

**COMMUNITY FOUNDATION
OF UNION COUNTY, INC.**
FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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 11, 2019
Marysville, Ohio

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MEMBERS
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COMMUNITY FOUNDATION OF UNION COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS:-		
Cash and cash equivalents	\$ 794,498	\$ 687,413
Certificates of deposit	727,806	101,511
Investments	8,448,023	8,186,963
Land held for sale	15,000	15,000
Pledge and contribution receivables	14,040	19,888
Prepaid expenses	<u>6,155</u>	<u>7,173</u>
 Total current assets	 10,005,522	 9,017,948
OTHER ASSETS:-		
Certificates of deposit	1,097,272	1,439,152
Pledge and contribution receivables	22,050	20,750
Note receivable	93,205	88,767
Cash surrender value of life insurance after policy loans of \$93,205 and \$88,767 for 2018 and 2017, respectively.	106,984	108,036
Deposits	<u>800</u>	<u>800</u>
 Total other assets	 <u>1,320,311</u>	 <u>1,657,505</u>
 Total assets	 \$ <u>11,325,833</u>	 \$ <u>10,675,453</u>

See Accompanying Notes To the Financial Statements.

LIABILITIES AND NET ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT LIABILITIES:-		
Accounts payable	\$ 1,379	\$ 3,720
Charitable remainder unitrust liability	2,139	3,611
Charitable gift annuity liability	<u>16,500</u>	<u>16,497</u>
Total current liabilities	20,018	23,828
LONG TERM LIABILITIES:-		
Charitable remainder unitrust liability	17,949	22,186
Charitable gift annuity liability	<u>146,569</u>	<u>154,486</u>
Total long term liabilities	164,518	176,672
Total liabilities	184,536	200,500
NET ASSETS:-		
Without donor restrictions	11,105,207	10,434,315
With donor restrictions	<u>36,090</u>	<u>40,638</u>
Total net assets	<u>11,141,297</u>	<u>10,474,953</u>
Total liabilities and net assets	<u>\$ 11,325,833</u>	<u>\$ 10,675,453</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT:-			
Contributions	\$ 2,058,061	\$ 17,130	\$ 2,075,191
Interest	44,311	0	44,311
Dividends	172,946	0	172,946
Realized/unrealized loss 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
OPERATING EXPENSES:-			
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
Net assets at end of year	\$ 11,105,207	\$ 36,090	\$ 11,141,297

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, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT:-			
Contributions	\$ 782,594	\$ 27,000	\$ 809,594
Interest	41,023	0	41,023
Dividends	170,673	0	170,673
Realized/unrealized gain on investments	911,402	0	911,402
Other income	107,556	0	107,556
Net assets released from restrictions	<u>34,520</u>	<u>(34,520)</u>	<u>0</u>
 Total revenues and other support	 2,047,768	 (7,520)	 2,040,248
OPERATING EXPENSES:-			
Program Services	984,059	0	984,059
Management and General	35,513	0	35,513
Fundraising	<u>18,130</u>	<u>0</u>	<u>18,130</u>
 Total operating expenses	 <u>1,037,702</u>	 <u>0</u>	 <u>1,037,702</u>
 Change in net assets	 1,010,066	 (7,520)	 1,002,546
 Net assets beginning of year	 <u>9,424,249</u>	 <u>48,158</u>	 <u>9,472,407</u>
 Net assets at end of year	 <u><u>\$ 10,434,315</u></u>	 <u><u>\$ 40,638</u></u>	 <u><u>\$ 10,474,953</u></u>

See Accompanying Notes To the Financial Statements.

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018				2017			
	Program	Management & General	Fundraising	Total	Program	Management & General	Fundraising	Total
Grants	\$ 721,714	\$ 0	\$ 0	\$ 721,714	\$ 787,711	\$ 0	\$ 0	\$ 787,711
Change in value of split interest	8,583	0	0	8,583	(51,437)	0	0	(51,437)
Salaries and wages, benefits, and taxes	115,903	20,454	0	136,357	103,490	18,263	0	121,753
Fees for service	0	12,216	0	12,216	0	11,892	0	11,892
Advertising	250	0	0	250	278	0	0	278
Office expenses	16,425	2,898	0	19,323	14,504	2,559	0	17,063
Occupancy	11,133	1,965	0	13,098	11,036	1,948	0	12,984
Travel, meetings, and meals	2,099	0	0	2,099	1,902	0	0	1,902
Interest	4,438	0	0	4,438	4,227	0	0	4,227
Insurance	2,146	379	0	2,525	1,756	310	0	2,066
Administrative fee	87,855	0	0	87,855	106,857	0	0	106,857
Fundraising	0	0	12,449	12,449	0	0	18,130	18,130
Dues and subscriptions	1,380	0	0	1,380	671	0	0	671
Miscellaneous	3,798	670	0	4,468	3,064	541	0	3,605
Total	\$ 975,724	\$ 38,582	\$ 12,449	\$ 1,026,755	\$ 984,059	\$ 35,513	\$ 18,130	\$ 1,037,702

See Accompanying Notes To the Financial Statements.

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:-		
Change in net assets	\$ 666,344	\$ 1,002,546
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:-		
Net realized and unrealized loss (gain) on investments	698,287	(962,839)
Decrease in pledge and contribution receivables	4,548	7,684
(Increase) in note receivable	(4,438)	(4,227)
Decrease (increase) in other assets	2,070	(3,094)
(Decrease) increase in accounts payable	(2,341)	1,496
(Decrease) in charitable remainder unitrust liability	(5,709)	(127,270)
(Decrease) in charitable gift annuity liability	(7,914)	(77,470)
Net cash provided (used) by operating activities	1,350,847	(163,174)
CASH FLOWS FROM INVESTING ACTIVITIES:-		
Sale of investments	112,608	332,633
Purchases of investments	(1,071,955)	(572,672)
Proceeds of certificates of deposit	67,585	1,038,837
Purchases of certificates of deposit	(352,000)	(814,818)
Net cash (used) by investing activities	(1,243,762)	(16,020)
Net increase (decrease) in cash and cash equivalents	107,085	(179,194)
Cash and cash equivalents - beginning of year	687,413	866,607
Cash and cash equivalents - end of year	\$ 794,498	\$ 687,413
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:-		
Cash paid for:		
Interest	\$ 4,438	\$ 4,227
Income taxes	\$ 0	\$ 0

See Accompanying Notes To the Financial Statements.

COMMUNITY FOUNDATION OF UNION COUNTY, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The Foundation is also required to present a statement of cash flows.

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 with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose 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.

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.

COMMUNITY FOUNDATION OF UNION COUNTY, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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, 2018 and 2017, 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, 2018 and 2017.

Liquidity Management

The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations due. The Foundation invests cash in excess of daily requirements in various short and long-term investments. To help manage unanticipated liquidity needs the Foundation has Board Designated net assets without donor restrictions that, while the Foundation does not intend to spend these for purposes other than those identified, the amounts could be made available for current operations, if necessary.

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 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, 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.

COMMUNITY FOUNDATION OF UNION COUNTY, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Accounting Pronouncements Adopted

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 went into effect for financial statements issued for fiscal years beginning after December 15, 2017. The Foundation has implemented ASU 2016-14 as of and for the year ended December 31, 2017.

A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 as of December 31, 2017 follows:

<u>Net Assets Classifications</u>	<u>ASU 2016-14 Classifications</u>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total Net Assets</u>
As previously presented:			
Unrestricted	\$ 2,629,402	\$ 0	\$ 2,629,402
Temporarily restricted	6,071,707	40,638	6,112,345
Permanently restricted	<u>1,733,206</u>	<u>0</u>	<u>1,733,206</u>
Net assets, as reclassified	<u>\$ 10,434,315</u>	<u>\$ 40,638</u>	<u>\$ 10,474,953</u>

Reclassification

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.

COMMUNITY FOUNDATION OF UNION COUNTY, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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, 2018 and 2017.

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, 2018 and December 31, 2017:

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>
Total investments	<u>\$ 8,119,063</u>	<u>\$ 328,960</u>	<u>\$ 0</u>	<u>\$ 8,448,023</u>

COMMUNITY FOUNDATION OF UNION COUNTY, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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	154,995	310,433	0	465,428
Total investments	<u>\$ 7,876,530</u>	<u>\$ 310,433</u>	<u>\$ 0</u>	<u>\$ 8,186,963</u>

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 2018 and 2017, 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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
	<u>Fair</u>	<u>Fair</u>
	<u>Market Value</u>	<u>Market Value</u>
Investments	\$ 8,405,234	\$ 8,140,693
Investments;-		
Charitable Remainder Trusts	42,789	46,270
	<u>\$ 8,448,023</u>	<u>\$ 8,186,963</u>

COMMUNITY FOUNDATION OF UNION COUNTY, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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, 2018 and 2017 totaled \$42,789 and \$46,270, 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 2018 and 2017. The present value of the estimated future payments at December 31, 2018 and 2017 was \$20,088 and \$25,797, respectively and was calculated using a discount rate of 5% to 6% and applicable mortality tables. During 2018 and 2017, 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 2018 and 2017 were \$1,216 and \$60,412, respectively. Admin fees of \$610 were charged to the CRUT and paid from the CRUT.

NOTE 6 - CERTIFICATES OF DEPOSIT

Certificates of deposit as of December 31, 2018 and 2017 consisted of the following:

<u>Financial Institution</u>	<u>Interest Rate(s)</u>	<u>2018</u>	<u>2017</u>
Citizens Federal	2.47%	\$ 260,689	\$ 254,076
Richwood Banking Company	1.0% - 1.75%	241,166	339,765
Synchrony Bank	1.64% - 2.27%	188,465	184,868
Merchants National Bank	2.23%	109,735	107,318
FirstFinancial Bank	2.00%	206,776	202,686
State Farm Bank	2.27%	103,845	101,530
First Federal Bank	2.00%	226,032	221,420
Fifth Third Bank	1.98%	131,400	129,000
Huntington National Bank	2.18%	154,423	0
CF Bank, National Association	2.03%	202,547	0
Total Certificates of Deposit		<u>\$ 1,825,078</u>	<u>\$ 1,540,663</u>

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 2018 and 2017 was \$10,800.

COMMUNITY FOUNDATION OF UNION COUNTY, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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, 2018 and 2017, payments on pledges and contribution receivables are expected to be received as follows:

	<u>2018</u>	<u>2017</u>
Less than 1 year	\$ 14,040	\$ 19,888
2 year to 5 years	<u>22,050</u>	<u>20,750</u>
Total pledge receivables	\$ <u>36,090</u>	\$ <u>40,638</u>

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, 2018 and 2017, the note receivable balance was \$93,205 and \$88,767, respectively.

NOTE 10 - NET ASSETS WITHOUT DONOR RESTRICTION

Included in net assets without donor restrictions for the years ended December 31, 2018 and 2017 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.

<u>December 31,</u>	<u>2018</u>	<u>2017</u>
Undesignated	\$ 709,276	\$ 714,776
Board designated for Quasi-Endowment	1,774,284	1,326,884
Board designated for Donor Advised Funds	<u>8,621,647</u>	<u>8,392,655</u>
Total net assets without donor restrictions	\$ <u>11,105,207</u>	\$ <u>10,434,315</u>

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.

	<u>2018</u>	<u>2017</u>
Board designated for Quasi-Endowment net assets, beginning	\$ 1,326,884	\$ 1,011,210
Contributions and administrative fee income	600,981	217,495
Investment (loss) income	(99,066)	138,640
Amounts appropriated for expenditure	<u>(54,515)</u>	<u>(40,461)</u>
Total board designated for Quasi-Endowment net assets, ending	\$ <u>1,774,284</u>	\$ <u>1,326,884</u>

COMMUNITY FOUNDATION OF UNION COUNTY, INC.

NOTES TO THE FINANCIAL STATEMENTS

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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 80 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, 2018 and 2017 as follows:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose or period:		
Pledges receivable	\$ <u>36,090</u>	\$ <u>40,638</u>
Total subject to expenditures for specified purpose or period:	<u>36,090</u>	<u>40,638</u>
 Total net assets with donor restriction	 \$ <u><u>36,090</u></u>	 \$ <u><u>40,638</u></u>

During 2018 and 2017, \$21,678 and \$34,520, 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 11, 2019, the date which the financial statements were available to be issued.