

**THE MUSKINGUM COUNTY COMMUNITY
FOUNDATION AND AFFILIATES**

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010 and 2009

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

Independent Auditor's Report

We have audited the accompanying consolidated statements of financial position of Muskingum County Community Foundation and Affiliates (the Foundation) as of December 31, 2010 and 2009, and the related consolidated statements of activities and changes in net assets and cash flows for the years 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 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 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 audits provide 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 Muskingum County Community Foundation and Affiliates as of December 31, 2010 and 2009 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements for the years ended December 31, 2010 and 2009 taken as a whole. The consolidated schedules 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 years ended December 31, 2010 and 2009 has been subjected to the auditing procedures applied in the audits 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.

John Gerlach & Company LLP

Columbus, Ohio
July 25, 2011

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2010 and 2009

ASSETS

	<u>2010</u>	<u>2009</u>
Current Assets:		
Cash and cash equivalents	\$ 1,283,700	\$ 1,086,225
Certificates of deposit	502,373	195,304
Pledges receivable, net of allowance for uncollectible accounts of \$7,800 in 2010 and 2009	1,295,662	174,210
Other receivables	29,297	34,151
Inventory	7,222	11,235
Prepaid expenses	5,572	5,426
 Total Current Assets	 <u>3,123,826</u>	 <u>1,506,551</u>
 Property and equipment, net	 <u>1,080,640</u>	 <u>1,085,964</u>
Other Assets:		
Investments	15,915,221	14,603,732
Collections acquired since January 1, 1997	19,106	19,052
Cash surrender value - life insurance policies	312,925	300,250
Contributions receivable - charitable remainder trusts	54,325	50,608
Long-term pledges receivable	661,777	222,100
 Total Other Assets	 <u>16,963,354</u>	 <u>15,195,742</u>
 Total Assets	 <u>\$ 21,167,820</u>	 <u>\$ 17,788,257</u>

See Notes to Financial Statements

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2010 and 2009

LIABILITIES AND NET ASSETS

	<u>2010</u>	<u>2009</u>
Liabilities:		
Current Liabilities:		
Accounts payable	\$ 31,013	\$ 2,105
Grants payable	2,000	8,567
Payroll taxes and withholdings	181	(1,040)
Current portion of annuity liability	14,100	14,100
Current portion of capital lease	3,012	2,678
Deferred revenue - GEAR UP grant	10,218	143,623
Funds held as agency endowments	781,594	726,642
Total Current Liabilities	<u>842,118</u>	<u>896,675</u>
Long-term Liabilities:		
Capital lease, net of current portion	8,689	-
Annuity liability, net of current portion	80,898	72,607
Refundable advance	296,490	398,778
Total Long-term Liabilities	<u>386,077</u>	<u>471,385</u>
Total Liabilities	<u>1,228,195</u>	<u>1,368,060</u>
Net Assets:		
Unrestricted	17,982,186	16,023,887
Temporarily restricted	1,957,439	396,310
Total Net Assets	<u>19,939,625</u>	<u>16,420,197</u>
Total Liabilities and Net Assets	<u>\$ 21,167,820</u>	<u>\$ 17,788,257</u>

See Notes to Financial Statements

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue:			
Support:			
Gifts and bequests	\$ 1,348,449	\$ 1,677,170	\$ 3,025,619
Grants received	353,383	-	353,383
In-kind donations	64,020	-	64,020
	<u>1,765,852</u>	<u>1,677,170</u>	<u>3,443,022</u>
Revenue:			
Interest and dividends	431,477	-	431,477
Net realized and unrealized gains on investments	1,171,289	-	1,171,289
Administrative fees	170,281	-	170,281
Auction revenue	13,051	-	13,051
Event revenue	45,046	-	45,046
Miscellaneous income	8,213	-	8,213
Increase in cash surrender value - life insurance	12,675	-	12,675
	<u>1,852,032</u>	<u>-</u>	<u>1,852,032</u>
Net assets released from restrictions	116,041	(116,041)	-
Total Support and Revenue	<u>3,733,925</u>	<u>1,561,129</u>	<u>5,295,054</u>
Expenses:			
Grants awarded	927,025	-	927,025
Other expenses	37,385	-	37,385
Investment and trust expense	294,717	-	294,717
Operating expense	448,112	-	448,112
Fundraising expense	63,813	-	63,813
Change in value of trust agreements	4,574	-	4,574
Total Expenses	<u>1,775,626</u>	<u>-</u>	<u>1,775,626</u>
Change in Net Assets	1,958,299	1,561,129	3,519,428
Net Assets at Beginning of Year	16,023,887	396,310	16,420,197
Net Assets at End of Year	<u>\$ 17,982,186</u>	<u>\$ 1,957,439</u>	<u>\$ 19,939,625</u>

See Notes to Financial Statements

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue:			
Support:			
Gifts and bequests	\$ 453,035	\$ 32,650	\$ 485,685
Grants received	315,314	-	315,314
In-kind donations	82,055	-	82,055
	<u>850,404</u>	<u>32,650</u>	<u>883,054</u>
Revenue:			
Interest and dividends	389,062	-	389,062
Net realized and unrealized gains on investments	2,310,298	-	2,310,298
Administrative fees	149,965	-	149,965
Auction revenue	10,553	-	10,553
Event revenue	41,042	-	41,042
Miscellaneous income	87,274	-	87,274
Increase in cash surrender value - life insurance	48,921	-	48,921
	<u>3,037,115</u>	<u>-</u>	<u>3,037,115</u>
Net assets released from restrictions	152,776	(152,776)	-
Total Support and Revenue	<u>4,040,295</u>	<u>(120,126)</u>	<u>3,920,169</u>
Expenses:			
Grants awarded	976,759	-	976,759
Other expenses	41,224	-	41,224
Investment and trust expense	237,097	-	237,097
Operating expense	418,807	-	418,807
Fundraising expense	23,455	-	23,455
Change in value of trust agreements	(2,676)	-	(2,676)
Total Expenses	<u>1,694,666</u>	<u>-</u>	<u>1,694,666</u>
Change in Net Assets	2,345,629	(120,126)	2,225,503
Net Assets at Beginning of Year	13,678,258	516,436	14,194,694
Net Assets at End of Year	<u>\$ 16,023,887</u>	<u>\$ 396,310</u>	<u>\$ 16,420,197</u>

See Notes to Financial Statements

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 3,519,428	\$ 2,225,503
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	19,766	21,402
Increase in cash surrender value of life insurance	(12,675)	(48,921)
Loss on disposal of property and equipment	920	5,234
Amortization of discount on unconditional promises to give	(1,129)	(3,155)
Donated securities	-	(9,411)
Donated inventory	(1,472)	(22,702)
Donated equipment	(568)	(2,600)
Net realized and unrealized (gains)/losses on investments	(1,171,289)	(2,310,298)
(Increase) decrease in:		
Pledges receivable	(1,560,000)	187,148
Contributions receivable - charitable remainder unitrust	(3,717)	339
Other receivables	4,854	5,006
Inventory	5,485	23,557
Prepaid expenses	(146)	(242)
Increase (decrease) in:		
Accounts payable	28,908	(1,778)
Grants payable	(6,567)	7,567
Annuity liability	8,291	(3,015)
Payroll taxes payable	1,221	(1,125)
Deferred revenue - GEAR UP grant	(133,405)	(51,564)
Agency funds	54,952	134,625
Net Cash Provided (Used) by Operating Activities	<u>752,857</u>	<u>155,570</u>
Cash Flows from Investing Activities:		
Proceeds from redemption of life insurance policies	-	182,638
Purchase of certificates of deposit	(307,069)	(11,337)
Purchase of property and equipment	(2,748)	(10,825)
Purchase of collections	(54)	-
Purchase of investments	(5,922,974)	(4,047,425)
Proceeds from redemption of investments	5,782,774	3,094,761
Net Cash Provided (Used) by Investing Activities	<u>(450,071)</u>	<u>(792,188)</u>
Cash Flows from Financing Activities:		
Repayment of refundable advance	(102,288)	(80,451)
Payments on capital lease	(3,023)	(3,573)
Net Cash Provided (Used) by Financing Activities	<u>(105,311)</u>	<u>(84,024)</u>
Net Increase (Decrease) in Cash and Equivalents	<u>197,475</u>	<u>(720,642)</u>
Cash and Equivalents, Beginning of Year	1,086,225	1,806,867
Cash and Equivalents, End of Year	<u>\$ 1,283,700</u>	<u>\$ 1,086,225</u>
Supplemental Disclosure:		
Cash paid for interest	<u>\$ 22,252</u>	<u>\$ 28,730</u>
Noncash investing and financing activities:		
Property and equipment purchased through capital lease obligations	<u>\$ 12,046</u>	<u>\$ -</u>

See Notes to Financial Statements

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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), MCCF II LLC (a limited liability company), and MCCF III LLC (a limited liability company). The Foundation is the sole member of the three entities. MCCF Limited was formed in April 2002. MCCF II LLC and MCCF III LLC were formed in November 2004 and January 2010, respectively, 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 Limited, MCCF II LLC and MCCF III LLC. 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. The Foundation did not have any permanently restricted net assets for the years ended December 31, 2010 or 2009.

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 at 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 AFFILIATES

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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 investments 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 consisted of an investment in the PA Stable Value Fund, Ltd., a limited liability company. During the year ended December 31, 2010, all shares in the PA Stable Value Fund, Ltd. owned by the Foundation were liquidated.

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 AFFILIATES

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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, 2010 and 2009, 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, 2010 and 2009 was \$19,766 and \$21,402, 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 AFFILIATES

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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 70%, fixed income 25%, and cash 5%. 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>2010</u>	<u>2009</u>
Cash on hand, checking and savings accounts	\$ 537,245	\$ 275,610
Cash management funds	746,455	810,615
	<u>\$ 1,283,700</u>	<u>\$ 1,086,225</u>

3. **PLEDGES RECEIVABLE**

Pledges receivable at December 31 are as follows:

	<u>2010</u>	<u>2009</u>
Receivable in less than one year	\$ 1,303,462	\$ 182,010
Receivable in one to five years at face value	668,954	230,406
Total Pledges Receivable at Face Value	<u>1,972,416</u>	<u>412,416</u>
Less: Discount to net present value	(7,177)	(8,306)
Total Pledges Receivable at Net Present Value	<u>1,965,239</u>	<u>404,110</u>
Less: Allowances for uncollectible Pledges Receivable	(7,800)	(7,800)
Net Pledges Receivable at December 31	<u>\$ 1,957,439</u>	<u>\$ 396,310</u>

Discount rates on long-term pledges receivable range from 0.06% to 5.89% depending upon the year of origination.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2010

4. INVESTMENTS

Investments at December 31 consist of the following:

	2010		
	Cost	Market	Unrealized Appreciation (Depreciation)
Equities	\$ 8,941,572	\$ 10,831,062	\$ 1,889,490
Fixed income	4,906,838	5,084,159	177,321
Alternative investments	-	-	-
	<u>\$ 13,848,410</u>	<u>\$ 15,915,221</u>	<u>\$ 2,066,811</u>

	2009		
	Cost	Market	Unrealized Appreciation (Depreciation)
Equities	\$ 8,929,300	\$ 9,662,421	\$ 733,121
Fixed income	3,973,859	4,156,926	183,067
Alternative investments	800,000	784,385	(15,615)
	<u>\$ 13,703,159</u>	<u>\$ 14,603,732</u>	<u>\$ 900,573</u>

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

5. CONTRIBUTIONS RECEIVABLE – CHARITABLE REMAINDER TRUSTS

For the years ended December 31, 2010 and 2009, the Foundation had contributions receivable from a unitrust of \$280,128 and \$273,289, respectively. These contributions receivable were discounted to \$54,325 for 2010 and \$50,608 for 2009 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.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Total net present value	\$ 94,998	\$ 86,707
Current portion	14,100	14,100
Long-term portion	<u>\$ 80,898</u>	<u>\$ 72,607</u>

7. PROPERTY AND EQUIPMENT

These assets consist of:

	<u>2010</u>	<u>2009</u>
Buildings and renovations	\$ 293,293	\$ 293,293
Land	780,336	780,336
Leasehold improvements	109,927	108,759
Office equipment	101,687	100,084
Furniture and fixtures	40,885	40,885
	<u>1,326,128</u>	<u>1,323,357</u>
Accumulated depreciation	(245,488)	(237,393)
	<u>\$ 1,080,640</u>	<u>\$ 1,085,964</u>

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 at a rate of 0.50% per quarter.

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 2010 and 2009, cash surrender values increased by \$12,675 and \$48,921, respectively. The aggregate face values of the policies assigned to the Foundation are \$2,421,378 and \$2,671,378 at December 31, 2010 and 2009, respectively.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2010

10. 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.

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. At December 31, 2010 and 2009, segregated funds include the Josephine Sebach Educational Fund assets with market values of \$1,484,649 and \$1,400,587, respectively, the Longaberger Quality of Life Endowment Fund assets with market values of \$1,099,505 and \$1,016,715, respectively, funds established from the estate assets of Mary Vashti Funk with market values of \$1,687,203 and \$1,621,101, respectively, funds established from the estate assets of Emmett J. France with market values of \$841,553 and \$844,288, respectively, the Sarah E. Slack Prevention of Blindness Fund with market values of \$1,032,084 and \$1,066,029, respectively, and the Cerney Charitable Remainder Trust Annuity with market values of \$191,284 and \$183,041, respectively. These funds included cash and cash equivalents of \$385,408 and \$507,198 at December 31, 2010 and 2009, respectively.

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 \$5,003 and \$5,050 to the plan during the years ended December 31, 2010 and 2009, respectively.

13. CAPITAL LEASE

The Foundation entered into a capital lease for office equipment with a term of four years and no interest which expired in September 2010. During October 2010, the Foundation entered into a new capital lease for office equipment with a term of four years and no interest, which expires in 2014. The asset is being 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, 2010 and 2009:

	2010	2009
Office equipment	\$ 13,747	\$ 14,291
Accumulated depreciation	(678)	(9,527)
	<u>\$ 13,069</u>	<u>\$ 4,764</u>

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2010

13. CAPITAL LEASE (Continued)

The present value of future minimum lease payments under capital lease due subsequent to December 31, 2010 are as follows:

2011	\$	3,012
2012		3,012
2013		3,012
2014		2,665
Total minimum lease payments	\$	<u>11,701</u>

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 Foundation leases a portion of their office space to another organization through an in-kind contribution. The contribution amounted to \$15,000 for both the years ended December 31, 2010 and 2009.

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 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 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.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2010

15. AGENCY FUNDS (Continued)

At December 31, 2010 and 2009, the Foundation was the owner of 20 agency endowment funds with a combined value of \$781,594 and \$726,642, respectively. The following table summarizes activity in such funds during the years ended December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Agency Endowment Fund balances at January 1	\$ 726,642	\$ 592,017
Amounts raised	13,683	45,620
Investment income, net of administrative and bank fees	3,268	3,550
Net unrealized and realized gains (losses) on investments	66,427	107,589
Grants	(28,426)	(22,134)
Agency Endowment Fund balances at December 31	<u>\$ 781,594</u>	<u>\$ 726,642</u>

16. 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 2010 and 2009, the Foundation received \$184,500 and \$246,000, 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, 2010 and 2009, \$10,218 and \$143,623, respectively, of deferred revenue was recorded relating to the unspent balance.

17. 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: 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.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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

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

Description	December 31, 2010			
	Total	Level 1	Level 2	Level 3
Equities	\$ 10,831,062	\$ 10,831,062	\$ -	\$ -
Fixed income	5,084,159	5,084,159	-	-
Total	<u>\$ 15,915,221</u>	<u>\$ 15,915,221</u>	<u>\$ -</u>	<u>\$ -</u>

Description	December 31, 2009			
	Total	Level 1	Level 2	Level 3
Investments	\$ 14,603,732	\$ 13,819,347	\$ -	\$ 784,385
Total	<u>\$ 14,603,732</u>	<u>\$ 13,819,347</u>	<u>\$ -</u>	<u>\$ 784,385</u>

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

	Investments
Beginning balance at January 1, 2010	\$ 784,385
Total gains or losses (realized and unrealized) included in change in net assets	3,485
Net sales	(787,870)
Ending balance at December 31, 2010	<u>\$ -</u>
Change in unrealized gains or losses related to assets held at December 31, 2010	<u>\$ -</u>

Gains and losses (realized and unrealized) included in change in net assets for the year ended December 31, 2010 are reported in net realized and unrealized gains on investments.

18. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	2010	2009
For future periods	\$ 1,957,439	\$ 396,310
Total	<u>\$ 1,957,439</u>	<u>\$ 396,310</u>

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2010

19. REFUNDABLE ADVANCE

During 2008, 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 \$296,490 and \$398,778 at December 31, 2010 and 2009, respectively.

20. RECLASSIFICATION

Certain amounts in the 2009 financial statements have been reclassified to conform to the 2010 presentation. Such reclassifications had no effect on the reported change in net assets.

21. ACCOUNTING FOR UNCERTAIN TAX POSITIONS

The Foundation has adopted the provisions of the FASB ASC relating to uncertain tax positions. The Foundation does not believe its financial statements include any uncertain tax positions. The Foundation is no longer subject to U.S. federal, state and local tax examinations by tax authorities for years before 2007.

22. SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 25, 2011, which is the date the financial statements were available to be issued.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

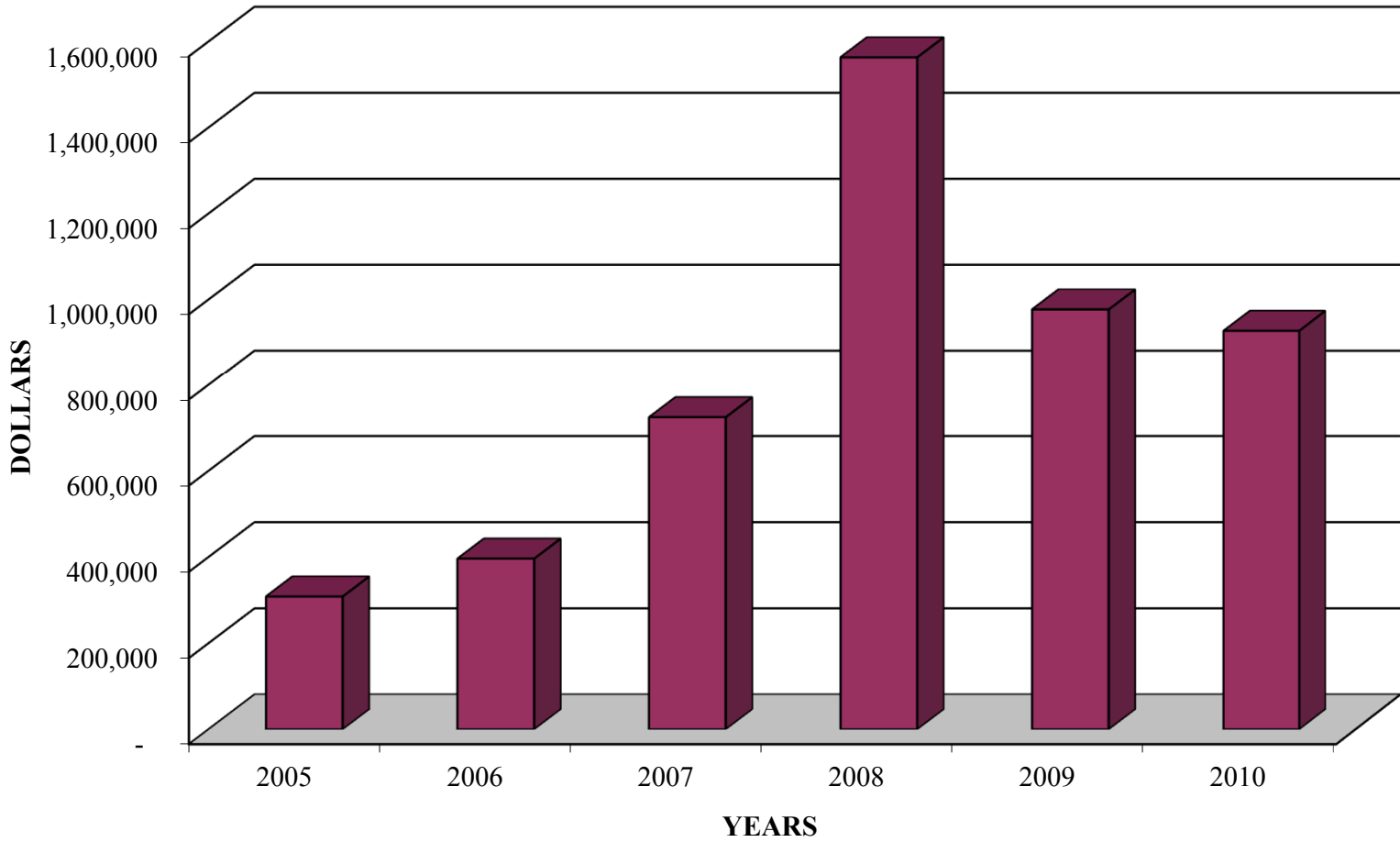
CONSOLIDATED SCHEDULES OF OPERATING EXPENSES

For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Salaries and wages	\$ 179,446	\$ 179,198
Special project expense	47,572	14,545
In-kind rent (office)	45,000	45,000
Interest expense	22,252	28,730
Depreciation expense	19,766	21,402
Audit fees	18,600	17,500
Payroll taxes	14,625	14,735
Unitrust annuity	14,100	14,100
Equipment rental and maintenance	10,897	11,798
Custodial expenses	9,051	6,653
Meetings and conferences	8,210	9,075
Contracted services	7,448	11,141
Telephone	7,176	7,593
Legal fees	6,964	2,718
Utilities	5,441	4,929
Retirement plan employer match	5,003	5,050
Office supplies	4,392	3,029
Public relations	3,981	3,721
Employee expense reimbursement	3,583	3,785
Postage and shipping	2,746	2,361
Health insurance	2,441	3,404
Dues and subscriptions	2,248	2,048
Director/officer insurance	1,918	1,866
Business insurance	1,255	1,241
Disability insurance	1,174	1,380
Life insurance - employees	806	828
Miscellaneous expense	529	33
Commercial crime bond insurance	411	449
Workers' compensation	368	290
Credit card processing fees	279	92
Advertising	230	-
State filing fees	200	200
Publications and printing	-	(87)
Total Operating Expense	<u>\$ 448,112</u>	<u>\$ 418,807</u>

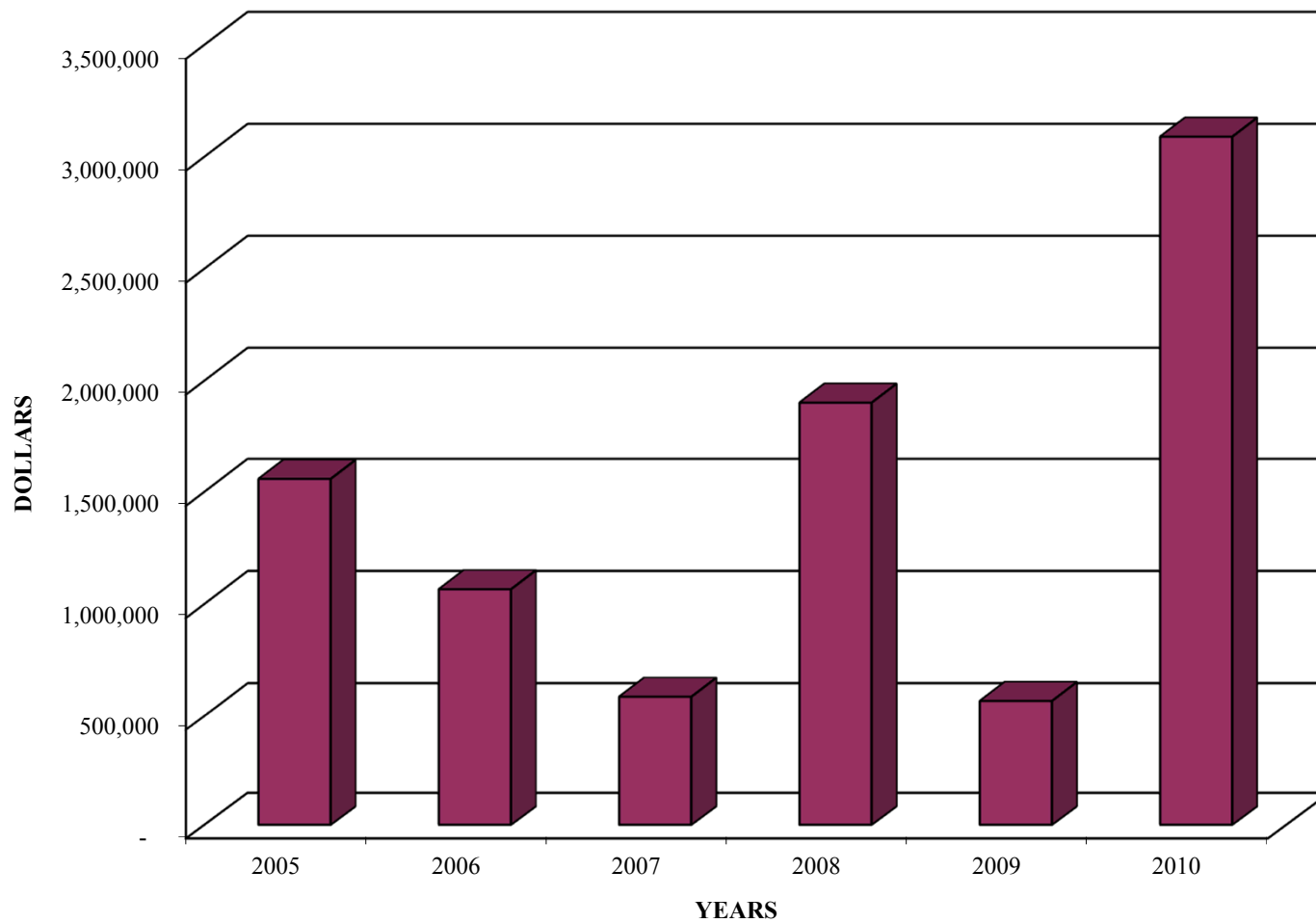
See Auditor's Report

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



See Auditor's Report

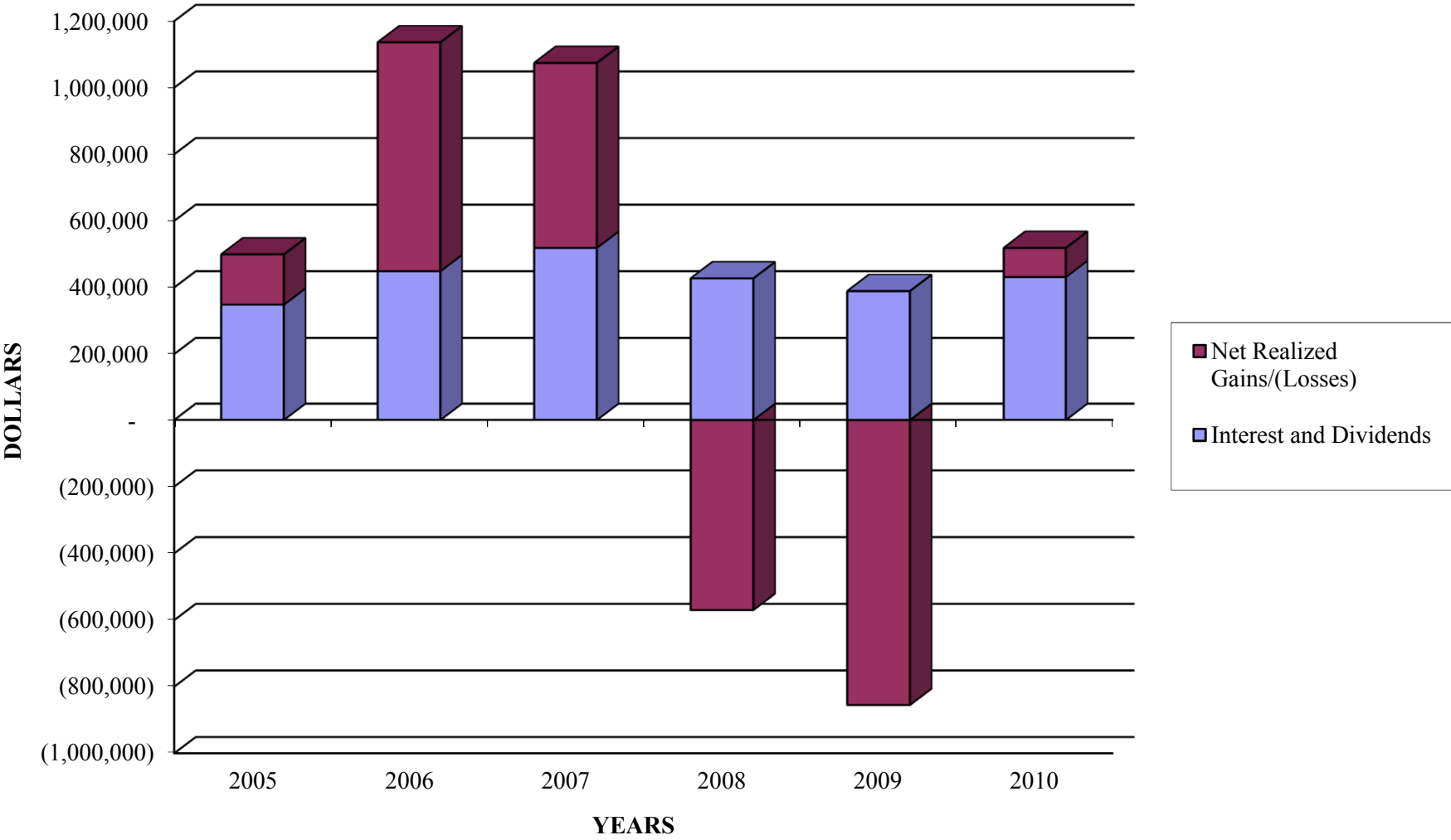
THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATE
GIFTS, BEQUEST AND IN-KIND DONATIONS
Years Ended December 31,



See Auditor's Report

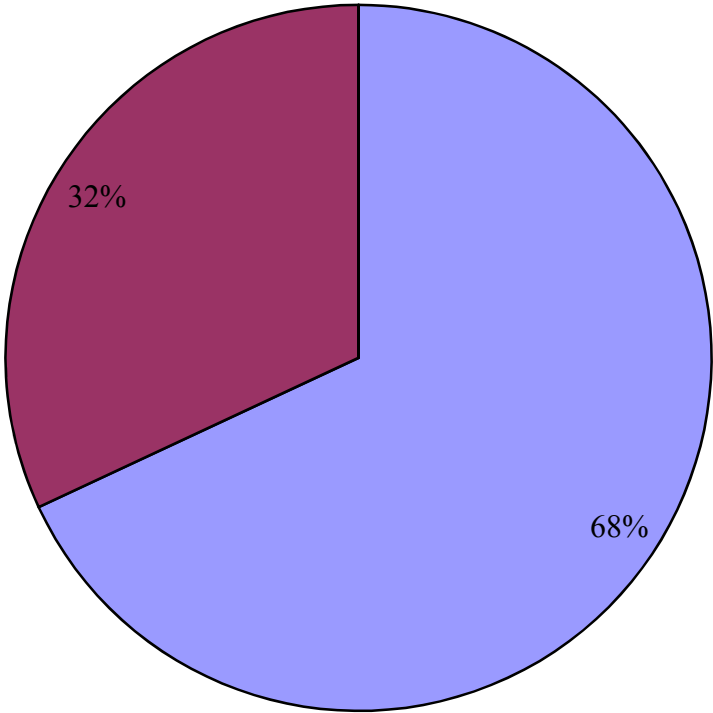
THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATE
INVESTMENT INCOME (EXCLUDING UNREALIZED GAINS (LOSSES))

Years Ended December 31,



See Auditor's Report

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATE
INVESTMENT (COMPOSITION - AT MARKET)
Year Ended December 31, 2010



See Auditor's Report