

The Muskingum County Community Foundation and Affiliates

Audited Consolidated Financial Statements

As of and for the Years Ended
December 31, 2017 and 2016



Rea & associates

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August 8, 2018

To the Board of Trustees
The Muskingum County Community Foundation and Affiliates
Zanesville, Ohio

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Muskingum County Community Foundation and Affiliates (collectively, the "Foundation") which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities, change in net assets and cash flows for the years then ended and the related notes to the consolidated financial statements (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.

Auditor's 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 Muskingum County Community Foundation and Affiliates as of December 31, 2017 and 2016, and the change 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The consolidated schedules of operating expenses on page 20 and graphs representing: grants awarded, gifts, bequests, in-kind donations, and grants received, investment income, and investment composition on pages 21 through 24 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Rea & Associates, Inc.

Zanesville, Ohio

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,137,161	\$ 1,648,899
Certificates of deposit	146,171	144,651
Pledges receivable, net of allowance for uncollectible accounts of \$22,000 in 2017 and 2016	184,604	180,631
Contributions receivable	11,783	25,000
Accounts receivable	48,345	124,081
Other receivables	14,657	14,657
Other current assets	7,546	9,673
Prepaid expenses	2,129	1,676
Total current assets	<u>1,552,396</u>	<u>2,149,268</u>
PROPERTY AND EQUIPMENT, NET	1,405,899	1,459,511
OTHER ASSETS:		
Investments	20,998,366	17,637,938
Collectibles and artwork	24,590	24,590
Cash surrender value - life insurance policies	413,443	393,096
Contributions receivable - charitable remainder trusts	90,537	77,158
Long-term note receivable	7,182,500	7,182,500
Long-term pledges receivable	98,040	57,800
Debt issuance costs	0	20,944
Total other assets	<u>28,807,476</u>	<u>25,394,026</u>
Total assets	<u>\$ 31,765,771</u>	<u>\$ 29,002,805</u>

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND NET ASSETS

	2017	2016
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 12,357	\$ 4,654
Grants payable	16,058	29,717
Accrued expenses	7,609	7,400
Current portion of annuity liability	14,100	14,100
Current portion of capital lease	2,180	2,180
Refundable advance	52,580	84,775
Current portion of long-term debt	0	150,000
Funds held as agency endowments	983,481	952,065
Total current liabilities	1,088,365	1,244,891
Long-term liabilities:		
Capital lease liability, net of current portion	2,564	4,722
Annuity liability, net of current portion	33,853	48,086
Long-term debt, net of current portion	2,531,613	2,542,550
Total long-term liabilities	2,568,030	2,595,358
Total liabilities	3,656,395	3,840,249
NET ASSETS:		
Unrestricted	27,826,732	24,924,125
Temporarily restricted	282,644	238,431
Total net assets	28,109,376	25,162,556
Total liabilities and net assets	\$ 31,765,771	\$ 29,002,805

The accompanying notes are an integral part of these financial statements.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
SUPPORT AND REVENUE:			
Support:			
Gifts and bequests	\$ 1,053,780	\$ 121,955	\$ 1,175,735
Grants received	244,189	0	244,189
In-kind donations	63,619	0	63,619
Total support	1,361,588	121,955	1,483,543
Revenue:			
Interest and dividends	612,484	0	612,484
Net realized and unrealized gains on investments	2,643,271	0	2,643,271
Administrative fees	228,693	0	228,693
Event revenue	78,236	0	78,236
Miscellaneous income	30,840	0	30,840
Gain on sale of property and equipment	50,089	0	50,089
Increase in cash surrender value - life insurance	20,347	0	20,347
Change in value of trust agreements	27,612	0	27,612
Total revenue	3,691,572	0	3,691,572
Net assets released from restrictions	77,742	(77,742)	0
Total support and revenue	5,130,902	44,213	5,175,115
EXPENSES:			
Grants awarded	998,652	0	998,652
Investment and trust expense	377,705	0	377,705
Operating expense	760,970	0	760,970
Fundraising expense	90,968	0	90,968
Total expenses	2,228,295	0	2,228,295
Change in net assets	2,902,607	44,213	2,946,820
NET ASSETS, beginning of year	24,924,125	238,431	25,162,556
NET ASSETS, end of year	\$ 27,826,732	\$ 282,644	\$ 28,109,376

The accompanying notes are an integral part of these financial statements.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
SUPPORT AND REVENUE:			
Support:			
Gifts and bequests	\$ 1,357,451	\$ 58,660	\$ 1,416,111
Grants received	219,736	0	219,736
In-kind donations	65,528	0	65,528
Total support	<u>1,642,715</u>	<u>58,660</u>	<u>1,701,375</u>
Revenue:			
Interest and dividends	595,315	0	595,315
Net realized and unrealized gains on investments	851,552	0	851,552
Administrative fees	210,090	0	210,090
Event revenue	63,553	0	63,553
Miscellaneous income	29,134	0	29,134
Gain on sale of property and equipment	0	0	0
Increase in cash surrender value - life insurance	21,326	0	21,326
Change in value of trust agreements	6,228	0	6,228
Total revenue	<u>1,777,198</u>	<u>0</u>	<u>1,777,198</u>
Net assets released from restrictions	113,115	(113,115)	0
Total support and revenue	<u>3,533,028</u>	<u>(54,455)</u>	<u>3,478,573</u>
EXPENSES:			
Grants awarded	944,539	0	944,539
Investment and trust expense	355,126	0	355,126
Operating expense	698,684	0	698,684
Fundraising expense	44,661	0	44,661
Total expenses	<u>2,043,010</u>	<u>0</u>	<u>2,043,010</u>
Change in net assets	1,490,018	(54,455)	1,435,563
NET ASSETS, beginning of year	23,434,107	292,886	23,726,993
NET ASSETS, end of year	<u>\$ 24,924,125</u>	<u>\$ 238,431</u>	<u>\$ 25,162,556</u>

The accompanying notes are an integral part of these financial statements.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,946,820	\$ 1,435,563
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	30,854	30,626
Gain on sale of property and equipment	(50,089)	0
Increase in cash surrender value of life insurance	(20,347)	(21,326)
Reinvested interest on certificates of deposit	(1,520)	(1,254)
Net realized and unrealized gain on investments	(2,643,271)	(851,552)
(Increase) decrease in operating assets:		
Pledges receivable	(44,213)	54,455
Contributions receivable	13,217	445,030
Accounts receivable	75,736	(47,856)
Other current assets	2,127	(3,862)
Prepaid expenses	(453)	19
Contributions receivable - charitable remainder trust	(13,379)	(2,938)
Increase (decrease) in operating liabilities:		
Accounts payable	7,703	(16,679)
Grants payable	(13,659)	(4,344)
Accrued expenses	209	1,028
Annuity liability	(14,233)	(3,291)
Funds held as agency endowments	31,416	(11,229)
Total adjustments	(2,639,902)	(433,173)
Net cash from operating activities	306,918	1,002,390
CASH FLOWS FROM INVESTING ACTIVITIES:		
Principal payments received on notes receivable	0	277,998
Proceeds from the redemption of certificates of deposit	0	12,532
Purchases of certificates of deposit	0	(41,313)
Payments for the purchase of property and equipment	(8,186)	(6,670)
Proceeds from sale of property and equipment	91,040	0
Payments for the purchase of collectibles	0	(450)
Payments for the purchase of investments	(4,192,749)	(4,859,424)
Proceeds from redemption of investments	3,475,592	4,126,992
Net cash from investing activities	(634,303)	(490,335)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on notes payable	(150,000)	(250,000)
Net payments on refundable advance	(32,195)	(50,350)
Principal payments on capital lease liability	(2,158)	(2,180)
Net cash from financing activities	(184,353)	(302,530)
Net (decrease) increase in cash and cash equivalents	(511,738)	209,525
CASH AND CASH EQUIVALENTS, beginning of year	1,648,899	1,439,374
CASH AND CASH EQUIVALENTS, end of year	\$ 1,137,161	\$ 1,648,899
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	\$ 120,665	\$ 131,971

The accompanying notes are an integral part of these financial statements.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Program and Supporting Services

The Muskingum County Community 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 Muskingum County Community Foundation administers the funds of MCCF, Limited (a limited liability company), MCCF II, LLC (a limited liability company), MCCF III, LLC (a limited liability company) and Wooden Building, LTD (a limited liability company). The Muskingum County Community Foundation is the sole member of these four entities. MCCF, Limited was formed in April 2002. MCCF II, LLC and MCCF III, LLC were formed in November 2004 and January 2010, respectively, and Wooden Building, LTD was formed in July 2013, to support The Muskingum County Community 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 Muskingum County Community Foundation, MCCF, Limited, MCCF II, LLC, MCCF III, LLC and Wooden Building, LTD (collectively, the "Foundation"). All intercompany accounts and transactions have been eliminated.

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

Unrestricted

Those resources that may be used by the Foundation for any purpose consistent with the mission and objectives of the Foundation. Donor restricted contributions whose restrictions are met in the same year as the contributions are recorded as unrestricted net assets.

Temporarily Restricted

Those resources subject to donor imposed restrictions which will be satisfied either by action of the Foundation and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporary restricted net assets related to time restrictions at year end were \$282,644 and \$238,431 as of December 31, 2017 and 2016, respectively.

Permanently Restricted

Those resources subject to donor imposed restrictions 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. The Foundation did not have any permanently restricted net assets as of December 31, 2017 and 2016.

Contributions

Contributions, gifts and bequests 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.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the related contribution revenue.

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, 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 investments with original maturities of three months or less.

Pledges Receivable

Pledges to give are recognized as revenue in the period received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Pledges to give are recorded at net realizable value if they are expected to be collected in one year and at fair value if they are expected to be collected in more than one year.

Certificates of Deposit

Certificates of deposit with original maturities of 90 days or less are considered "cash and cash equivalents." Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as "current." Certificates of deposit with remaining maturities greater than one year are classified as "long-term."

Investments

Marketable debt and equity securities are stated at fair market values as determined at year-end.

Inventory

Inventory, included in "Other current assets" on the Consolidated Statements of Financial Position, 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.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Collectibles and Artwork

The Foundation capitalizes its collectibles and artwork, which include a stained glass work of art, various 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.

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, 2017 and 2016, the Foundation did not have donated property restricted for a specific purpose. It is the Foundation's policy to capitalize expenditures for items in excess of \$400. 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 property and equipment are included in income. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

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

Depreciation expense for the years ended December 31, 2017 and 2016 was \$20,847 and \$20,619 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 local charitable needs.

Provision for Federal Income Tax

The Foundation is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and had no unrelated business income subject to income tax for the years ended December 31, 2017 and 2016.

Generally accepted accounting principles require management to evaluate the level of uncertainty related to whether tax positions taken will be sustained upon examination. Any positions taken that do not meet the more-likely-than-not threshold must be quantified and recorded as a liability for unrecognized tax benefits in the accompanying consolidated statement of financial position along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Management believes that none of the tax positions taken would materially impact the financial statements and no such liabilities have been recorded.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 spending policy applies to all endowment funds held by the Foundation.

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. Target allocations are as follows. Acceptable ranges are also given for each category.

US equities	24%
International equities – developed	15%
International equities – emerging	15%
Commodities	5%
Real estate	5%
High yield	6%
Investment grade fixed income	25%
Treasury inflation protected securities	5%

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.

Subsequent Events

Subsequent events have been evaluated through August 8, 2018, which is the date the financial statements were available to be issued. Management has determined that there were no transactions or events that required disclosure through the evaluation date.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09 entitled "Revenue from Contracts with Customers (Topic 606)," which may change the Foundation's method of revenue recognition. The amendments in this ASU are effective for the Foundation for fiscal years beginning after December 15, 2018 with early adoption permitted. The provisions in this standard will be applied retrospectively. Management has not yet determined whether this new standard will have a material effect on its financial statements.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

In February 2016, the FASB issued ASU No. 2016-02 entitled “Leases (Topic 842),” which may change the Foundation’s statement of financial position by requiring lessees to recognize most leases on the balance sheet as a lease liability and corresponding right-of-use asset. This may affect compliance with any contractual agreements and loan covenants. This new standard is effective for the Foundation for fiscal years beginning after December 15, 2019, with early adoption permitted. The provisions of this standard will be applied retrospectively. Management has not yet determined whether this new standard will have a material effect on its financial statements.

In August 2016, the FASB issued ASU No. 2016-14 entitled “Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)” which will, among other changes, change the presentation of the Foundation’s classifications of net assets from three classes to two (with donor restrictions and without donor restrictions) and require a schedule of expenses by both natural and functional classification. This new standard is effective for The Foundation’s annual reporting periods beginning after December 15, 2017. Early implementation is permitted. Management has not yet determined whether this new standard will have a material effect on its financial statements.

NOTE 2: CASH AND CASH EQUIVALENTS

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

	2017	2016
Cash on hand, checking and savings accounts	\$ 468,463	\$ 423,639
Cash management funds	668,698	1,225,260
Total cash and cash equivalents	<u>\$ 1,137,161</u>	<u>\$ 1,648,899</u>

NOTE 3: PLEDGES RECEIVABLE

Pledges receivable consisted of the following as of December 31:

	2017	2016
Receivable in less than one year	\$ 206,604	\$ 202,631
Receivable in one to five years at face value	98,040	57,800
Pledges receivable, at face value	304,644	260,431
Less: allowances for uncollectible pledges receivable	(22,000)	(22,000)
Pledges receivable, net	<u>\$ 282,644</u>	<u>\$ 238,431</u>
	2017	2016
Pledges receivable, current portion, net	\$ 184,604	\$ 180,631
Pledges receivable, long-term portion, net	98,040	57,800
Pledges receivable, net	<u>\$ 282,644</u>	<u>\$ 238,431</u>

NOTE 4: INVESTMENTS

Investments are recorded at fair value. The value assigned to investments received by the gift is the market value at the date of the donation. Marketable equity securities are valued at fair value determined by quoted prices as of December 31, 2017 and 2016.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: INVESTMENTS (Continued)

Investments consisted of the following as of December 31:

	2017	2016
Equity funds	\$ 8,023,862	\$ 6,550,567
Common stock domestic	6,866,081	5,856,652
Common stock international	178,083	231,518
Commodity funds	449,127	236,755
Bond funds	4,004,383	3,548,460
Corporate obligations domestic	1,160,809	922,626
Governmental obligations	191,066	164,248
Other equity interests	100,738	0
Interest in limited partnerships	24,217	127,112
Investments, at fair value	20,998,366	17,637,938
Excess fair value over cost	(4,213,510)	(2,465,304)
Investments, at cost	<u>\$ 16,784,856</u>	<u>\$ 15,172,634</u>

NOTE 5: CONTRIBUTIONS RECEIVABLE – CHARITABLE REMAINDER TRUSTS

For the years ended December 31, 2017 and 2016, the Foundation had contributions receivable from a unitrust of \$328,258 and \$296,327 respectively. These contributions receivable were discounted to \$90,537 for 2017 and \$77,158 for 2016 using fair market value of assets donated and a market discount rate. 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.

NOTE 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. The liability for 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, 2017 and 2016, is as follows:

	2017	2016
Total net present value	\$ 47,953	\$ 62,186
Less: current portion	(14,100)	(14,100)
Long-term portion	<u>\$ 33,853</u>	<u>\$ 48,086</u>

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7: PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31:

	2017	2016
Building and renovations	\$ 494,259	\$ 494,259
Land	1,020,443	1,061,394
Leasehold improvements	121,390	113,875
Equipment	71,110	70,439
Furniture and fixtures	49,268	49,268
Property and equipment, at cost	1,756,470	1,789,235
Less: accumulated depreciation	(350,571)	(329,724)
Property and equipment, net	<u>\$ 1,405,899</u>	<u>\$ 1,459,511</u>

NOTE 8: 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 fees at a rate of 0.50% per quarter. Project type funds were assessed fees at a rate of 2% of income coming into the fund.

NOTE 9: 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 years ended December 2017 and 2016, cash surrender values increased by \$20,347 and \$21,326, respectively. The aggregate face values of the policies assigned to the Foundation are \$2,098,929 as of December 31, 2017 and 2016.

NOTE 10: CONCENTRATION OF ECONOMIC RISK

The Foundation invests its funds with local financial institutions or investment advisors. 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). Deposits in interest-bearing and non-interest bearing accounts are collectively insured by the Federal Deposit Insurance Corporation (FDIC) up to a coverage limit of \$250,000 at each FDIC-insured depository institution. As a result, the Foundation may have balances that exceed the insured limit.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11: 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. As of December 31, 2017 and 2016, segregated funds include the Josephine Sebach Educational Fund assets with market values of \$2,042,000 and \$1,798,798, respectively, the Longaberger Quality of Life Endowment Fund assets with market values of \$1,299,134 and \$1,175,514, respectively, funds established from the estate assets of Mary Vashti Funk with market values of \$2,204,494 and \$1,919,162, respectively, funds established from the estate assets of Emmett J. France with market values of \$1,127,177 and \$980,919, respectively, the Sarah E. Slack Prevention of Blindness Fund with market values of \$1,433,002 and \$1,241,638, respectively, and the Cerney Charitable Remainder Trust Annuity with market values of \$152,752 and \$146,362, respectively. These funds included cash and cash equivalents of \$336,449 and \$427,256 as of December 31, 2017 and 2016, respectively.

NOTE 12: RETIREMENT PLAN

The Foundation has a Simple IRA 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 \$9,796 and \$8,224 to the plan during the years ended December 31, 2017 and 2016, respectively.

NOTE 13: CAPITAL LEASE

The Foundation entered into a capital lease for office equipment with a term of five years and no interest beginning February 1, 2015 (imputed interest is not significant to the financial statements). Assets under lease are depreciated over the term of the lease. Depreciation of assets 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 for the years ended December 31, 2017 and 2016:

	2017	2016
Office equipment	\$ 10,993	\$ 10,993
Less: accumulated depreciation	(6,412)	(4,214)
Office equipment, net	<u>\$ 4,581</u>	<u>\$ 6,779</u>

NOTE 14: OPERATING LEASES

The Foundation leases its offices from a non-profit organization. The term of the lease is 20 years through 2019 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 MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15: AGENCY FUNDS

The Foundation has adopted provisions of the “Revenue Recognition” topic of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”). Provisions of this topic establish 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. Provisions also specifically require that if a not-for-profit organization 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 the “Revenue Recognition” topic of the FASB ASC, a liability has been established for the fair value of the funds, which is equivalent to the funds current fair market value.

As of December 31, 2017 and 2016, the Foundation was the owner of 21 agency endowment funds with a combined value of \$983,481 and \$952,065, respectively. The following table summarizes activity in such funds during the years ended December 31, 2017 and 2016:

	2017	2016
Agency Endowment Fund balances as of January 1	\$ 952,065	\$ 963,294
Amounts raised	1,455	12,000
Investment income, net of administrative and bank fees	2,877	1,964
Net unrealized and realized gains on investments	103,962	40,475
Grants	(76,878)	(65,668)
Agency Endowment Fund balances as of December 31	<u>\$ 983,481</u>	<u>\$ 952,065</u>

NOTE 16: ASSETS AND LIABILITIES – FAIR VALUE INFORMATION

In accordance with the Fair Value Measurements and Disclosures Topic of the FASB ASC, all financial instruments that are being measured and reported on a fair value basis must be classified and disclosed in one of the following three categories:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has 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, and 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.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16: ASSETS AND LIABILITIES – FAIR VALUE INFORMATION (Continued)

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. An investment transferred from a level 1 investment to a level 3 investment at December 31, 2017. There were no other changes in methodologies used during the year ended December 31, 2017. There were no changes in the methodologies used during the year ended December 31, 2016.

Common stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate and government bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Mutual funds and other equity interests: Valued at the net asset value (NAV) of shares held by the plan at year end. NAV is based on the value of underlying assets owned by the fund, minus its liabilities and then divided by the number of shares outstanding. NAV is a quoted price in an active market.

Limited partnership: There is no quoted market price and a reasonable estimate of fair value could not be made without incurring excessive costs. As such, this investment is accounted for using the equity method.

Assets measured at fair value on a recurring basis were as follows:

Description	December 31, 2017			
	Total	Level 1	Level 2	Level 3
Equity funds	\$ 8,023,862	\$ 8,023,862	\$ 0	\$ 0
Common stock domestic	6,866,082	6,866,082	0	0
Common stock international	178,083	178,083	0	0
Commodity funds	449,127	449,127	0	0
Bond funds	4,004,382	4,004,382	0	0
Corporate obligations domestic	1,160,809	1,160,809	0	0
Government obligations	191,066	191,066	0	0
Other equity interest	100,738	100,738	0	0
Interest in limited partnership	24,217	0	0	24,217
Total	<u>\$ 20,998,366</u>	<u>\$ 20,974,149</u>	<u>\$ 0</u>	<u>\$ 24,217</u>

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16: ASSETS AND LIABILITIES – FAIR VALUE INFORMATION (Continued)

Description	December 31, 2016			
	Total	Level 1	Level 2	Level 3
Equity funds	\$ 6,550,568	\$ 6,550,568	\$ 0	\$ 0
Common stock domestic	5,856,652	5,856,652	0	0
Common stock international	231,518	231,518	0	0
Commodity funds	236,755	236,755	0	0
Bond funds	3,548,459	3,548,459	0	0
Corporate obligations domestic	922,626	922,626	0	0
Government obligations	164,248	164,248	0	0
Interest in limited partnership	127,112	127,112	0	0
Total	<u>\$ 17,637,938</u>	<u>\$ 17,510,826</u>	<u>\$ 0</u>	<u>\$ 0</u>

NOTE 17: REFUNDABLE ADVANCES

During 2015, 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 in accordance with the payment terms of the promissory note the Friends of Sulsberger Stadium, Inc. has with a bank. The balance of this refundable advance was \$52,580 and \$84,775 as of December 31, 2017 and 2016, respectively.

NOTE 18: LONG-TERM DEBT

Long-term debt consisted of the following as of December 31:

	2017	2016
Bridge note payable with PNC Bank, interest at 3.84% paid quarterly, principal payments due annually, matured December 2017.	\$ 0	\$ 150,000
Term note payable with PNC Bank, interest at 4.31% paid quarterly, principal balance due in lump sum January 2020.	2,531,613	2,542,550
	<u>2,531,613</u>	<u>2,692,550</u>
Current portion of long-term debt	(0)	(150,000)
	<u>\$ 2,531,613</u>	<u>\$ 2,542,550</u>

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18: LONG-TERM DEBT (Continued)

Annual maturities of long-term debt are as follows:

<u>Years Ended December 31,</u>	<u>Amount</u>
2018	\$ 0
2019	0
2020	<u>2,531,613</u>
Total	<u>\$ 2,531,613</u>

The Foundation and two other third parties signed pledge agreements with PNC Bank regarding the two notes payable. Each party grants \$1.5 million security interest in the notes and pledges to PNC Bank to provide collateral for the notes payable.

NOTE 19: LONG-TERM NOTE RECEIVABLE

Long-term note receivable consisted of the following as of December 31:

	<u>2017</u>	<u>2016</u>
Note receivable from Muskingum Investment Fund, LLC, interest at 2.519% paid quarterly. Beginning January 2020 quarterly interest and principal payments due. This loan matures January 2042.	<u>\$ 7,182,500</u>	<u>\$ 7,182,500</u>

NOTE 20: FUNCTIONAL EXPENSE

The Foundation's functional expenses are as follows:

	<u>2017</u>	<u>2016</u>
Program	\$ 1,333,312	\$ 1,270,621
Management and general	751,225	683,438
Fundraising	<u>143,758</u>	<u>88,951</u>
Total expense	<u>\$ 2,228,295</u>	<u>\$ 2,043,010</u>

The Foundation estimates the percentage of each major category of expense that is related to its exempt function activities to determine the amount allocated to program expense.

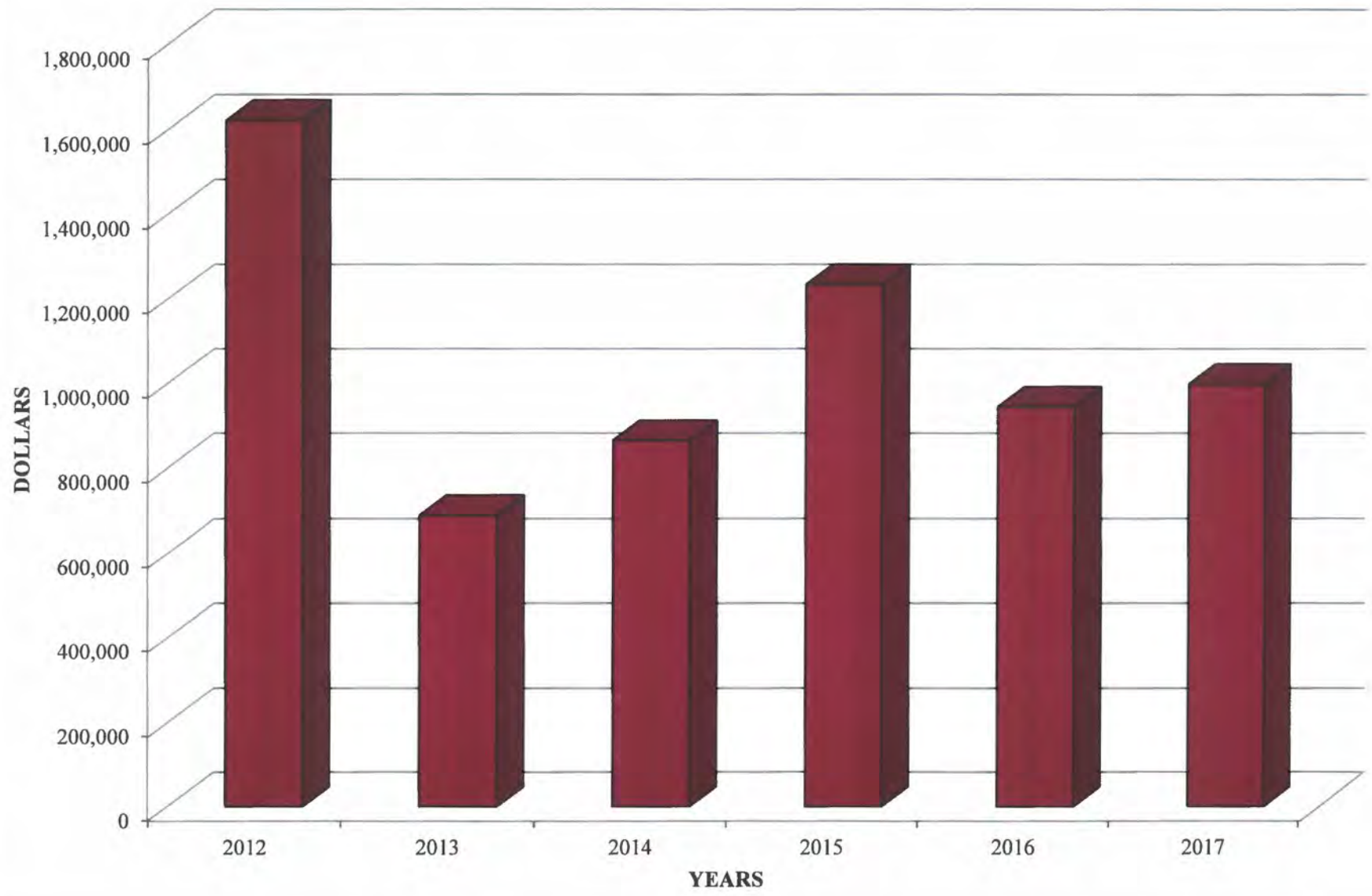
THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED SCHEDULES OF OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
OPERATING EXPENSES:		
Salaries and wages	\$ 258,754	\$ 215,511
Interest expense	120,665	131,971
In-kind rent (office)	60,000	60,000
Special project expense	61,739	47,283
Software license fees	39,505	40,822
Depreciation and amortization expense	30,854	30,626
Audit and accounting fees	24,273	21,980
Payroll and unemployment taxes	29,146	18,498
Custodial expenses	14,965	16,596
Legal fees	14,837	14,523
Unitrust annuity	14,100	14,100
Telephone and internet	9,657	10,737
Meetings and conferences	4,899	9,179
Utilities	9,603	9,003
Retirement plan employer match	9,796	8,224
Life insurance premium	7,606	7,361
Miscellaneous expense	1,083	6,801
Office supplies	4,702	6,765
Public relations	6,206	6,705
Equipment rental and maintenance	2,319	3,601
Health insurance	12,935	3,485
Dues and subscriptions	2,440	2,796
Business insurance	2,880	2,141
Disability insurance	2,417	1,947
Director and officer insurance	1,753	1,753
Employee expense reimbursement	1,428	1,708
Postage and shipping	2,233	1,369
Life insurance - employees	1,854	1,292
Credit card processing fees	948	656
Workers' compensation	504	602
Commercial crime bond insurance	449	449
Filing fees	225	200
Contracted services	5,403	0
Publications and printing	792	0
Total operating expenses	<u>\$ 760,970</u>	<u>\$ 698,684</u>

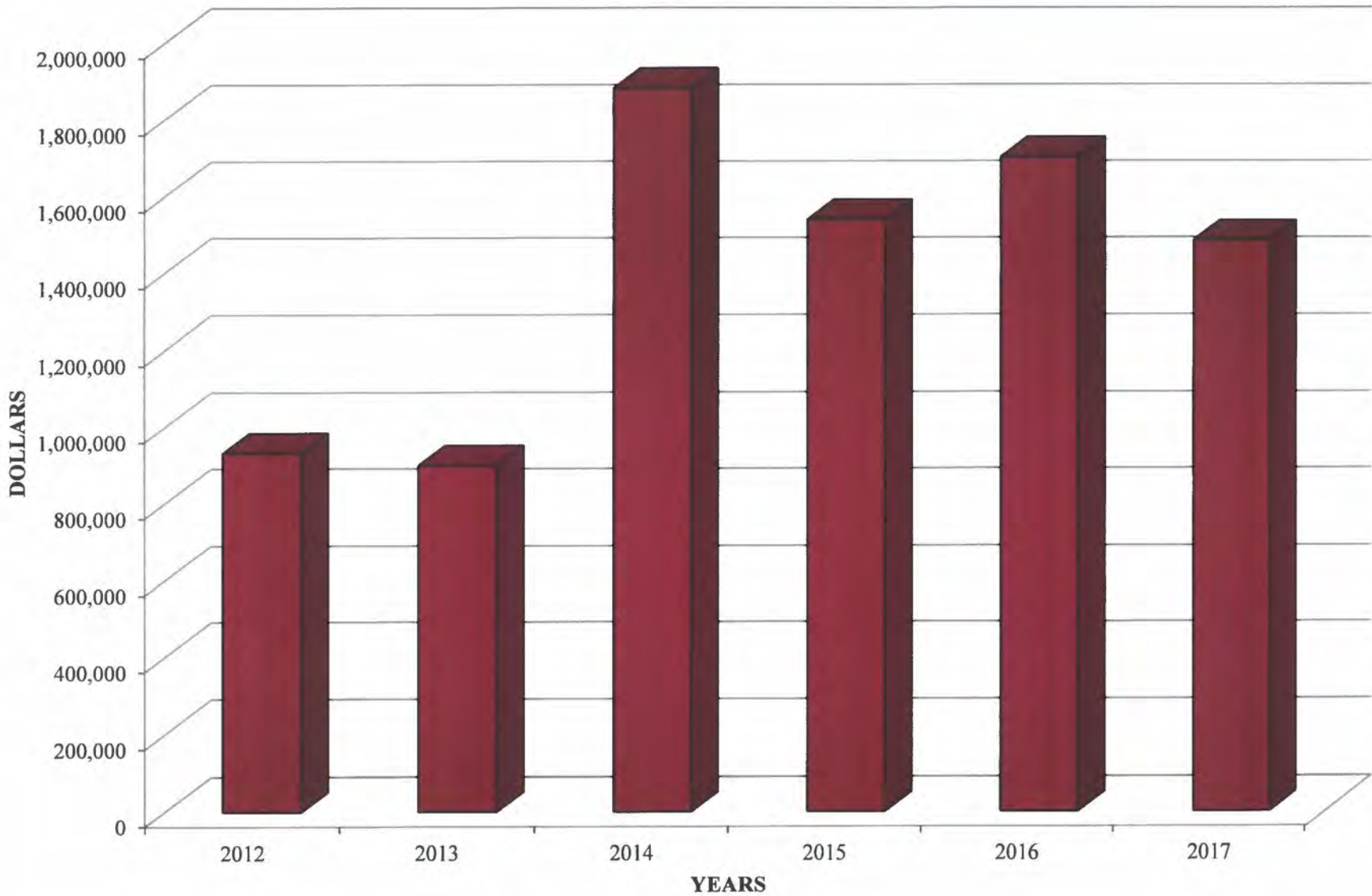
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**THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES
GRANTS AWARDED
FOR THE YEARS ENDED DECEMBER 31**



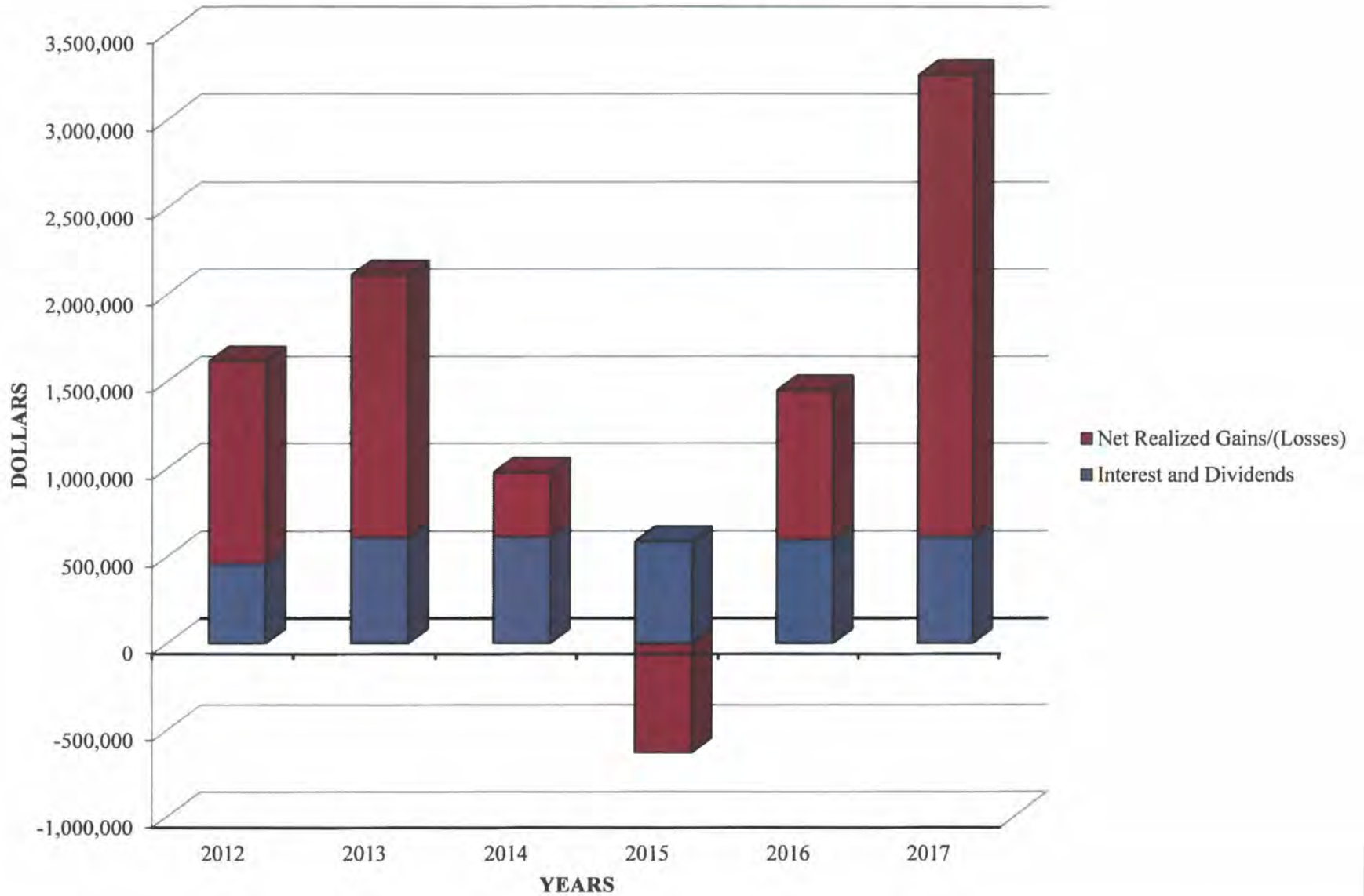
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THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES
GIFTS, BEQUESTS, IN-KIND DONATIONS, AND GRANTS
FOR THE YEARS ENDED DECEMBER 31



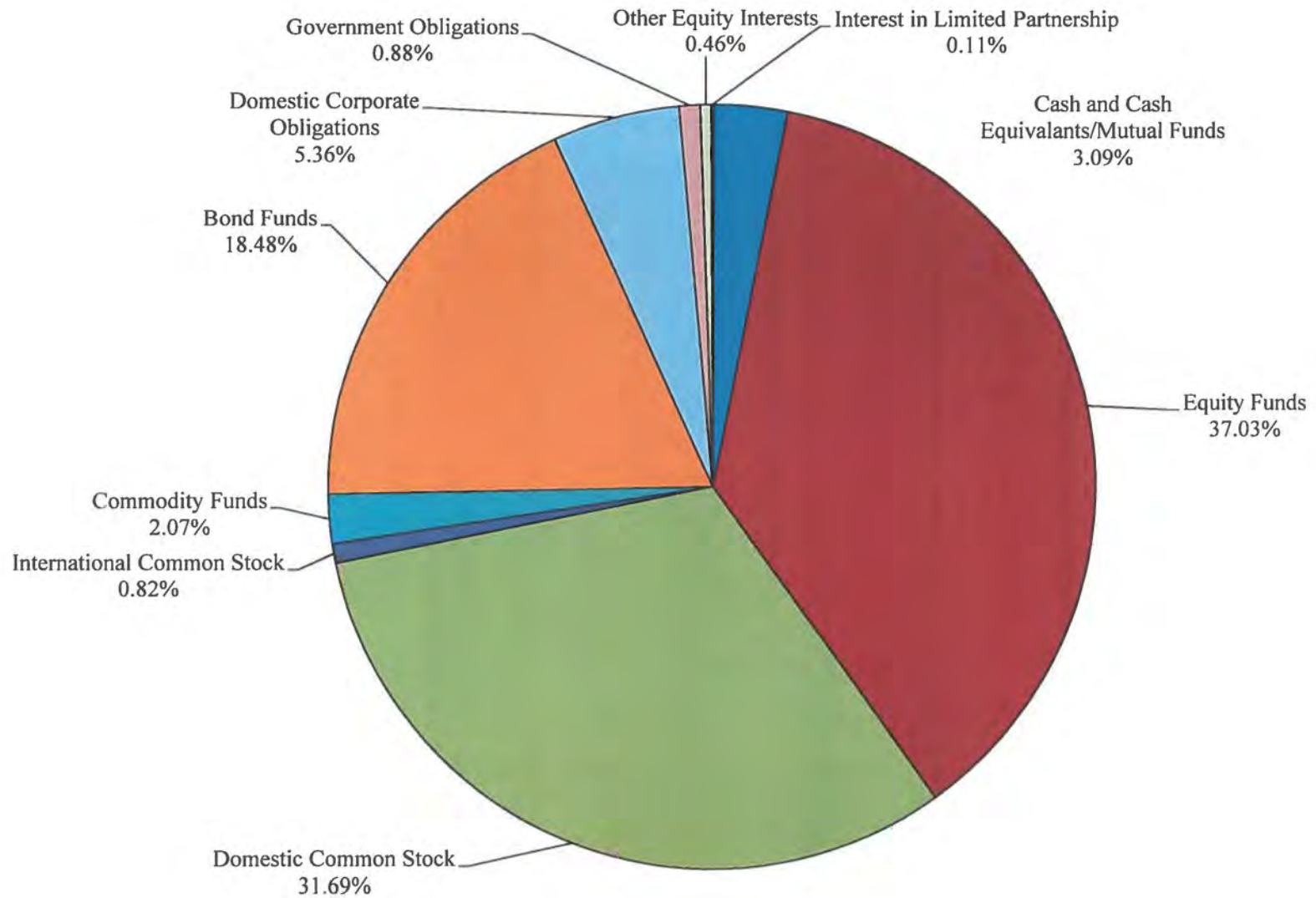
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THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES
INVESTMENT INCOME (EXCLUDING UNREALIZED GAINS/(LOSSES))
FOR THE YEARS ENDED DECEMBER 31



See independent auditor's report

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES
INVESTMENT (COMPOSITION - AT MARKET)
FOR THE YEAR ENDED DECEMBER 31, 2017



See independent auditor's report