

**THE MUSKINGUM COUNTY COMMUNITY
FOUNDATION AND AFFILIATE**

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 and 2007

JOHN GERLACH & COMPANY LLP

CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees
The Muskingum County Community Foundation and Affiliate

Independent Auditor's Report

We have audited the accompanying consolidated statement of financial position of The Muskingum County Community Foundation and Affiliate (the Foundation) as of December 31, 2008, and the related consolidated statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Foundation for the year ended December 31, 2007 which, before they were restated for the matter discussed in Note 22 to the financial statements, were audited by other auditors whose report, dated April 7, 2008 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Muskingum County Community Foundation and Affiliate as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements for the year ended December 31, 2008 taken as a whole. The consolidated schedule of operating expenses and graphs on pages 18 through 22 are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. The supplementary information for the year ended December 31, 2008 has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole. The supplementary information for the year ended December 31, 2007, was audited by other auditors whose report dated April 7, 2008, expressed an unqualified opinion on such information in relation to the basic consolidated financial statements taken as a whole.



Columbus, Ohio
June 19, 2009

(1)

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THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2008 and 2007

ASSETS

	<u>2008</u>	<u>2007</u>
Current Assets:		
Cash and cash equivalents	\$ 1,806,867	\$ 1,158,247
Certificates of deposit	183,967	158,430
Investments	11,331,359	15,976,669
Pledges receivable, net of allowance for uncollectible accounts of \$7,800 for both years	290,104	342,291
Other receivables	39,157	46,493
Inventory	12,090	16,273
Prepaid expenses, current portion	5,184	15,692
 Total Current Assets	 <u>13,668,728</u>	 <u>17,714,095</u>
 Property and equipment, net	 <u>1,099,175</u>	 <u>643,644</u>
 Other Assets:		
Collections acquired since January 1, 1997	19,052	19,052
Cash surrender value - life insurance policies	433,967	449,337
Contributions receivable - charitable remainder trusts	50,947	126,163
Long-term pledges receivable	290,199	78,148
Long-term prepaid expenses	-	175,750
 Total Other Assets	 <u>794,165</u>	 <u>848,450</u>
 Total Assets	 <u>\$ 15,562,068</u>	 <u>\$ 19,206,189</u>

See Notes to Financial Statements

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2008 and 2007

LIABILITIES AND NET ASSETS

	<u>2008</u>	<u>2007</u>
Liabilities:		
Current Liabilities:		
Accounts payable	\$ 3,883	\$ -
Grants payable	1,000	150
Payroll taxes and withholdings	85	153
Current portion of annuity liability	14,100	14,100
Current portion of capital lease	3,573	3,573
Deferred revenue - GEAR UP grant	195,187	167,348
Funds held as agency endowments	592,017	820,404
Total Current Liabilities	<u>809,845</u>	<u>1,005,728</u>
Long-term Liabilities:		
Capital lease, net of current portion	2,678	6,252
Annuity liability, net of current portion	75,622	76,683
Refundable advance	479,229	-
Total Long-term Liabilities	<u>557,529</u>	<u>82,935</u>
Total Liabilities	<u>1,367,374</u>	<u>1,088,663</u>
Net Assets:		
Unrestricted	13,678,258	17,673,973
Temporarily restricted	516,436	443,553
Total Net Assets	<u>14,194,694</u>	<u>18,117,526</u>
Total Liabilities and Net Assets	<u>\$ 15,562,068</u>	<u>\$ 19,206,189</u>

See Notes to Financial Statements

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2008</u>
Support and Revenue:				
Support:				
Gifts and bequests	\$ 1,506,582	\$ 338,338	\$ -	\$ 1,844,920
Grants received	253,359	-	-	253,359
In-kind donations	135,673	-	-	135,673
	<u>1,895,614</u>	<u>338,338</u>	<u>-</u>	<u>2,233,952</u>
Revenue:				
Interest and dividends	427,335	-	-	427,335
Net realized and unrealized gains on investments	-	-	-	-
Administrative fees	144,863	-	-	144,863
Auction revenue	9,379	-	-	9,379
Event revenue	90,419	-	-	90,419
Miscellaneous income	22,165	-	-	22,165
Annuity income	-	-	-	-
Increase in cash surrender value - life insurance	-	-	-	-
	<u>694,161</u>	<u>-</u>	<u>-</u>	<u>694,161</u>
Net assets released from restrictions	265,455	(265,455)	-	-
Total Support and Revenue	<u>2,855,230</u>	<u>72,883</u>	<u>-</u>	<u>2,928,113</u>
Expenses:				
Grants awarded	1,642,097	-	-	1,642,097
Other expenses	210,539	-	-	210,539
Investment and trust expense	244,364	-	-	244,364
Operating expense	360,554	-	-	360,554
Fundraising expense	29,722	-	-	29,722
Net realized and unrealized losses on investments	4,322,067	-	-	4,322,067
Change in value of trust agreements	26,231	-	-	26,231
Decrease in cash surrender value - life insurance	15,371	-	-	15,371
Total Expenses	<u>6,850,945</u>	<u>-</u>	<u>-</u>	<u>6,850,945</u>
Change in Net Assets	(3,995,715)	72,883	-	(3,922,832)
Net Assets at Beginning of Year	17,673,973	443,553	-	18,117,526
Transfer	-	-	-	-
Net Assets at End of Year	<u>\$ 13,678,258</u>	<u>\$ 516,436</u>	<u>\$ -</u>	<u>\$ 14,194,694</u>

See Notes to Financial Statements

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2007</u>
Support and Revenue:				
Support:				
Gifts and bequests	\$ 239,226	\$ 150,842	\$ 201,433	\$ 591,501
Grants received	-	169,215	-	169,215
In-kind donations	64,147	7,383	-	71,530
	<u>303,373</u>	<u>327,440</u>	<u>201,433</u>	<u>832,246</u>
Revenue:				
Interest and dividends	151,230	366,269	1,629	519,128
Net realized and unrealized gains on investments	-	13,697	670,301	683,998
Administrative fees	159,827	-	-	159,827
Auction revenue	8,310	-	-	8,310
Event revenue	25,831	19,247	-	45,078
Miscellaneous income	5,886	3,406	-	9,292
Annuity income	400	-	-	400
Increase in cash surrender value - life insurance	-	29,870	-	29,870
	<u>351,484</u>	<u>432,489</u>	<u>671,930</u>	<u>1,455,903</u>
Net assets released from restrictions	811,198	(810,286)	(912)	-
Total Support and Revenue	<u>1,466,055</u>	<u>(50,357)</u>	<u>872,451</u>	<u>2,288,149</u>
Expenses:				
Grants awarded	800,975	-	-	800,975
Other expenses	29,016	-	-	29,016
Investment and trust expense	261,832	-	-	261,832
Operating expense	344,701	-	-	344,701
Fundraising expense	39,226	-	-	39,226
Net realized and unrealized losses on investments	10,680	-	-	10,680
Change in value of trust agreements	-	5,752	-	5,752
Decrease in cash surrender value - life insurance	2,066	-	-	2,066
Total Expenses	<u>1,488,496</u>	<u>5,752</u>	<u>-</u>	<u>1,494,248</u>
Change in Net Assets	(22,441)	(56,109)	872,451	793,901
Net Assets at Beginning of Year	1,021,499	1,279,612	15,022,514	17,323,625
Transfer	46,810	185,940	(232,750)	-
Net Assets at End of Year before Prior Period Adjustments	<u>1,045,868</u>	<u>1,409,443</u>	<u>15,662,215</u>	<u>18,117,526</u>
Prior Period Adjustment	16,628,105	(965,890)	(15,662,215)	-
Net Assets at End of Year	<u>\$ 17,673,973</u>	<u>\$ 443,553</u>	<u>\$ -</u>	<u>\$ 18,117,526</u>

See Notes to Financial Statements

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (3,922,832)	\$ 793,901
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	22,591	22,859
Amortization of discount on unconditional promises to give	(14,261)	(8,816)
Donated securities	(129,282)	(71,746)
Donated inventory	(27,197)	(27,196)
Donated collections	-	(1,000)
Donated insurance	-	(38,879)
Net realized and unrealized (gain)/loss on investments	4,322,067	(673,318)
Contributions restricted for permanent investment and capital improvements	-	(201,110)
(Increase) decrease in:		
Pledges receivable	(145,604)	198,591
Contributions receivable - charitable remainder unitrust	75,216	(63,257)
Other receivables	7,336	(6,053)
Inventory	31,380	28,241
Prepaid expenses	186,258	10,306
Increase (decrease) in:		
Accounts payable	4,733	(8,473)
Annuity liability	(1,061)	(7,115)
Payroll taxes payable	(68)	(569)
Deferred revenue - GEAR UP grant	27,839	94,085
Agency funds	(228,387)	17,461
Net Cash Provided by Operating Activities	<u>208,728</u>	<u>57,912</u>
Cash Flows from Investing Activities:		
Change in CSV of life insurance	15,371	(27,804)
Purchase of certificates of deposit	(25,537)	(7,829)
Purchase of land and equipment	(478,122)	(69,185)
Purchase of investment securities	(5,085,327)	(6,262,367)
Proceeds from redemption of investments	5,537,852	5,816,526
Net Cash Used by Investing Activities	<u>(35,763)</u>	<u>(550,659)</u>
Cash Flows from Financing Activities:		
Proceeds from refundable advance	500,000	-
Repayment of refundable advance	(20,771)	-
Payments on capital lease	(3,574)	(3,573)
Contributions restricted for permanent investment and capital improvements	-	201,110
Net Cash Provided by Financing Activities	<u>475,655</u>	<u>197,537</u>
Net Increase (Decrease) in Cash and Equivalents	<u>648,620</u>	<u>(295,210)</u>
Cash and Equivalents, Beginning of Year	1,158,247	1,453,457
Cash and Equivalents, End of Year	<u>\$ 1,806,867</u>	<u>\$ 1,158,247</u>

See Notes to Financial Statements

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATE

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2008

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Description of Program and Supporting Services

The Muskingum County Community Foundation (the "Foundation"), formerly The Zanesville Foundation was formed in August 1985 for the purpose of encouraging gifts from individuals, estates, corporations, and other entities and to provide the means for those gifts to be accumulated and distributed for the benefit of the community of Muskingum County. The Foundation administers the funds of MCCF Limited (a limited liability company) and MCCF II LLC (a limited liability company). The Foundation is the sole member of both entities. MCCF Limited was formed in April 2002 and MCCF II LLC was formed in November 2004 to support the Foundation and its charitable purposes.

Principles of Consolidation and Method of Accounting

The consolidated financial statements are prepared on the accrual basis to include the Foundation, MCCF II LLC and MCCF Limited. All intercompany accounts and transactions have been eliminated.

Net assets are classified as follows:

Unrestricted

May be used by The Muskingum County Community Foundation for any purpose consistent with the mission and objectives of the Foundation.

Temporarily Restricted

Those resources subject to donor imposed restrictions which will be satisfied either by action of the Foundation and/or passage of time.

Permanently Restricted

Those resources subject to a donor imposed restriction that they be maintained permanently by the Foundation. The donors of these resources permitted the Foundation to use all or part of the income earned, including capital appreciation, on related investments for unrestricted or temporarily restricted purposes.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets

Unconditional promises to give (pledges) are recorded as received and are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support that increases that net asset class. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded as their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk free interest rates applicable to the years in which the promises are received to discount the amounts. Amortization of the discount is included in contribution revenues.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATE

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2008

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Donated Materials

Donated property, marketable securities, and other non-cash donations are recorded as contributions at their fair market value at the date of transfer.

In-Kind Services

Office space, printing costs and some architectural media and legal services are furnished without charge and are accounted for as revenue and expense at fair market values as determined by comparable properties and services.

Cash and Cash Equivalents

For the purpose of these financial statements, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

Investments

Marketable debt and equity securities are stated at fair market values as determined at year-end. Alternative investments consist of an investment in the PA Stable Value Fund, Ltd., a limited liability company. The fund is structured as a multi-manager hedge fund-of-funds investment vehicle. Its principal investment objective is to achieve consistent, positive returns while reducing risk and volatility. The fund's capital is managed by experienced portfolio managers employing a variety of trading styles or strategies, including, but not limited to, convertible and fixed income arbitrage, merger or risk arbitrage and other event-driven investing, distressed and other high yield debt, long/short equity, multi-strategy and other market-neutral strategies. In implementing these strategies, the portfolio managers may acquire positions in a wide variety of securities and other financial instruments, including, but not limited to, common stocks, debt securities, convertible securities, commodities, futures and options. Because alternative investments are not readily marketable, their estimated fair value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such difference could be material.

Inventory

Inventory consists of certain donated works of art or other assets, which are displayed for auction to the public. The Foundation auctions these items to interested parties for a specified minimum contribution or during an annual fundraising event. Gift income is recognized at the time of donation in the amount of the fair market value of the donated asset. Additional gift income is recognized for amounts contributed in excess of the fair market value at the time of the auction.

Collections

The Foundation capitalizes its collections, which include a stained glass work of art, 14 framed paintings by local artists, various pottery artifacts and various other items. These pieces are held for exhibition to the public and are protected and preserved by the Foundation. It is the intent of the Foundation to hold these items indefinitely.

Net Assets

Accounting standards provide that if the governing body of an organization has the ability to remove a donor restriction, the contributions should be classified as unrestricted net assets. Accordingly, the financial statements classify all net assets that the Foundation has obtained variance power from the donor as unrestricted.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATE

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2008

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property and Equipment

Purchased equipment is recorded at cost. Assets acquired through capitalized leasing arrangements are recorded at the lower of fair market value or present value of minimum required lease payments. Donated equipment is recorded as support at its estimated fair value at the time of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. As of December 31, 2008 and 2007, the Foundation did not have donated property, which was restricted for a specific purpose. Expenditures for replacements are capitalized and the replaced items are retired. Maintenance and repairs are charged to operations. Gains and losses from the sale of fixed assets are included in income. Depreciation is computed using principally the straight-line method over the useful lives of the assets:

Building and renovations	39 years
Leasehold improvements	15 years
Equipment	7 years
Furniture and fixtures	5 years
Computer software	5 years

Depreciation expense at December 31, 2008 and 2007 was \$22,591 and \$22,859, respectively.

Property and equipment includes a house donated to the Foundation in 1998. Subsequent renovations have been made to the house by the Foundation, as it is intended to serve as an historic/educational museum for the PURE Center.

Provision for Federal Income Tax

The Foundation was incorporated as a non-profit entity and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

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.

Spending Policy

Subject to giving instruments and statutory requirements, the spending policy is determined by total return. The amount to be spent in the coming year is calculated in October, using September 30th figures, and is reviewed and approved by the Board of Trustees annually. The calculation is based on a 12-quarter moving average of the market value of the total fund multiplied by an amount not to exceed 5%. Half of all fees (administration, investment management, and custodianship) will be included in the multiplier. The other half of all fees will come from the principal balance.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATE

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2008

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Investment Policy

The Foundation's investment policy was established to give general guidance to investment managers with a goal of earning a reasonable rate of return based on market conditions while minimizing risk. Benchmarks are as follows: equity 65%, fixed income 25%, cash 5% and alternative assets <10%. Acceptable ranges are also given for each category. This policy applies to all of the Foundation's investments as a whole, with the exception of those assets in the Donor Advised / Pass Thru pool, which has a benchmark of 30% equity and 70% fixed income.

2. **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents at December 31 consisted of the following:

	<u>2008</u>	<u>2007</u>
Cash on hand, checking and savings accounts	\$ 220,396	\$ 76,324
Cash management funds	1,586,471	1,081,923
	<u>\$ 1,806,867</u>	<u>\$ 1,158,247</u>

3. **PLEDGES RECEIVABLE**

Pledges receivable at December 31 are as follows:

	<u>2008</u>	<u>2007</u>
Receivable in less than one year	\$ 297,904	\$ 354,678
Receivable in one to five years at face value	301,660	78,750
Receivable in over five years at face value	-	10,125
Total Pledges Receivable at Face Value	<u>599,564</u>	<u>443,553</u>
Less: Discount to net present value	(11,461)	(15,314)
Total Pledges Receivable at Net Present Value	<u>588,103</u>	<u>428,239</u>
Less: Allowances for uncollectible Pledges Receivable	(7,800)	(7,800)
Net Pledges Receivable at December 31	<u>\$ 580,303</u>	<u>\$ 420,439</u>

Discount rates on long-term pledges receivable range from 0.11% to 6.44% depending upon the year of origination.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATE

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2008

4. INVESTMENTS

Investments at December 31 consist of the following:

	2008		
	Cost	Market	Unrealized Appreciation (Depreciation)
Equities	\$ 9,015,106	\$ 6,915,080	\$ (2,100,026)
Fixed income	3,938,828	3,697,028	(241,800)
Alternative investments	800,000	719,251	(80,749)
	<u>\$ 13,753,934</u>	<u>\$ 11,331,359</u>	<u>\$ (2,422,575)</u>

	2007		
	Cost	Market	Unrealized Appreciation (Depreciation)
Equities	\$ 9,650,359	\$ 11,143,086	\$ 1,492,727
Fixed income	4,013,338	4,000,845	(12,493)
Alternative investments	800,000	832,738	32,738
	<u>\$ 14,463,697</u>	<u>\$ 15,976,669</u>	<u>\$ 1,512,972</u>

The unrealized appreciation (depreciation) reported on the statement of activities is net of all fees.

5. CONTRIBUTIONS RECEIVABLE – CHARITABLE REMAINDER TRUSTS

For the year ended December 31, 2008, the Foundation had contributions receivable from a unitrust of \$275,883 (discounted to \$50,947 using fair market value of assets donated and a market discount rate). For the year ended December 31, 2007, the Foundation had contributions receivable from a charitable remainder trust and a unitrust of \$422,110 (discounted to \$126,163). The unitrust is irrevocable and transfers assets upon the death of the life beneficiary. The agreement specified that a certain percentage of the net fair market value of the trust assets be paid in quarterly installments to the donor(s) from income and, to the extent income is insufficient, from principal. Any income in excess of the unitrust amount shall be added to the principal.

6. ANNUITY LIABILITY

The Foundation is the beneficiary of a charitable remainder trust, which specified that an annual annuity payment of \$14,100 is to be made to the donors during their lifetime. Upon the death of the donors, the balance remaining in the trust will pass to the Foundation. This charitable remainder trust has been recorded at the present value of the expected future payments to be made to the donors. The present value as of December 31 is as follows:

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATE

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2008

6. ANNUITY LIABILITY (Continued)

	<u>2008</u>	<u>2007</u>
Total net present value	\$ 89,722	\$ 90,783
Current portion	14,100	14,100
Long-term portion	<u>\$ 75,622</u>	<u>\$ 76,683</u>

7. PREPAID EXPENSES

During 2004, the Foundation received via donation a building valued at \$297,000. The Foundation agreed to sell the building for \$75,000 and enter into a 20-year lease of the property. The lease was valued at \$222,000 and was determined to be a prepaid expense. The Foundation recognizes \$925 as rent expense monthly.

The Foundation has thus recorded a prepaid asset for the unamortized lease expense in the amount of \$186,850 as of December 31, 2007. In 2008, the Foundation determined that the lease would not occur and therefore the prepaid portion was written off and included in other expenses in the Consolidated Statement of Activities.

The Foundation also has other miscellaneous prepaid expenses recorded in the amount of \$5,184 and \$4,592 as of December 31, 2008 and 2007, respectively.

8. PROPERTY AND EQUIPMENT

These assets consist of:

	<u>2008</u>	<u>2007</u>
Buildings and renovations	\$ 293,293	\$ 293,293
Land	780,336	304,345
Leasehold improvements	110,734	110,734
Office equipment	100,084	97,954
Furniture and fixtures	40,885	40,885
	<u>1,325,332</u>	<u>847,211</u>
Accumulated depreciation	(226,157)	(203,567)
	<u>\$ 1,099,175</u>	<u>\$ 643,644</u>

9. ADMINISTRATION FEES

The Foundation assesses administration fees to the various funds at a rate of 0.25% of the market value of invested assets at each quarter end. Scholarship funds were assessed at a rate of 0.375% for the first 3 quarters of 2008 and 0.50% for the fourth quarter of 2008.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATE

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2008

10. CASH SURRENDER VALUE – LIFE INSURANCE

The Foundation is the owner and beneficiary of various insurance policies given as contributions. The Foundation, in most cases, pays the premium and the donor reimburses the Foundation. Cash surrender values are determined at the end of the statement year and revenue is adjusted accordingly. For the year ended December 2008, cash surrender values decreased by \$15,371 and for the year ended December 2007, cash surrender values increased by \$27,804, respectively. The aggregate face values of the policies assigned to the Foundation are \$3,164,643 and \$3,223,811 at December 31, 2008 and 2007, respectively.

11. CONCENTRATION OF ECONOMIC RISK

The Foundation invests its funds with local financial institutions. Other than funds needed for current operations, all funds are deposited with financial institution trust departments under various trust agreements and cash management arrangements. Monies are invested by the trust departments, subject to agreements and general guidelines, in cash management accounts, mutual funds, U.S. Treasury securities, agency issues of the United States government, corporate bonds, and corporate capital stock (foreign and domestic). Depository accounts are insured by the Federal Deposit Insurance Corporation up to a maximum of \$250,000 in aggregate.

12. SEGREGATED INVESTMENTS

Certain funds are required by donor and trust agreements to be invested and maintained separately in specific financial instruments or bank trust accounts. At December 31, 2008 and 2007, segregated funds include the Josephine Sebach Educational Fund assets with market values of \$1,158,224 and \$1,518,578, respectively, the Longaberger Quality of Life Endowment Fund assets with Market values of \$784,544 and \$974,412, respectively, funds established from the estate assets of Mary Vashti Funk with market values of \$1,422,262 and \$1,926,873, respectively, funds established from the estate assets of Emmett J. France with market values of \$756,525 and \$1,048,706, respectively, the Sarah E. Slack Prevention of Blindness Foundation with market values of \$938,454 and \$1,248,948, respectively, and the Cerney Charitable Remainder Trust Annuity with market values of \$162,939 and \$242,482, respectively. These funds included cash and cash equivalents of \$474,190 and \$309,769 at December 31, 2008 and 2007, respectively.

13. NON-CASH INVESTING AND FINANCING ACTIVITIES

The Foundation had the following non-cash investing and financing transactions for the years ended December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Donated securities	\$ 129,282	\$ 71,746
Donated collections	-	1,000
Donated inventory	27,197	27,196
Donated life insurance policies	-	38,879
	<u>\$ 156,479</u>	<u>\$ 138,821</u>

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATE

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2008

14. RETIREMENT PLAN

The Foundation had a 403(b) tax-deferred annuity contract available to all employees that ceased in June 2008 when the Foundation switched to a Simple IRA. Employees could contribute any amount up to certain maximum limits allowable as specified in the Internal Revenue Code. The Foundation matched employee contributions up to 4% of eligible compensation. Amounts withheld from employees' salaries and matching employer contributions were deposited into a tax-deferred annuity account purchased by the Foundation and maintained by Northwestern Mutual Life. The Foundation contributed \$3,433 and \$8,074 to the plan during the years ended December 31, 2008 and 2007, respectively.

The Foundation established a Simple IRA in July of 2008 in which employees may contribute any amount up to certain maximum limits allowable as specified in the Internal Revenue Code. The Foundation matches employee contributions up to 3%. The Foundation contributed \$3,660 to the plan during the year ended December 31, 2008.

15. CAPITAL LEASE

The Foundation entered into a capital lease for office equipment with a term of four years, which expires in September 2010 and with no interest. The asset is being depreciated over the term of the lease and depreciation of the asset under capital lease is included in depreciation expense. The following is a summary of the property held under capital lease, which is included in property and equipment in the financial statements:

	<u>2008</u>
Office equipment	\$ 14,291
Accumulated depreciation	(6,431)
	<u>\$ 7,860</u>

Future minimum lease payments under this capital lease, including the present value of minimum lease payments, subsequent to December 31, 2008 are as follows:

2009	\$ 3,573
2010	<u>2,678</u>
Total minimum lease payments	6,251
Amount representing interest	<u>-</u>
Present value of net minimum lease payments	6,251
Current portion	(3,573)
Long-term portion	<u>\$ 2,678</u>

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATE

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2008

16. OPERATING LEASES

The Foundation leases its offices from a non-profit organization. The terms of the lease is 20 years and can be automatically renewed for an additional 20-year term upon notification to the lessor at least one year prior to the expiration of the primary term. The Foundation is required to set aside \$500 per month to provide for maintenance and repairs of the building. If this fund reaches \$6,000 of unneeded and uncommitted funds, the monthly set aside may cease as long as the sum of \$6,000 is maintained in the accounts. The Foundation recognizes the fair value of the building rent in the amount of \$60,000 annually as an in-kind contribution and corresponding rental expense.

The Foundation leases a portion of their office space to two other organizations through an in-kind contribution. The contribution amounted to \$15,000 and \$14,167 for the years ended December 31, 2008 and 2007.

17. AGENCY FUNDS

The Foundation has adopted Statement of Financial Accounting Standard No. 136, Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others (“FAS 136”). This statement establishes standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both to another entity that is specified by the donor. FAS 136 specifically requires that if a Non-for-Profit Organization (“NPO”) establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as agency endowments.

The Foundation maintains variance power and legal ownership of agency endowment funds and as such continues to report the funds as assets of the Foundation. However, in accordance with FAS 136, a liability has been established for the fair value of the funds, which is equivalent to the funds current fair market value.

At December 31, 2008 and 2007, the Foundation was the owner of 20 agency endowment funds with a combined value of \$592,017 and \$820,404, respectively. The following table summarizes activity in such funds during the year then ended:

	<u>2008</u>	<u>2007</u>
Agency Endowment Fund balances at January 1	\$ 820,404	\$ 802,943
Amounts raised	10,731	14,268
Investment income, net of administrative and bank fees	5,930	10,533
Net unrealized and realized gains (losses) on investments	(223,126)	43,052
Grants	(21,922)	(50,392)
Agency Endowment Fund balances at December 31	<u>\$ 592,017</u>	<u>\$ 820,404</u>

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATE

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2008

18. GEAR UP GRANT

During the year ended December 31, 2005, the Foundation was awarded a Gear Up Grant. The grant program is designed to increase the number of low-income students who are prepared to enter and succeed in postsecondary education. The grant provides six-year grants to states and partnerships to provide services at high-poverty middle and high schools. During 2008 and 2007, the Foundation received \$246,000 and \$246,300, respectively from the grant. The total expected to be received through the grant is \$1.476 million. The grant document specified that monies remaining unspent at the end of the grant period must be repaid. As of December 31, 2008 and 2007, \$195,187 and \$167,348, respectively, of deferred revenue was recorded relating to the unspent balance.

19. ASSETS AND LIABILITIES – FAIR VALUE INFORMATION

Effective January 1, 2008, the Foundation adopted Financial Accounting Standards No. 157, Fair Value Measurements, which provides a framework for measuring fair value under accounting principles generally accepted in the United States of America. Statement No. 157 applies to all financial instruments that are being measured and reported on a fair value basis. The statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories.

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

Assets measured at fair value on a recurring basis at December 31, 2008 were as follows:

Description	Total	Level 1	Level 2	Level 3
Investments	\$ 11,331,359	\$ 10,612,108	\$ -	\$ 719,251
Total	\$ 11,331,359	\$ 10,612,108	\$ -	\$ 719,251

The changes in Level 3 assets measured at fair value on a recurring basis are summarized as follows:

	Investments
Beginning balance at January 1, 2008	\$ 832,738
Total gains or losses (realized and unrealized) included in change in net assets	(113,487)
Net purchases and sales	-
Ending balance at December 31, 2008	\$ 719,251
Change in unrealized gains or losses related to assets still held at December 31, 2008	\$ (113,488)

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATE

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2008

19. ASSETS AND LIABILITIES – FAIR VALUE INFORMATION (Continued)

Gains and losses (realized and unrealized) included in change in net assets for the year ended December 31, 2008 are reported in net realized and unrealized losses on investments.

20. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	<u>2008</u>	<u>2007</u>
For future periods	\$ 516,436	\$ 443,553
Total	<u>\$ 516,436</u>	<u>\$ 443,553</u>

21. REFUNDABLE ADVANCE

During the current year, the Foundation received a refundable advance on behalf of the Friends of Sulsberger Stadium, Inc. to aid in the renovation of Sulsberger Stadium. The funds have been included in the Friends of Sulsberger Stadium Fund held at the Foundation. The Foundation then uses pledges received by the Fund to repay the refundable advance. The balance of the refundable advance was \$479,229 at December 31, 2008.

22. PRIOR PERIOD ADJUSTMENT

During the current year, the Foundation determined it had been incorrectly recording certain gifts and bequests as temporarily or permanently restricted net assets. Because the Foundation has variance power over the funds held at the Foundation, all gifts and bequests with the exception of those temporarily restricted due to time, should be classified as unrestricted net assets. The Foundation has recorded a prior period adjustment to the 2007 financial statements. This adjustment had no effect on total net assets, however, \$965,890 and \$15,662,215, of temporarily and permanently restricted assets were reclassified to unrestricted net assets as a result of this prior period adjustment, respectively.

23. RECLASSIFICATION

Certain amounts in the 2007 financial statements have been reclassified to conform with the 2008 presentation.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATE

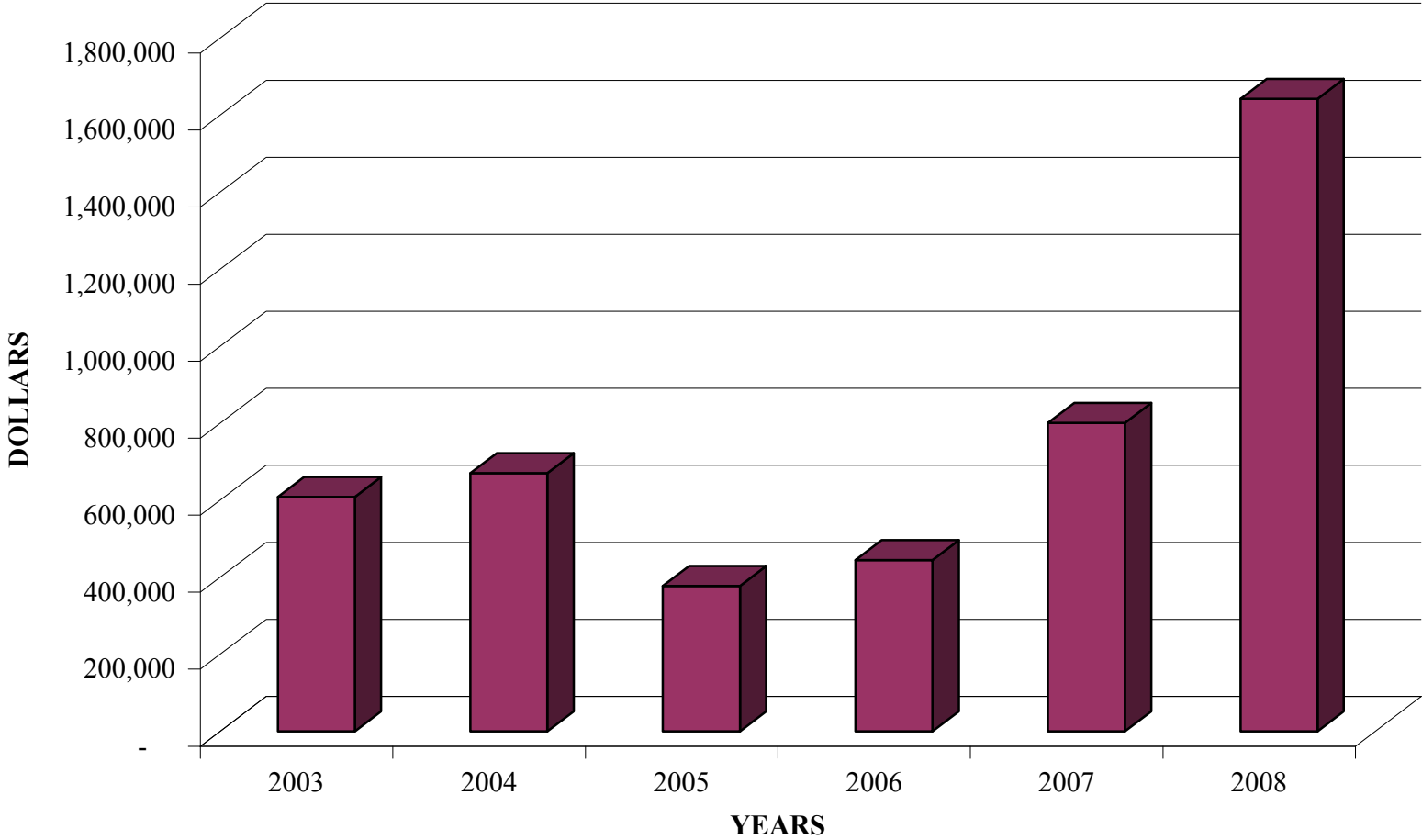
CONSOLIDATED SCHEDULES OF OPERATING EXPENSES

For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Salaries and wages	\$ 161,511	\$ 145,278
Contracted services	5,574	1,862
Payroll taxes	13,369	12,702
Workers' compensation	322	201
Health insurance	2,904	3,461
Disability insurance	1,234	1,183
Life insurance - employees	917	1,189
Retirement plan employer match	4,667	6,025
Employee expense reimbursement	4,546	3,404
Audit fees	16,950	15,950
State filing fees	225	200
Legal fees	3,411	815
Special project expense	8,632	5,962
Office supplies	1,942	4,507
Custodial expenses	5,973	5,948
Telephone	10,845	6,265
Utilities	4,877	4,878
Interest expense	11,206	-
Postage and shipping	2,094	2,820
Director/officer insurance	1,523	1,668
Business insurance	1,128	1,107
Commercial crime bond insurance	449	449
Dues and subscriptions	2,233	2,159
Public relations	7,083	21,718
Meetings and conferences	6,919	5,306
In-kind rent (office)	47,775	45,833
Rent expense	-	11,100
Equipment rental and maintenance	9,214	9,820
Publications and printing	407	-
Depreciation expense	22,591	22,859
Miscellaneous expense	33	32
Total Operating Expense	<u>\$ 360,554</u>	<u>\$ 344,701</u>

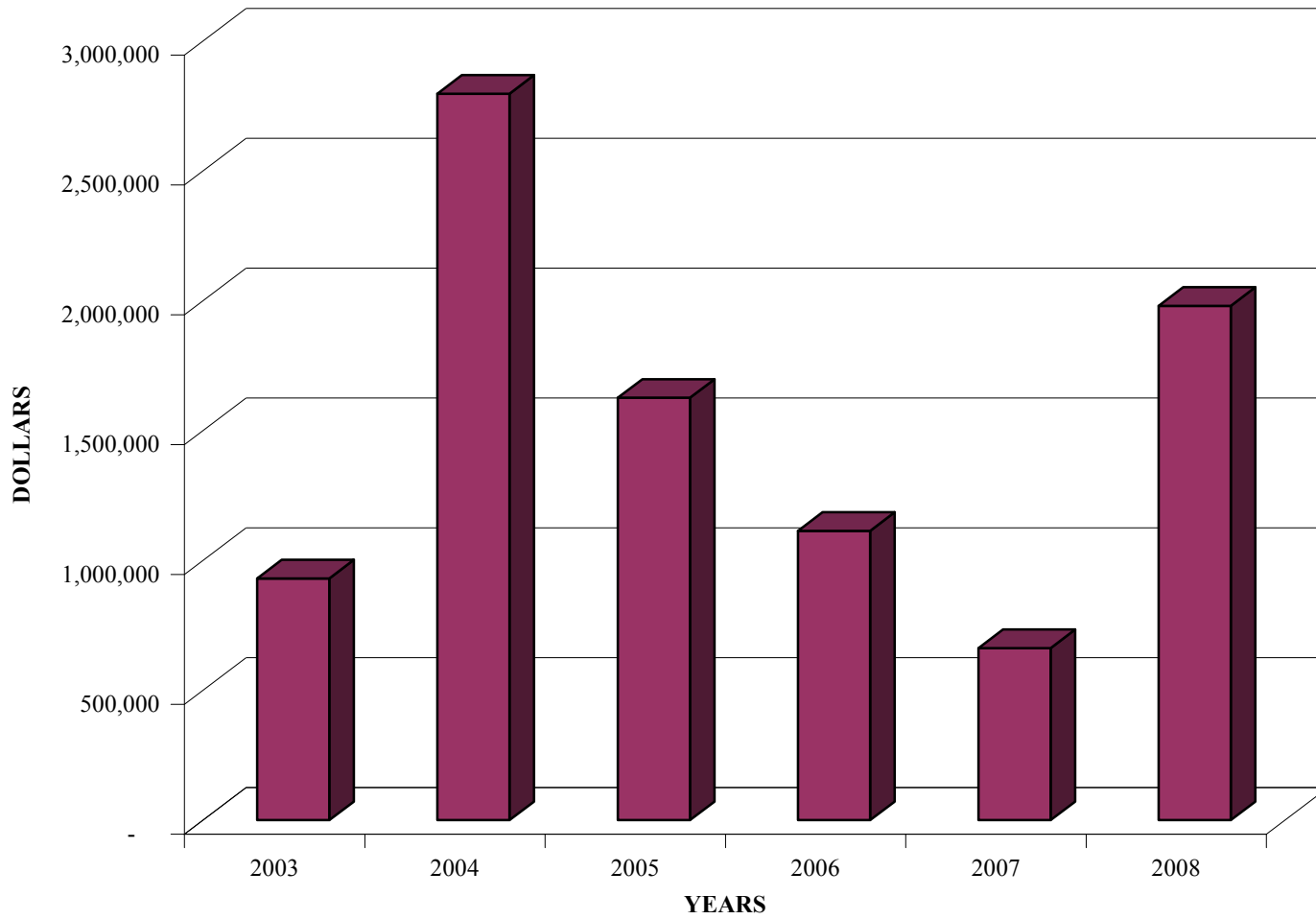
See Auditor's Report

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATE
GRANTS AWARDED
Years Ended December 31,



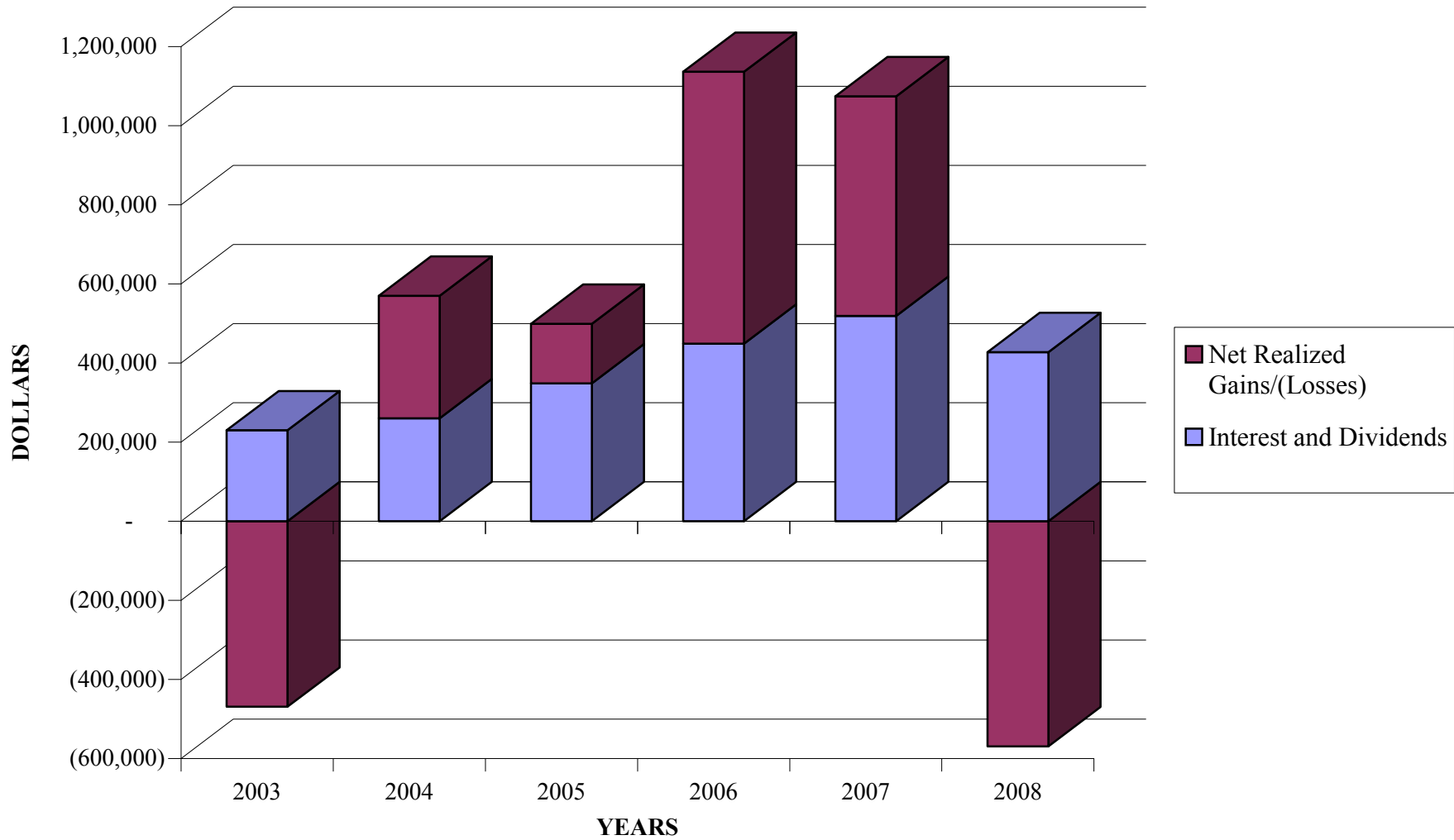
See Auditor's Report

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILATE
GIFTS, BEQUEST AND IN-KIND DONATIONS
Years Ended December 31,



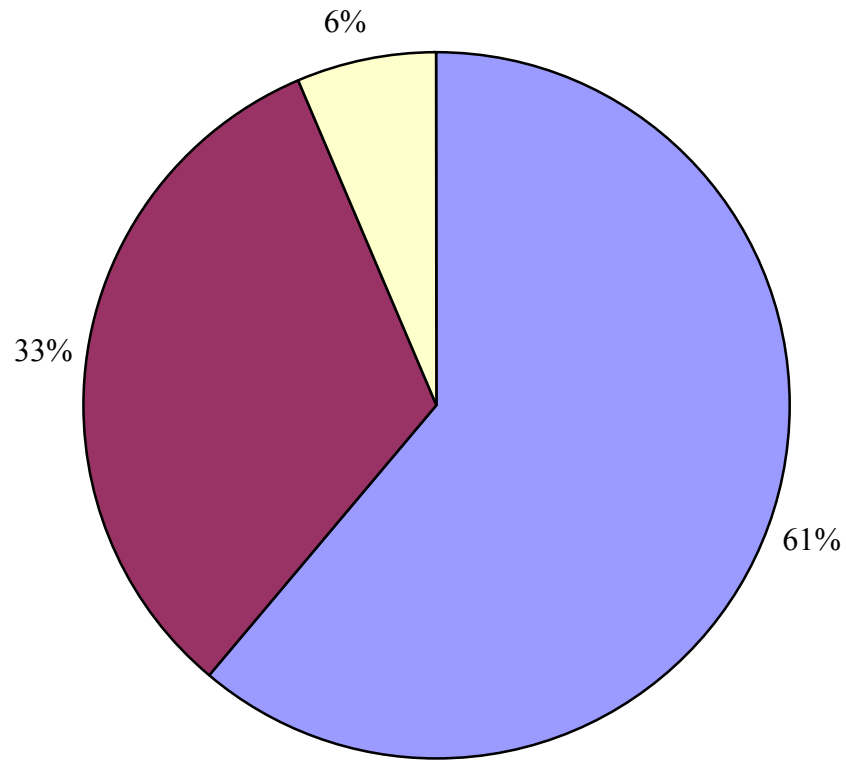
See Auditor's Report

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATE
 INVESTMENT INCOME (EXCLUDING UNREALIZED GAINS (LOSSES))
 Years Ended December 31,



See Auditor's Report

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATE
INVESTMENT (COMPOSITION - AT MARKET)
Year Ended December 31, 2008



See Auditor's Report