	460,820
Inflation	254,811	0	0	254,811
Inter-term	377,723	0	0	377,723
Mid cap	276,189	0	0	276,189
Real estate	278,378	0	0	278,378
Short-term	405,985	0	0	405,985
Small cap	253,769	0	0	253,769
International	948,062	0	0	948,062
Common Stock				
U.S	<u>112,088</u>	<u>328,960</u>	<u>0</u>	<u>441,048</u>
<b>Total investments</b>	<b>\$ <u>8,119,063</u></b>	<b>\$ <u>328,960</u></b>	<b>\$ <u>0</u></b>	<b>\$ <u>8,448,023</u></b>

**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 2019 and 2018, 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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
	<u>Fair</u>	<u>Fair</u>
	<u>Market Value</u>	<u>Market Value</u>
Investments	\$ 10,106,562	\$ 8,405,234
Investments:-		
Charitable Remainder Trusts	<u>47,566</u>	<u>42,789</u>
	<b>\$ <u>10,154,128</u></b>	<b>\$ <u>8,448,023</u></b>

**COMMUNITY FOUNDATION OF UNION COUNTY, INC.**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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**NOTE 5 - CHARITABLE REMAINDER UNITRUST**

In 2005 a donor established a charitable remainder trust 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, 2019 and 2018 totaled \$47,566 and \$42,789, 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 net assets without donor restrictions 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 were no significant changes in actuarial assumptions resulting in revaluations during 2019 and 2018. The present value of the estimated future payments at December 31, 2019 and 2018 was \$25,490 and \$20,088, respectively and was calculated using a discount rate of 5% to 6% and applicable mortality tables. During 2019 and 2018, there were no contributions to the charitable remainder trusts. Admin fees of \$625 and \$610 were charged to the CRUT and paid from the CRUT during 2019 and 2018, respectively.

**NOTE 6 - CERTIFICATES OF DEPOSIT**

Certificates of deposit as of December 31, 2019 and 2018 consisted of the following:

<b>Financial Institution</b>	<b>Interest Rate(s)</b>	<b>2019</b>	<b>2018</b>
Citizens Federal	2.47%	\$ 267,268	\$ 260,689
Liberty National Bank	1.74% - 2.47%	238,040	0
Richwood Banking Company	1.5% - 1.75%	170,072	241,166
Synchrony Bank	2.22% - 2.47%	193,814	188,465
Merchants National Bank	2.23%	0	109,735
FirstFinancial Bank	2.00%	210,260	206,776
State Farm Bank	2.27%	106,245	103,845
First Federal Bank	2.00%	230,595	226,032
Fifth Third Bank	1.98%	133,985	131,400
Huntington National Bank	2.18%	0	154,423
CF Bank, National Association	2.03%	0	202,547
<b>Total Certificates of Deposit</b>		<b>\$ 1,550,279</b>	<b>\$ 1,825,078</b>

**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. In March 2019, the Foundation entered into a sixty month lease. Under the terms of this lease, the Foundation must make monthly lease payments of \$1,000 over the life of the lease. Rent expense for the years ended 2019 and 2018 was \$11,800 and \$10,800, respectively.

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**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, 2019 and 2018, payments on pledges and contribution receivables are expected to be received as follows:

	<b>2019</b>	<b>2018</b>
Less than 1 year	\$ 20,040	\$ 14,040
2 year to 5 years	14,010	22,050
<b>Total pledge receivables</b>	<b>\$ 34,050</b>	<b>\$ 36,090</b>

**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, 2019 and 2018, the note receivable balance was \$97,866 and \$93,205, respectively.

**NOTE 10 - NET ASSETS WITHOUT DONOR RESTRICTION**

Included in net assets without donor restrictions for the years ended December 31, 2019 and 2018 are undesignated funds and board designated funds. 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 net assets without donor restriction to the Foundation.

December 31,	<b>2019</b>	<b>2018</b>
Undesignated	\$ 888,128	\$ 709,276
Board designated for Quasi-Endowment	2,013,193	1,774,284
Board designated for Donor Advised Funds	9,618,093	8,621,647
<b>Total net assets without donor restrictions</b>	<b>\$ 12,519,414</b>	<b>\$ 11,105,207</b>

**Board Designated for Quasi-Endowment**

With a goal of long term sustainability, the Board has designated that contributions to the capital campaign fund entitled Next Generation's Initiative (NGI) be set aside to establish and maintain a quasi-endowment for the purpose of securing the Foundation's long-term financial viability and continue to meet the needs of the Foundation.

	<b>2019</b>	<b>2018</b>
Board designated for Quasi-Endowment net assets, beginning	\$ 1,774,284	\$ 1,326,884
Contributions and administrative fee income	2,037	600,981
Investment (loss) income	307,843	( 99,066)
Amounts appropriated for expenditure	( 70,971)	( 54,515)
<b>Total board designated for Quasi-Endowment net assets, ending</b>	<b>\$ 2,013,193</b>	<b>\$ 1,774,284</b>



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**Board Designated for Donor Advised Funds**

Board designated for donor advised funds is a component of net assets without donor restrictions and was established by the Board. Companies, foundations and individuals make contributions to these funds to achieve their philanthropic goals within the community. Board designated for donor advised funds consist of approximately 110 individual funds established for a variety of purposes. The Foundation retains variance power of all contributions.

**Investment and Spending Policies**

The Foundation has adopted investment and spending policies for board designated net assets that attempt to provide a predictable stream of funding to programs supported by its assets while seeking to maintain the purchasing power of these 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. The 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 these 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.

**NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2019 and 2018 as follows:

	<b>2019</b>	<b>2018</b>
Subject to expenditure for specified purpose or period:		
Pledges receivable	\$ 34,050	\$ 36,090
Total subject to expenditures for specified purpose or period:	34,050	36,090
Total net assets with donor restriction	\$ 34,050	\$ 36,090

During 2019 and 2018, \$32,040 and \$21,678, respectively, of unconditional promises to give, recognized as net assets with donor restrictions in the year the promise was made, were released from restrictions due to the passage of time.

**NOTE 12 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through April 20, 2020, the date which the financial statements were available to be issued.