

**THE MUSKINGUM COUNTY COMMUNITY
FOUNDATION AND AFFILIATES**

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010

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, 2011 and 2010, 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, 2011 and 2010 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 conducted for the purpose of forming an opinion on the consolidated financial statements 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. 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements taken as a whole.



Columbus, Ohio
July 23, 2012

(1)

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2011 and 2010

ASSETS

| | <u>2011</u> | <u>2010</u> |
|--|----------------------|----------------------|
| Current Assets: | | |
| Cash and cash equivalents | \$ 2,343,249 | \$ 1,283,700 |
| Certificates of deposit | 869,892 | 502,373 |
| Pledges receivable, net of allowance for uncollectible accounts of \$7,800 in 2011 and 2010 | 1,526,390 | 1,295,662 |
| Accounts receivable | 37,920 | - |
| Other receivables | 23,701 | 29,297 |
| Inventory | 7,253 | 7,222 |
| Prepaid expenses | 6,433 | 5,572 |
| Total Current Assets | <u>4,814,838</u> | <u>3,123,826</u> |
| Property and equipment, net | <u>1,095,061</u> | <u>1,080,640</u> |
| Other Assets: | | |
| Investments | 14,842,830 | 15,915,221 |
| Collections acquired since January 1, 1997 | 20,249 | 19,106 |
| Cash surrender value - life insurance policies | 310,546 | 312,925 |
| Contributions receivable - charitable remainder trusts | 58,650 | 54,325 |
| Long-term pledges receivable | 947,466 | 661,777 |
| Total Other Assets | <u>16,179,741</u> | <u>16,963,354</u> |
| Total Assets | <u>\$ 22,089,640</u> | <u>\$ 21,167,820</u> |

See Notes to Financial Statements

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2011 and 2010

LIABILITIES AND NET ASSETS

| | <u>2011</u> | <u>2010</u> |
|---|----------------------|----------------------|
| Liabilities: | | |
| Current Liabilities: | | |
| Accounts payable | \$ 127,770 | \$ 31,013 |
| Grants payable | 32,250 | 2,000 |
| Accrued vacation | 4,671 | - |
| Payroll taxes and withholdings | (373) | 181 |
| Current portion of annuity liability | 14,100 | 14,100 |
| Current portion of capital lease | 3,012 | 3,012 |
| Deferred revenue - GEAR UP grant | - | 10,218 |
| Funds held as agency endowments | 754,076 | 781,594 |
| Total Current Liabilities | <u>935,506</u> | <u>842,118</u> |
| Long-term Liabilities: | | |
| Capital lease, net of current portion | 5,772 | 8,689 |
| Annuity liability, net of current portion | 76,125 | 80,898 |
| Refundable advances | 212,830 | 296,490 |
| Total Long-term Liabilities | <u>294,727</u> | <u>386,077</u> |
| Total Liabilities | <u>1,230,233</u> | <u>1,228,195</u> |
| Net Assets: | | |
| Unrestricted | 18,385,551 | 17,982,186 |
| Temporarily restricted | 2,473,856 | 1,957,439 |
| Total Net Assets | <u>20,859,407</u> | <u>19,939,625</u> |
| Total Liabilities and Net Assets | <u>\$ 22,089,640</u> | <u>\$ 21,167,820</u> |

See Notes to Financial Statements

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2011

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|--|----------------------|-----------------------------------|----------------------|
| Support and Revenue: | | | |
| Support: | | | |
| Gifts and bequests | \$ 1,285,638 | \$ 1,343,725 | \$ 2,629,363 |
| Grants received | 406,915 | - | 406,915 |
| In-kind donations | 74,167 | - | 74,167 |
| | <u>1,766,720</u> | <u>1,343,725</u> | <u>3,110,445</u> |
| Revenue: | | | |
| Interest and dividends | 454,490 | - | 454,490 |
| Net realized and unrealized gains on investments | - | - | - |
| Administrative fees | 171,594 | - | 171,594 |
| Auction revenue | 14,792 | - | 14,792 |
| Event revenue | 25,660 | - | 25,660 |
| Miscellaneous income | 14,645 | - | 14,645 |
| Increase in cash surrender value - life insurance | 21,110 | - | 21,110 |
| Change in value of trust agreements | 9,098 | - | 9,098 |
| | <u>711,389</u> | <u>-</u> | <u>711,389</u> |
| Net assets released from restrictions | 827,308 | (827,308) | - |
| Total Support and Revenue | <u>3,305,417</u> | <u>516,417</u> | <u>3,821,834</u> |
| Expenses: | | | |
| Grants awarded | 1,620,448 | - | 1,620,448 |
| Other expenses | 69,352 | - | 69,352 |
| Investment and trust expense | 298,230 | - | 298,230 |
| Operating expense | 474,900 | - | 474,900 |
| Fundraising expense | 9,356 | - | 9,356 |
| Net realized and unrealized losses on investments | 429,766 | - | 429,766 |
| Total Expenses | <u>2,902,052</u> | <u>-</u> | <u>2,902,052</u> |
| Change in Net Assets | <u>403,365</u> | <u>516,417</u> | <u>919,782</u> |
| Net Assets at Beginning of Year | 17,982,186 | 1,957,439 | 19,939,625 |
| Net Assets at End of Year | <u>\$ 18,385,551</u> | <u>\$ 2,473,856</u> | <u>\$ 20,859,407</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 |
| Change in value of trust agreements | (4,574) | - | (4,574) |
| | <u>1,847,458</u> | <u>-</u> | <u>1,847,458</u> |
| Net assets released from restrictions | 116,041 | (116,041) | - |
| Total Support and Revenue | <u>3,729,351</u> | <u>1,561,129</u> | <u>5,290,480</u> |
| Expenses: | | | |
| Grants awarded | 975,947 | - | 975,947 |
| Other expenses | 37,385 | - | 37,385 |
| Investment and trust expense | 294,717 | - | 294,717 |
| Operating expense | 420,672 | - | 420,672 |
| Fundraising expense | 42,331 | - | 42,331 |
| Net realized and unrealized losses on investments | - | - | - |
| Total Expenses | <u>1,771,052</u> | <u>-</u> | <u>1,771,052</u> |
| Change in Net Assets | <u>1,958,299</u> | <u>1,561,129</u> | <u>3,519,428</u> |
| 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 STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 2011 and 2010

| | <u>2011</u> | <u>2010</u> |
|--|---------------------|---------------------|
| Cash Flows from Operating Activities: | | |
| Change in Net Assets | \$ 919,782 | \$ 3,519,428 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation | 20,450 | 19,766 |
| Increase in cash surrender value of life insurance | (21,110) | (12,675) |
| Loss on disposal of property and equipment | - | 920 |
| Amortization of discount on unconditional promises to give | (4,268) | (1,129) |
| Donated inventory | (1,475) | (1,472) |
| Donated equipment | - | (568) |
| Net realized and unrealized (gains)/losses on investments | 429,766 | (1,171,289) |
| (Increase) decrease in: | | |
| Pledges receivable | (512,149) | (1,560,000) |
| Contributions receivable - charitable remainder unitrust | (4,325) | (3,717) |
| Accounts receivable | (37,920) | - |
| Other receivables | 5,596 | 4,854 |
| Inventory | 1,444 | 5,485 |
| Prepaid expenses | (861) | (146) |
| Increase (decrease) in: | | |
| Accounts payable | 96,757 | 28,908 |
| Grants payable | 30,250 | (6,567) |
| Accrued vacation | 4,671 | - |
| Annuity liability | (4,773) | 8,291 |
| Payroll taxes payable | (554) | 1,221 |
| Deferred revenue - GEAR UP grant | (10,218) | (133,405) |
| Agency funds | (27,518) | 54,952 |
| Net Cash Provided (Used) by Operating Activities | <u>883,545</u> | <u>752,857</u> |
| Cash Flows from Investing Activities: | | |
| Proceeds from redemption of life insurance policies | 23,489 | - |
| Purchase of certificates of deposit | (367,519) | (307,069) |
| Purchase of property and equipment | (34,871) | (2,748) |
| Purchase of collections | (1,143) | (54) |
| Purchase of investments | (4,596,314) | (5,922,974) |
| Proceeds from redemption of investments | 5,238,939 | 5,782,774 |
| Net Cash Provided (Used) by Investing Activities | <u>262,581</u> | <u>(450,071)</u> |
| Cash Flows from Financing Activities: | | |
| Proceeds from refundable advance | 33,000 | - |
| Repayment of refundable advance | (116,660) | (102,288) |
| Payments on capital lease | (2,917) | (3,023) |
| Net Cash Provided (Used) by Financing Activities | <u>(86,577)</u> | <u>(105,311)</u> |
| Net Increase (Decrease) in Cash and Equivalents | <u>1,059,549</u> | <u>197,475</u> |
| Cash and Equivalents, Beginning of Year | 1,283,700 | 1,086,225 |
| Cash and Equivalents, End of Year | <u>\$ 2,343,249</u> | <u>\$ 1,283,700</u> |
| Supplemental Disclosure: | | |
| Cash paid for interest | <u>\$ 15,046</u> | <u>\$ 22,252</u> |

See Notes to Financial Statements

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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, 2011 or 2010.

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, 2011

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.

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, 2011

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, 2011 and 2010, 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, 2011 and 2010 was \$20,450 and \$19,766, 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, 2011

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>2011</u> | <u>2010</u> |
|---|---------------------|---------------------|
| Cash on hand, checking and savings accounts | \$ 1,898,893 | \$ 537,245 |
| Cash management funds | 444,356 | 746,455 |
| | <u>\$ 2,343,249</u> | <u>\$ 1,283,700</u> |

3. PLEDGES RECEIVABLE

Pledges receivable at December 31 are as follows:

| | <u>2011</u> | <u>2010</u> |
|---|---------------------|---------------------|
| Receivable in less than one year | \$ 1,534,190 | \$ 1,303,462 |
| Receivable in one to five years at face value | 950,175 | 668,954 |
| Total Pledges Receivable at Face Value | <u>2,484,365</u> | <u>1,972,416</u> |
| Less: Discount to net present value | (2,709) | (7,177) |
| Total Pledges Receivable at Net Present Value | <u>2,481,656</u> | <u>1,965,239</u> |
| Less: Allowances for uncollectible Pledges Receivable | (7,800) | (7,800) |
| Net Pledges Receivable at December 31 | <u>\$ 2,473,856</u> | <u>\$ 1,957,439</u> |

Discount rates on long-term pledges receivable range from 0.02% to 5.89% depending upon the year of origination.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2011

4. INVESTMENTS

Investments at December 31 consist of the following:

| | 2011 | | |
|--------------|----------------------|----------------------|---|
| | <u>Cost</u> | <u>Market</u> | <u>Unrealized Appreciation (Depreciation)</u> |
| Equities | \$ 8,470,158 | \$ 9,511,917 | \$ 1,041,759 |
| Fixed income | 5,236,605 | 5,330,913 | 94,308 |
| | <u>\$ 13,706,763</u> | <u>\$ 14,842,830</u> | <u>\$ 1,136,067</u> |

| | 2010 | | |
|--------------|----------------------|----------------------|---|
| | <u>Cost</u> | <u>Market</u> | <u>Unrealized Appreciation (Depreciation)</u> |
| Equities | \$ 8,941,572 | \$ 10,831,062 | \$ 1,889,490 |
| Fixed income | 4,906,838 | 5,084,159 | 177,321 |
| | <u>\$ 13,848,410</u> | <u>\$ 15,915,221</u> | <u>\$ 2,066,811</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, 2011 and 2010, the Foundation had contributions receivable from a unitrust of \$274,850 and \$280,128, respectively. These contributions receivable were discounted to \$58,650 for 2011 and \$54,325 for 2010 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, 2011

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, 2011 and 2010 is as follows:

| | <u>2011</u> | <u>2010</u> |
|-------------------------|------------------|------------------|
| Total net present value | \$ 90,225 | \$ 94,998 |
| Current portion | 14,100 | 14,100 |
| Long-term portion | <u>\$ 76,125</u> | <u>\$ 80,898</u> |

7. PROPERTY AND EQUIPMENT

These assets consist of:

| | <u>2011</u> | <u>2010</u> |
|---------------------------|---------------------|---------------------|
| Buildings and renovations | \$ 327,736 | \$ 293,293 |
| Land | 780,336 | 780,336 |
| Leasehold improvements | 110,355 | 109,927 |
| Office equipment | 101,687 | 101,687 |
| Furniture and fixtures | 40,885 | 40,885 |
| | <u>1,360,999</u> | <u>1,326,128</u> |
| Accumulated depreciation | (265,938) | (245,488) |
| | <u>\$ 1,095,061</u> | <u>\$ 1,080,640</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 2011 and 2010, cash surrender values increased by \$21,110 and \$12,675, respectively. The aggregate face values of the policies assigned to the Foundation are \$2,178,580 and \$2,421,378 at December 31, 2011 and 2010, respectively.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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, 2011 and 2010, segregated funds include the Josephine Sebach Educational Fund assets with market values of \$1,435,546 and \$1,484,649, respectively, the Longaberger Quality of Life Endowment Fund assets with market values of \$1,055,082 and \$1,099,505, respectively, funds established from the estate assets of Mary Vashti Funk with market values of \$1,631,733 and \$1,687,203, respectively, funds established from the estate assets of Emmett J. France with market values of \$825,408 and \$841,553, respectively, the Sarah E. Slack Prevention of Blindness Fund with market values of \$1,047,918 and \$1,032,084, respectively, and the Cerney Charitable Remainder Trust Annuity with market values of \$175,790 and \$191,284, respectively. These funds included cash and cash equivalents of \$209,243 and \$385,408 at December 31, 2011 and 2010, 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 \$5,786 and \$5,003 to the plan during the years ended December 31, 2011 and 2010, respectively.

13. CAPITAL LEASE

The Foundation entered into a 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, 2011 and 2010:

| | 2011 | 2010 |
|--------------------------|------------------|------------------|
| Office equipment | \$ 13,747 | \$ 13,747 |
| Accumulated depreciation | (3,428) | (678) |
| | <u>\$ 10,319</u> | <u>\$ 13,069</u> |

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2011

13. CAPITAL LEASE (Continued)

The present value of future minimum lease payments under capital lease due subsequent to December 31, 2011 are as follows:

| | |
|------------------------------|------------------------|
| 2012 | 3,012 |
| 2013 | 3,012 |
| 2014 | 2,760 |
| Total minimum lease payments | \$ <u><u>8,784</u></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.

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, 2011

15. AGENCY FUNDS (Continued)

At December 31, 2011 and 2010, the Foundation was the owner of 20 agency endowment funds with a combined value of \$754,076 and \$781,594, respectively. The following table summarizes activity in such funds during the years ended December 31, 2011 and 2010:

| | <u>2011</u> | <u>2010</u> |
|---|-------------------|-------------------|
| Agency Endowment Fund balances at January 1 | \$ 781,594 | \$ 726,642 |
| Amounts raised | 26,100 | 13,683 |
| Investment income, net of administrative and bank fees | 6,381 | 3,268 |
| Net unrealized and realized gains (losses) on investments | (33,020) | 66,427 |
| Grants | (26,979) | (28,426) |
| Agency Endowment Fund balances at December 31 | <u>\$ 754,076</u> | <u>\$ 781,594</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. The grant originally was set to expire during 2011 but was extended to March 2012. During 2011 and 2010, the Foundation received \$371,535 and \$184,500, 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, 2011 and 2010, \$-0- and \$10,218, respectively, of deferred revenue was recorded relating to the unspent balance. As of December 31, 2011 and 2010, \$17,637 and \$-0-, respectively, of grants receivable was recorded relating to monies owed to the Foundation on behalf of the grant.

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: 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 MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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

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

| Description | December 31, 2011 | | | |
|--------------|----------------------|----------------------|-------------|-------------|
| | Total | Level 1 | Level 2 | Level 3 |
| Equities | \$ 9,511,917 | \$ 9,511,917 | \$ - | \$ - |
| Fixed income | 5,330,913 | 5,330,913 | - | - |
| Total | <u>\$ 14,842,830</u> | <u>\$ 14,842,830</u> | <u>\$ -</u> | <u>\$ -</u> |

| 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> |

Gains and losses (realized and unrealized) included in change in net assets for the year ended December 31, 2011 are reported in net realized and unrealized losses on investments.

18. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

| | 2011 | 2010 |
|--------------------|---------------------|---------------------|
| For future periods | \$ 2,473,856 | \$ 1,957,439 |
| Total | <u>\$ 2,473,856</u> | <u>\$ 1,957,439</u> |

19. REFUNDABLE ADVANCES

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 this refundable advance was \$179,830 and \$296,490 at December 31, 2011 and 2010, respectively.

During 2011, the Foundation received a refundable advance on behalf of Light the Hill, Inc. The funds have been included in the West Muskingum Local School District Light the Hill Improvements Fund. The Foundation then uses pledges received by the Fund to repay the refundable advance. The balance of this refundable advance was \$33,000 at December 31, 2011.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2011

20. RECLASSIFICATION

Certain amounts in the 2010 financial statements have been reclassified to conform to the 2011 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 2008.

22. SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 23, 2012, which is the date the financial statements were available to be issued.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

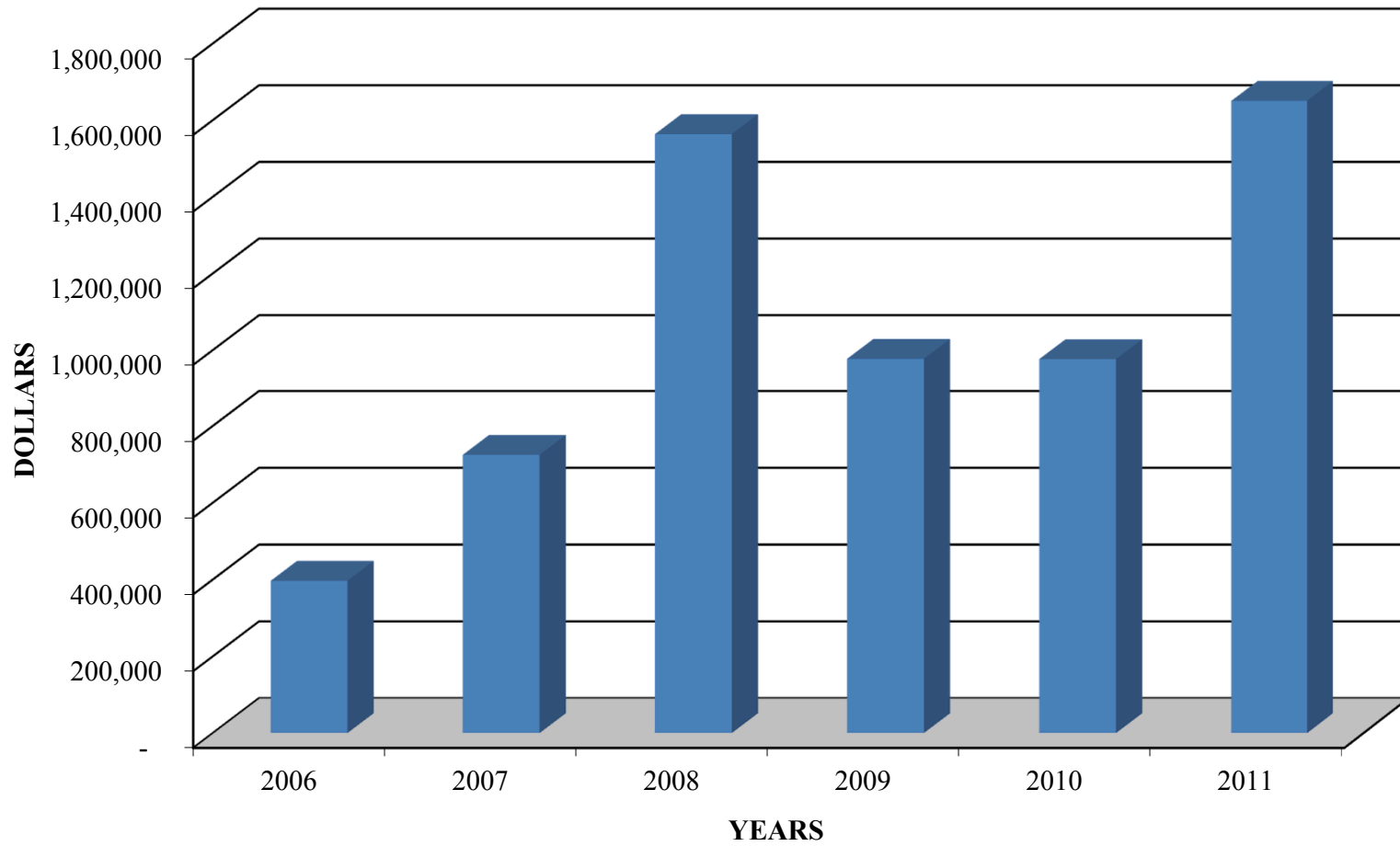
CONSOLIDATED SCHEDULES OF OPERATING EXPENSES

For the Year Ended December 31, 2011 and 2010

| | <u>2011</u> | <u>2010</u> |
|----------------------------------|-------------------|-------------------|
| Salaries and wages | \$ 222,653 | \$ 179,446 |
| In-kind rent (office) | 60,000 | 60,000 |
| Depreciation expense | 20,450 | 19,766 |
| Audit fees | 19,200 | 18,600 |
| Payroll taxes | 18,129 | 14,625 |
| Contracted services | 15,524 | 7,448 |
| Interest expense | 15,046 | 22,252 |
| Unitrust annuity | 14,100 | 14,100 |
| Equipment rental and maintenance | 10,176 | 10,897 |
| Legal fees | 9,082 | 6,964 |
| Meetings and conferences | 8,429 | 8,210 |
| Public relations | 7,125 | 3,981 |
| Telephone | 7,099 | 7,176 |
| Custodial expenses | 6,665 | 9,051 |
| Utilities | 5,105 | 5,441 |
| Retirement plan employer match | 5,786 | 5,003 |
| Office supplies | 5,760 | 4,392 |
| Postage and shipping | 4,495 | 2,746 |
| Employee expense reimbursement | 4,360 | 3,583 |
| Special project expense | 2,914 | 5,132 |
| Publications and printing | 2,443 | - |
| Dues and subscriptions | 2,248 | 2,248 |
| Director/officer insurance | 1,771 | 1,918 |
| Health insurance | 1,544 | 2,441 |
| Business insurance | 1,361 | 1,255 |
| Disability insurance | 1,173 | 1,174 |
| Life insurance - employees | 852 | 806 |
| Workers' compensation | 471 | 368 |
| Commercial crime bond insurance | 387 | 411 |
| Credit card processing fees | 208 | 279 |
| State filing fees | 200 | 200 |
| Advertising | 111 | 230 |
| Miscellaneous expense | 33 | 529 |
| Total Operating Expense | <u>\$ 474,900</u> | <u>\$ 420,672</u> |

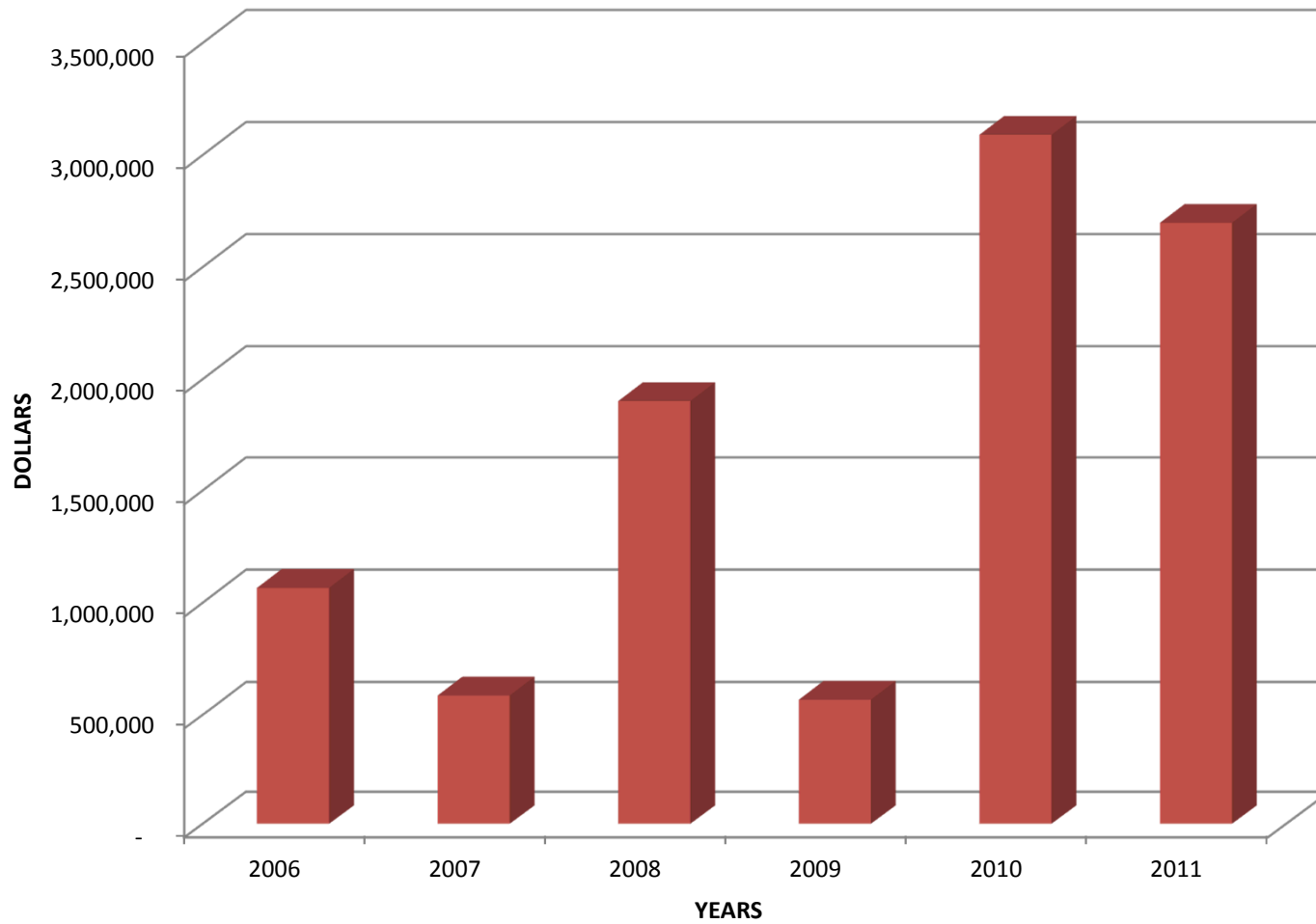
See Auditor's Report

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



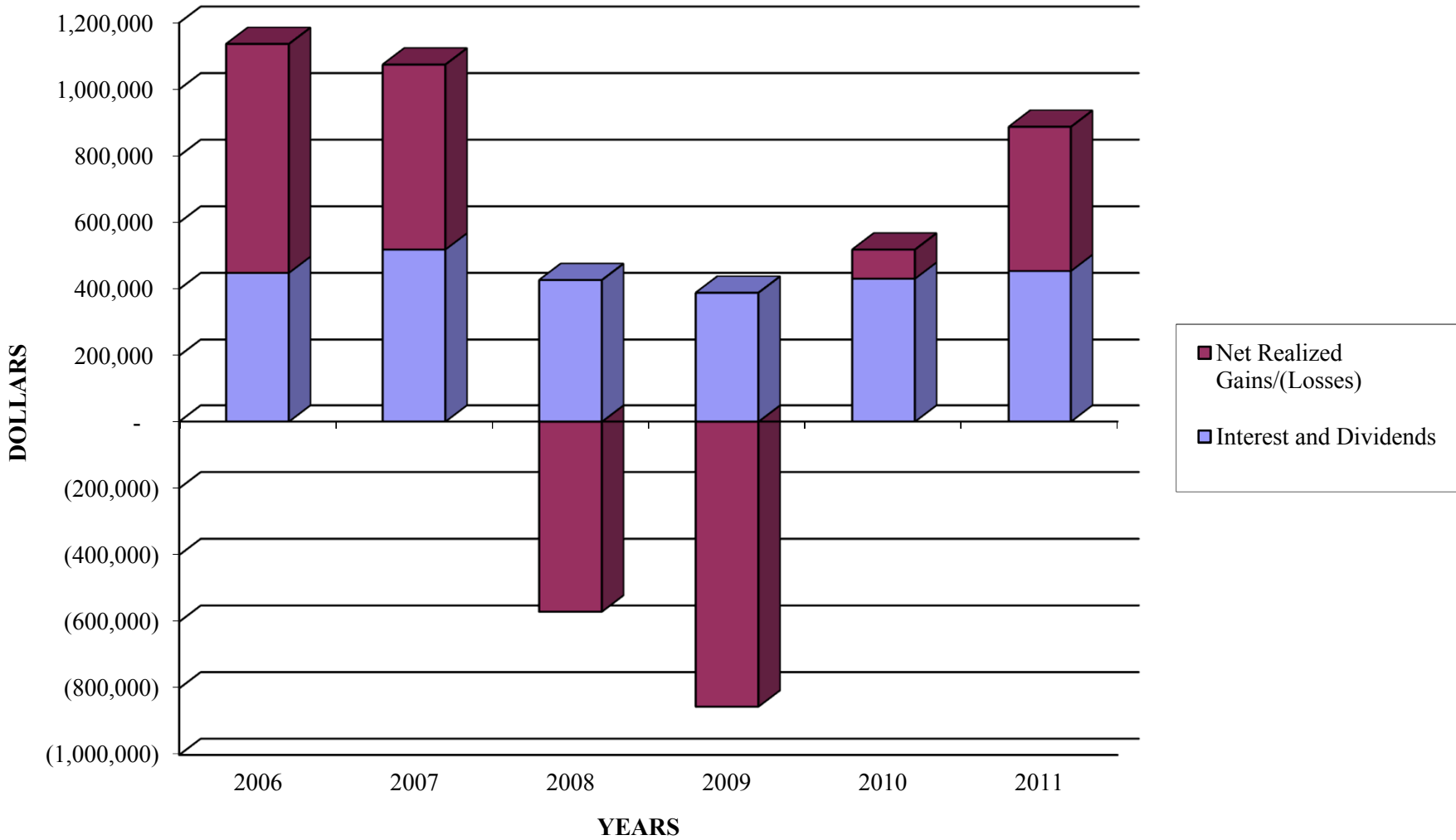
See Auditor's Report

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



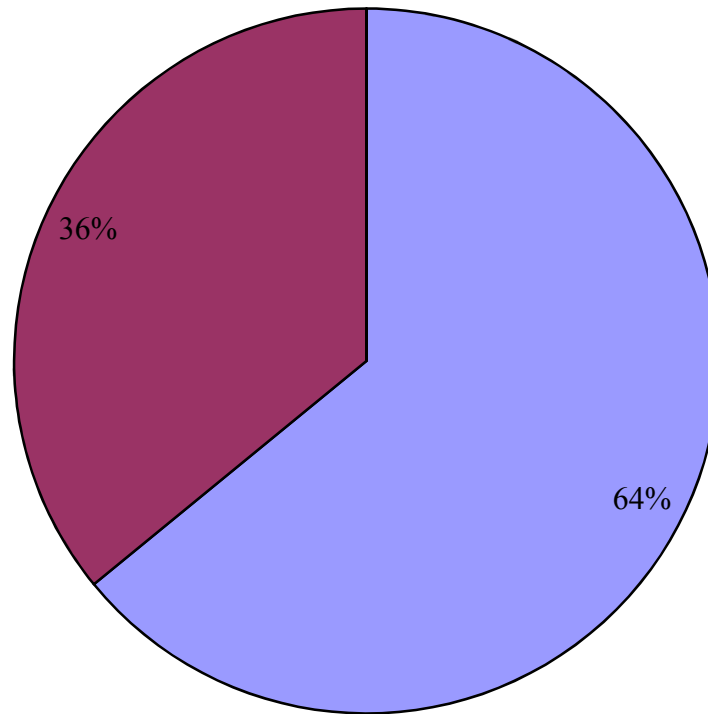
See Auditor's Report

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



See Auditor's Report

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES
INVESTMENT (COMPOSITION - AT MARKET)
Year Ended December 31, 2011



See Auditor's Report