

**THE MUSKINGUM COUNTY COMMUNITY  
FOUNDATION AND AFFILIATES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2013 and 2012**

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

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 (the Foundation) which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years then ended and the related notes to the consolidated financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated 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, 2013 and 2012, 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 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 21 through 25 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.

A handwritten signature in cursive script that reads "John Gerlach & Company LLP". The signature is written in black ink and is positioned above the typed name and date.

Columbus, Ohio  
July 28, 2014

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2013 and 2012

ASSETS

	<u>2013</u>	<u>2012</u>
Current Assets:		
Cash and cash equivalents	\$ 903,428	\$ 4,200,171
Certificates of deposit	30,936	12,708
Pledges receivable, net of allowance for uncollectible accounts of \$24,632 in 2013 and \$7,800 in 2012	459,652	443,085
Accounts receivable	31,230	38,654
Other receivables	14,658	22,294
Inventory	7,525	6,049
Prepaid expenses	1,459	4,333
 Total Current Assets	 <u>1,448,888</u>	 <u>4,727,294</u>
 Property and equipment, net	 <u>1,170,921</u>	 <u>1,160,007</u>
 Other Assets:		
Long-term certificates of deposit	239,645	260,121
Investments	16,756,176	15,171,649
Collections acquired since January 1, 1997	21,140	20,698
Cash surrender value - life insurance policies	352,578	320,194
Contributions receivable - charitable remainder trusts	72,739	63,242
Long-term note receivable	7,182,500	-
Long-term pledges receivable	336,493	585,298
Debt issuance costs, net	50,965	-
 Total Other Assets	 <u>25,012,236</u>	 <u>16,421,202</u>
  Total Assets	  <u>\$ 27,632,045</u>	  <u>\$ 22,308,503</u>

See Notes to Financial Statements

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2013 and 2012

LIABILITIES AND NET ASSETS

	<u>2013</u>	<u>2012</u>
Liabilities:		
Current Liabilities:		
Accounts payable	\$ 1,509	\$ 9,790
Grants payable	1,787	250
Accrued expenses	10,390	6,316
Payroll taxes and withholdings	3,778	3,293
Current portion of annuity liability	14,100	14,100
Current portion of capital lease	2,761	3,012
Current portion of refundable advance	29,409	30,805
Current portion of long-term debt	350,000	-
Deferred revenue	4,750	-
Funds held as agency endowments	877,072	820,662
Total Current Liabilities	<u>1,295,556</u>	<u>888,228</u>
Long-term Liabilities:		
Annuity liability, net of current portion	66,981	71,485
Capital lease, net of current portion	-	2,760
Refundable advances, net of current portion	-	70,870
Long-term debt, net of current portion	<u>3,292,550</u>	<u>-</u>
Total Long-term Liabilities	<u>3,359,531</u>	<u>145,115</u>
Total Liabilities	<u>4,655,087</u>	<u>1,033,343</u>
Net Assets:		
Unrestricted	22,180,813	20,246,777
Temporarily restricted	796,145	1,028,383
Total Net Assets	<u>22,976,958</u>	<u>21,275,160</u>
Total Liabilities and Net Assets	<u>\$ 27,632,045</u>	<u>\$ 22,308,503</u>

See Notes to Financial Statements

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue:			
Support:			
Gifts and bequests	\$ 593,587	\$ 244,468	\$ 838,055
Grants received	-	-	-
In-kind donations	60,965	-	60,965
	<u>654,552</u>	<u>244,468</u>	<u>899,020</u>
Revenue:			
Interest and dividends	607,441	-	607,441
Net realized and unrealized gains on investments	1,500,901	-	1,500,901
Administrative fees	189,414	-	189,414
Auction revenue	13,839	-	13,839
Event revenue	41,671	-	41,671
Miscellaneous income	37,503	-	37,503
Increase in cash surrender value - life insurance	32,384	-	32,384
Change in value of trust agreements	14,001	-	14,001
	<u>2,437,154</u>	<u>-</u>	<u>2,437,154</u>
Net assets released from restrictions	476,706	(476,706)	-
Total Support and Revenue	<u>3,568,412</u>	<u>(232,238)</u>	<u>3,336,174</u>
Expenses:			
Grants awarded	689,322	-	689,322
Investment and trust expense	310,599	-	310,599
Operating expense	622,233	-	622,233
Fundraising expense	12,222	-	12,222
Total Expenses	<u>1,634,376</u>	<u>-</u>	<u>1,634,376</u>
Change in Net Assets	1,934,036	(232,238)	1,701,798
Net Assets at Beginning of Year	20,246,777	1,028,383	21,275,160
Net Assets at End of Year	<u>\$ 22,180,813</u>	<u>\$ 796,145</u>	<u>\$ 22,976,958</u>

See Notes to Financial Statements

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue:			
Support:			
Gifts and bequests	\$ 732,057	\$ 23,950	\$ 756,007
Grants received	105,976	-	105,976
In-kind donations	69,960	-	69,960
	<u>907,993</u>	<u>23,950</u>	<u>931,943</u>
Revenue:			
Interest and dividends	457,657	-	457,657
Net realized and unrealized gains on investments	1,159,108	-	1,159,108
Administrative fees	175,790	-	175,790
Auction revenue	10,995	-	10,995
Event revenue	50,643	-	50,643
Miscellaneous income	3,712	-	3,712
Increase in cash surrender value - life insurance	9,648	-	9,648
Change in value of trust agreements	9,232	-	9,232
	<u>1,876,785</u>	<u>-</u>	<u>1,876,785</u>
Net assets released from restrictions	1,469,423	(1,469,423)	-
Total Support and Revenue	<u>4,254,201</u>	<u>(1,445,473)</u>	<u>2,808,728</u>
Expenses:			
Grants awarded	1,621,540	-	1,621,540
Investment and trust expense	298,330	-	298,330
Operating expense	464,587	-	464,587
Fundraising expense	8,518	-	8,518
Total Expenses	<u>2,392,975</u>	<u>-</u>	<u>2,392,975</u>
Change in Net Assets	1,861,226	(1,445,473)	415,753
Net Assets at Beginning of Year	18,385,551	2,473,856	20,859,407
Net Assets at End of Year	<u>\$ 20,246,777</u>	<u>\$ 1,028,383</u>	<u>\$ 21,275,160</u>

See Notes to Financial Statements

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 1,701,798	\$ 415,753
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	29,916	20,512
Donated property and equipment	(30,000)	-
Increase in cash surrender value of life insurance	(32,384)	(9,648)
Provision for loss on unconditional promises to give	16,832	-
Amortization of discount on unconditional promises to give	(777)	(1,656)
Donated inventory	(1,850)	(205)
Net realized and unrealized (gains)/losses on investments	(1,500,901)	(1,159,108)
(Increase) decrease in:		
Pledges receivable	216,183	1,447,129
Contributions receivable - charitable remainder unitrust	(9,497)	(4,592)
Accounts receivable	7,424	(734)
Other receivables	7,636	1,407
Inventory	374	1,409
Prepaid expenses	2,874	2,100
Increase (decrease) in:		
Accounts payable	(8,281)	(117,980)
Grants payable	1,537	(32,000)
Accrued expenses	4,074	1,645
Annuity liability	(4,504)	(4,640)
Payroll taxes payable	485	3,666
Deferred revenue	4,750	-
Agency funds	56,410	66,586
Net Cash Provided (Used) by Operating Activities	<u>462,099</u>	<u>629,644</u>
Cash Flows from Investing Activities:		
Issuance of note receivable	(7,182,500)	-
Redemption of certificates of deposit	2,248	597,063
Purchase of property and equipment	(1,369)	(85,458)
Purchase of collections	(442)	(449)
Purchase of investments	(6,570,048)	(3,652,510)
Proceeds from redemption of investments	6,486,422	4,482,799
Net Cash Provided (Used) by Investing Activities	<u>(7,265,689)</u>	<u>1,341,445</u>
Cash Flows from Financing Activities:		
Proceeds received from notes payable	4,042,550	-
Payments on notes payables	(400,000)	-
Repayment of refundable advance	(72,266)	(111,155)
Debt issuance costs	(60,426)	-
Payments on capital lease	(3,011)	(3,012)
Net Cash Provided (Used) by Financing Activities	<u>3,506,847</u>	<u>(114,167)</u>
Net Increase (Decrease) in Cash and Equivalents	<u>(3,296,743)</u>	<u>1,856,922</u>
Cash and Equivalents, Beginning of Year	4,200,171	2,343,249
Cash and Equivalents, End of Year	<u>\$ 903,428</u>	<u>\$ 4,200,171</u>
Supplemental Disclosure:		
Cash paid for interest	<u>\$ 158,249</u>	<u>\$ 9,313</u>

See Notes to Financial Statements



THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2013

**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), MCCF III LLC (a limited liability company) and Wooden Building LTD (a limited liability company). The Foundation is the sole member of the 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, to support the Foundation and its charitable purposes. Wooden Building LTD was formed in July 2013 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, MCCF III LLC and Wooden Building LTD. 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, 2013 or 2012.

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.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2013

**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 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.

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.

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 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.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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

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, 2013 and 2012, the Foundation did not have donated property, which was 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 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, 2013 and 2012 was \$20,455 and \$20,512, 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.

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. With few exceptions, the Foundation is no longer subject to U.S. federal, state and local tax examinations by tax authorities for years before 2010.

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.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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

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 30<sup>th</sup> 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.

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:

	2013	2012
Cash on hand, checking and savings accounts	\$ 337,271	\$ 3,624,059
Cash management funds	566,157	576,112
	\$ 903,428	\$ 4,200,171

**3. PLEDGES RECEIVABLE**

Pledges receivable at December 31 are as follows:

	2013	2012
Receivable in less than one year	\$ 484,284	\$ 450,885
Receivable in one to five years at face value	336,769	586,351
Total Pledges Receivable at Face Value	821,053	1,037,236
Less: Discount to net present value	(276)	(1,053)
Total Pledges Receivable at Net Present Value	820,777	1,036,183
Less: Allowances for uncollectible Pledges Receivable	(24,632)	(7,800)
Net Pledges Receivable at December 31	\$ 796,145	\$ 1,028,383

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2013

**3. PLEDGES RECEIVABLE (continued)**

	<u>2013</u>	<u>2012</u>
Current pledges receivable	\$ 459,652	\$ 443,085
Long-term pledges receivable	336,493	585,298
	<u>\$ 796,145</u>	<u>\$ 1,028,383</u>

Discount rates on long-term pledges receivable range from 0.02% to 0.12% depending upon the year of origination.

**4. INVESTMENTS**

Investments at December 31 consist of the following:

	<u>2013</u>		
	<u>Cost</u>	<u>Market</u>	<u>Unrealized Appreciation (Depreciation)</u>
Equity funds	\$ 4,488,912	\$ 5,152,779	\$ 663,867
Common stock domestic	4,349,662	5,957,887	1,608,225
Common stock international	111,996	201,407	89,411
Preferred stock	-	-	-
Commodity funds	882,286	813,226	(69,060)
Bond funds	3,452,014	3,480,530	28,516
Corporate obligations domestic	934,436	958,249	23,813
Corporate obligations international	59,970	61,486	1,516
Governmental obligations	97,895	97,462	(433)
Interest in limited partnership	26,450	33,150	6,700
	<u>\$ 14,403,621</u>	<u>\$ 16,756,176</u>	<u>\$ 2,352,555</u>

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2013

4. INVESTMENTS (continued)

	2012		
	Cost	Market	Unrealized Appreciation (Depreciation)
Equity funds	\$ 3,538,978	\$ 4,313,024	\$ 774,046
Common stock domestic	3,324,304	4,052,101	727,797
Common stock international	252,157	366,922	114,765
Preferred stock	65,121	63,515	(1,606)
Commodity funds	973,367	1,017,437	44,070
Bond funds	3,602,370	3,749,492	147,122
Corporate obligations domestic	1,260,242	1,294,537	34,295
Corporate obligations international	107,287	108,606	1,319
Governmental obligations	114,203	115,871	1,668
Interest in limited partnership	94,926	90,144	(4,782)
	<u>\$ 13,332,955</u>	<u>\$ 15,171,649</u>	<u>\$ 1,838,694</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, 2013 and 2012, the Foundation had contributions receivable from a unitrust of \$308,817 and \$282,014, respectively. These contributions receivable were discounted to \$72,739 for 2013 and \$63,242 for 2012 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.

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, 2013 and 2012 is as follows:

	2013	2012
Total net present value	\$ 81,081	\$ 85,585
Current portion	14,100	14,100
Long-term portion	<u>\$ 66,981</u>	<u>\$ 71,485</u>

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2013

**7. PROPERTY AND EQUIPMENT**

These assets consist of:

	2013	2012
Buildings and renovations	\$ 354,536	\$ 327,736
Land	858,116	855,416
Leasehold improvements	115,645	115,645
Office equipment	100,948	100,948
Furniture and fixtures	43,182	41,313
	1,472,427	1,441,058
Accumulated depreciation	(301,506)	(281,051)
	\$ 1,170,921	\$ 1,160,007

**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.

**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 2013 and 2012, cash surrender values increased by \$32,384 and \$9,648, respectively. The aggregate face values of the policies assigned to the Foundation are \$1,953,265 and \$1,954,581 at December 31, 2013 and 2012, respectively.

**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). Depository accounts are insured by the Federal Deposit Insurance Corporation up to a maximum of \$250,000 in aggregate.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2013

**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, 2013 and 2012, segregated funds include the Josephine Sebach Educational Fund assets with market values of \$1,720,742 and \$1,502,316, respectively, the Longaberger Quality of Life Endowment Fund assets with market values of \$1,182,753 and \$1,129,807, respectively, funds established from the estate assets of Mary Vashti Funk with market values of \$1,928,630 and \$1,701,217, respectively, funds established from the estate assets of Emmett J. France with market values of \$966,003 and \$857,764, respectively, the Sarah E. Slack Prevention of Blindness Fund with market values of \$1,292,538 and \$1,050,678, respectively, and the Cerney Charitable Remainder Trust Annuity with market values of \$179,618 and \$180,100, respectively. These funds included cash and cash equivalents of \$154,298 and \$340,908 at December 31, 2013 and 2012, 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 \$5,701 and \$5,217 to the plan during the years ended December 31, 2013 and 2012, 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, 2013 and 2012:

	2013	2012
Office equipment	\$ 13,747	\$ 13,747
Accumulated depreciation	(8,926)	(6,177)
	\$ 4,821	\$ 7,570

The present value of future minimum lease payments under capital lease due subsequent to December 31, 2013 are as follows:

2014	\$ 2,761
Total minimum lease payments	\$ 2,761



THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2013

**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.

At December 31, 2013 and 2012, the Foundation was the owner of 20 agency endowment funds with a combined value of \$877,072 and \$820,662, respectively. The following table summarizes activity in such funds during the years ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Agency Endowment Fund balances at January 1	\$ 820,662	\$ 754,076
Amounts raised	19,213	16,865
Investment income, net of administrative and bank fees	2,601	6,255
Net unrealized and realized gains (losses) on investments	64,847	69,100
Grants	(30,251)	(25,634)
Agency Endowment Fund balances at December 31	<u>\$ 877,072</u>	<u>\$ 820,662</u>

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2013

**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.

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

Description	December 31, 2013			
	Total	Level 1	Level 2	Level 3
Equity funds	\$ 5,152,779	\$ 5,152,779	\$ -	\$ -
Common stock domestic	5,957,887	5,957,887	-	-
Common stock international	201,407	201,407	-	-
Preferred stock	-	-	-	-
Commodity funds	813,226	813,226	-	-
Bond funds	3,480,530	3,480,530	-	-
Corporate obligations domestic	958,249	958,249	-	-
Corporate obligations international	61,486	61,486	-	-
Government obligations	97,462	97,462	-	-
Interest in limited partnership	33,150	33,150	-	-
Total	<u>\$ 16,756,176</u>	<u>\$ 16,756,176</u>	<u>\$ -</u>	<u>\$ -</u>

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2013

**16. ASSETS AND LIABILITIES – FAIR VALUE INFORMATION (Continued)**

Description	December 31, 2012			
	Total	Level 1	Level 2	Level 3
Equity funds	\$ 4,313,024	\$ 4,313,024	\$ -	\$ -
Common stock domestic	4,052,101	4,052,101	-	-
Common stock international	366,922	366,922	-	-
Preferred stock	63,515	63,515	-	-
Commodity funds	1,017,437	1,017,437	-	-
Bond funds	3,749,492	3,749,492	-	-
Corporate obligations domestic	1,294,537	1,294,537	-	-
Corporate obligations international	108,606	108,606	-	-
Government obligations	115,871	115,871	-	-
Interest in limited partnership	90,144	90,144	-	-
Total	<u>\$ 15,171,649</u>	<u>\$ 15,171,649</u>	<u>\$ -</u>	<u>\$ -</u>

Gains and losses (realized and unrealized) included in change in net assets for the year ended December 31, 2013 are reported in net realized and unrealized gains on investments.

**17. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following:

	2013	2012
For future periods	\$ 796,145	\$ 1,028,383
Total	<u>\$ 796,145</u>	<u>\$ 1,028,383</u>

**18. 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 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 \$29,409 and \$79,675 at December 31, 2013 and 2012, 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 in accordance with the payment terms of the promissory note Light the Hill, Inc has with a bank. The balance of this refundable advance was \$-0- and \$22,000 at December 31, 2013 and 2012, respectively.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2013

**19. LONG-TERM DEBT**

Long-term debt at December 31, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Bridge note payable with PNC Bank, interest at 3.84% paid quarterly, principal payments due annually, matures December 2017.	\$ 1,100,000	\$ -
Term note payable with PNC Bank, interest at 4.31% paid quarterly, principal balance due in lump sum January 2020.	<u>2,542,550</u>	<u>-</u>
	3,642,550	-
Current portion of long-term debt	(350,000)	-
	<u>\$ 3,292,550</u>	<u>\$ -</u>

Annual maturities of long-term debt for the next five years and thereafter are as follows:

<u>Year Ending December 31:</u>	<u>Amount</u>
2014	\$ 350,000
2015	350,000
2016	250,000
2017	150,000
2018	-
Thereafter	<u>2,542,550</u>
	3,642,550
Current portion of long-term debt	(350,000)
	<u>\$ 3,292,550</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.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2013

**20. LONG-TERM NOTE RECEIVABLE**

Long-term note receivable at December 31, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Note receivable from Muskingum Investment Fund, LLC, interest at 2.519% paid quarterly, beginning January 2020 quarterly interest and principal payments due, matures January 2042.	\$ 7,182,500	\$ -
	<u>7,182,500</u>	<u>-</u>
Current portion of long-term note receivable	-	-
	<u>\$ 7,182,500</u>	<u>\$ -</u>

**21. COMMITMENT**

The Foundation signed a five year licensing agreement with their software provider. The agreement automatically renews for three years unless either party provides notice of its intent not to renew within 365 days prior to the end of the term. The Foundation pays a license fee of \$2,100/month the first 12 months, \$2,300/month the second 12 months, \$2,600/month the third 12 months, thereafter the fee is calculated daily based on the Foundation's asset value.

Minimum payments as of December 31, 2013 are approximated as follows:

<u>Year Ending December 31:</u>	<u>Amount</u>
2014	\$ 27,000
2015	30,300
2016	34,800
2017	36,000
2018	9,000
	<u>\$ 137,100</u>

Expense associated with the above commitment, for the years ended December 31, 2013 and 2012, totaled \$26,418 and \$-0-, respectively.

**22. RECLASSIFICATION**

Certain amounts in the 2012 financial statements have been reclassified to conform to the 2013 presentation. Such reclassifications had no effect on the reported change in net assets.

**23. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through July 28, 2014, which is the date the financial statements were available to be issued.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

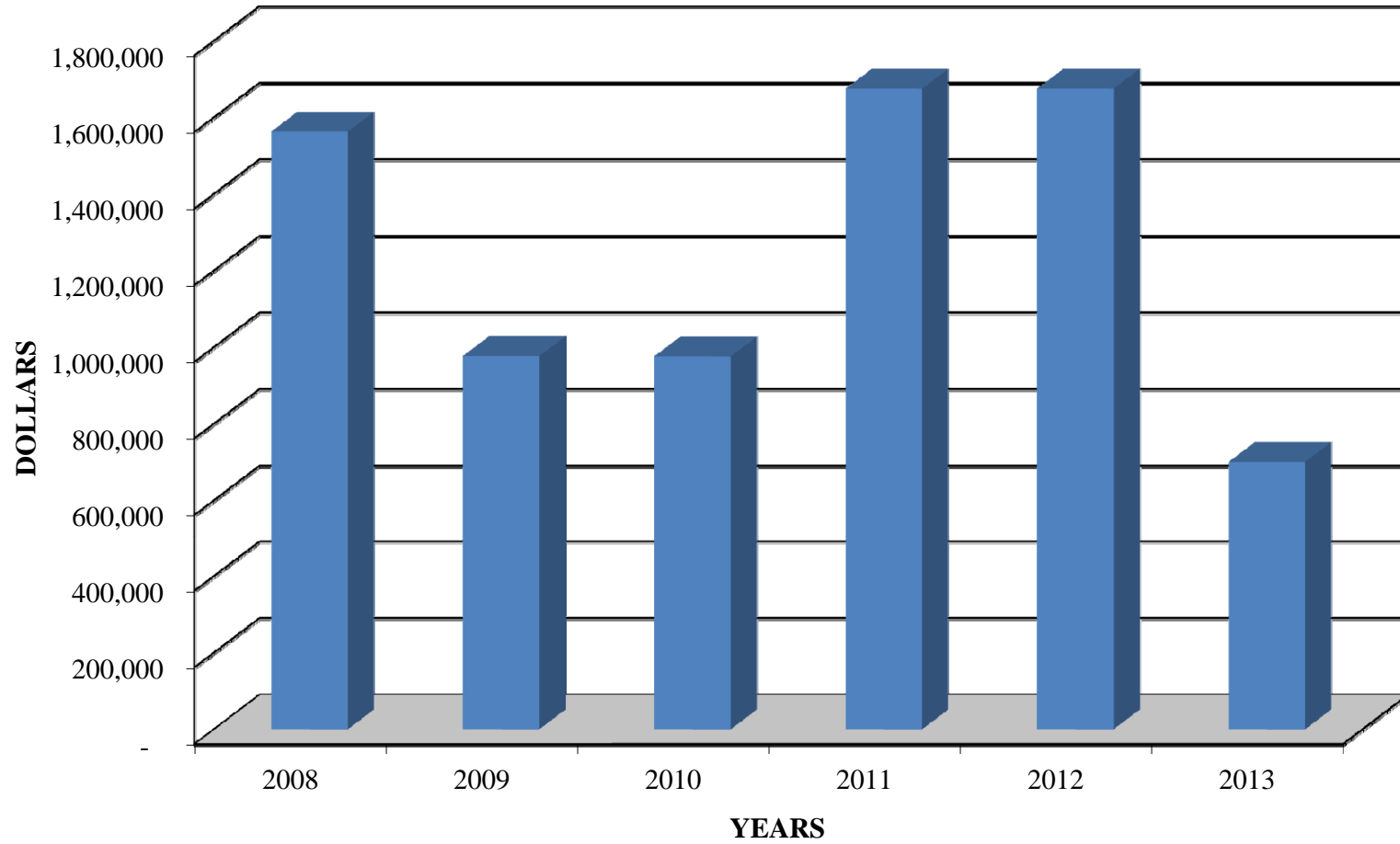
CONSOLIDATED SCHEDULES OF OPERATING EXPENSES

For the Year Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Salaries and wages	\$ 185,318	\$ 226,079
Interest expense	158,249	9,313
In-kind rent (office)	60,000	60,000
Depreciation and amortization expense	29,916	20,512
Software license fees	26,418	-
Payroll and unemployment taxes	22,021	18,760
Audit fees	21,400	20,700
Bad debt expense	16,832	-
Unitrust annuity	14,100	14,100
Contracted services	11,091	2,800
Custodial expenses	8,638	9,113
Utilities	7,180	6,173
Telephone/Internet/Security system	7,014	7,309
Equipment rental and maintenance	6,852	14,586
Legal fees	6,362	5,363
Public relations	6,124	6,494
Retirement plan employer match	5,701	5,217
Health insurance	5,083	1,735
Dues and subscriptions	3,798	3,120
Meetings and conferences	2,722	6,344
Business insurance	2,360	1,550
Employee expense reimbursement	2,355	6,349
Office supplies	2,312	4,842
Special project expense	2,137	3,500
Director/officer insurance	1,753	1,753
Disability insurance	1,744	1,330
Life insurance - employees	1,266	969
Postage and shipping	1,035	4,706
Workers' compensation	667	566
Miscellaneous expense	595	413
Credit card processing fees	489	180
Commercial crime bond insurance	449	511
State filing fees	200	200
Publications and printing	52	-
Total Operating Expense	<u>\$ 622,233</u>	<u>\$ 464,587</u>

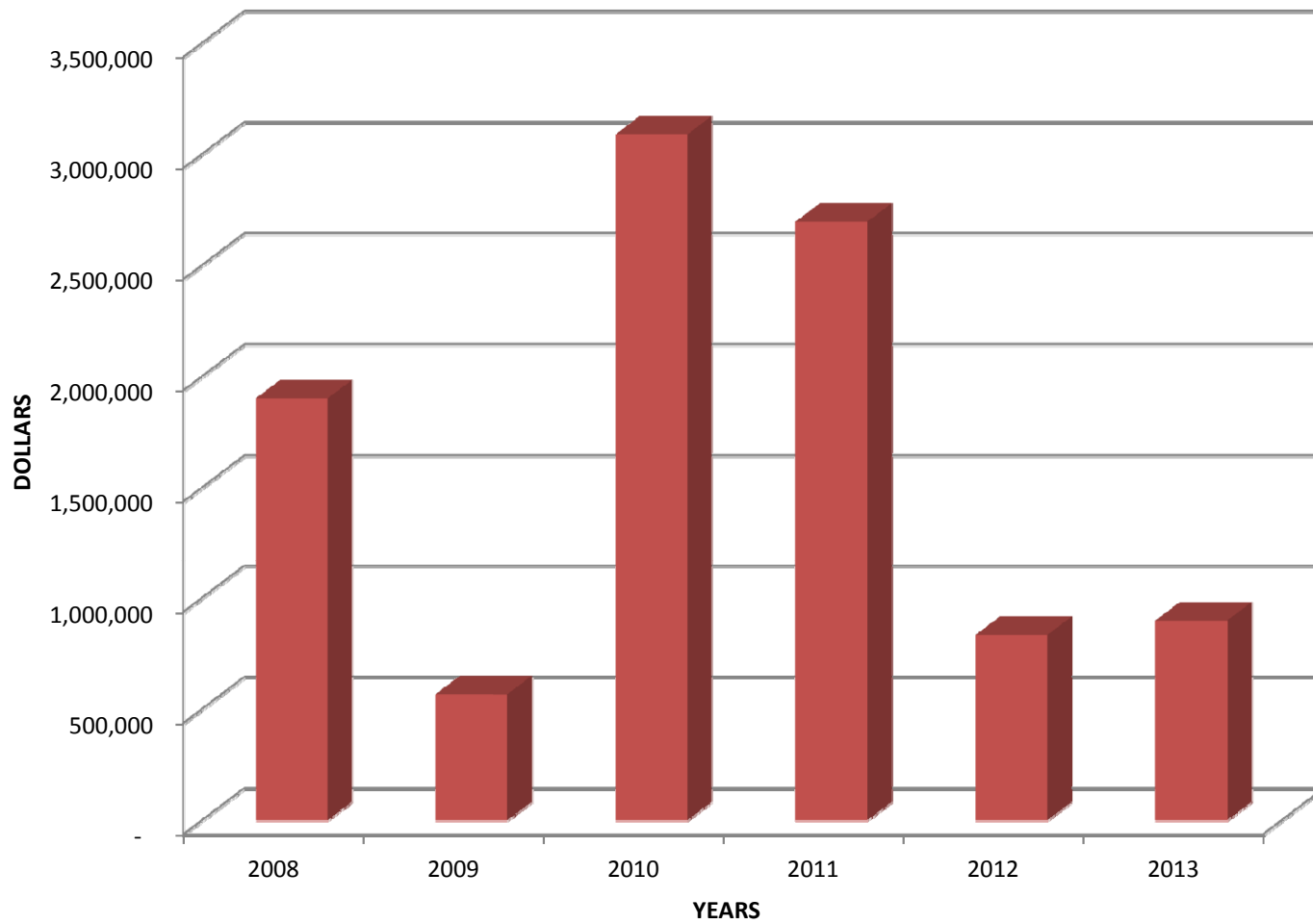
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THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES  
GRANTS AWARDED  
Years Ended December 31,



See Auditor's Report

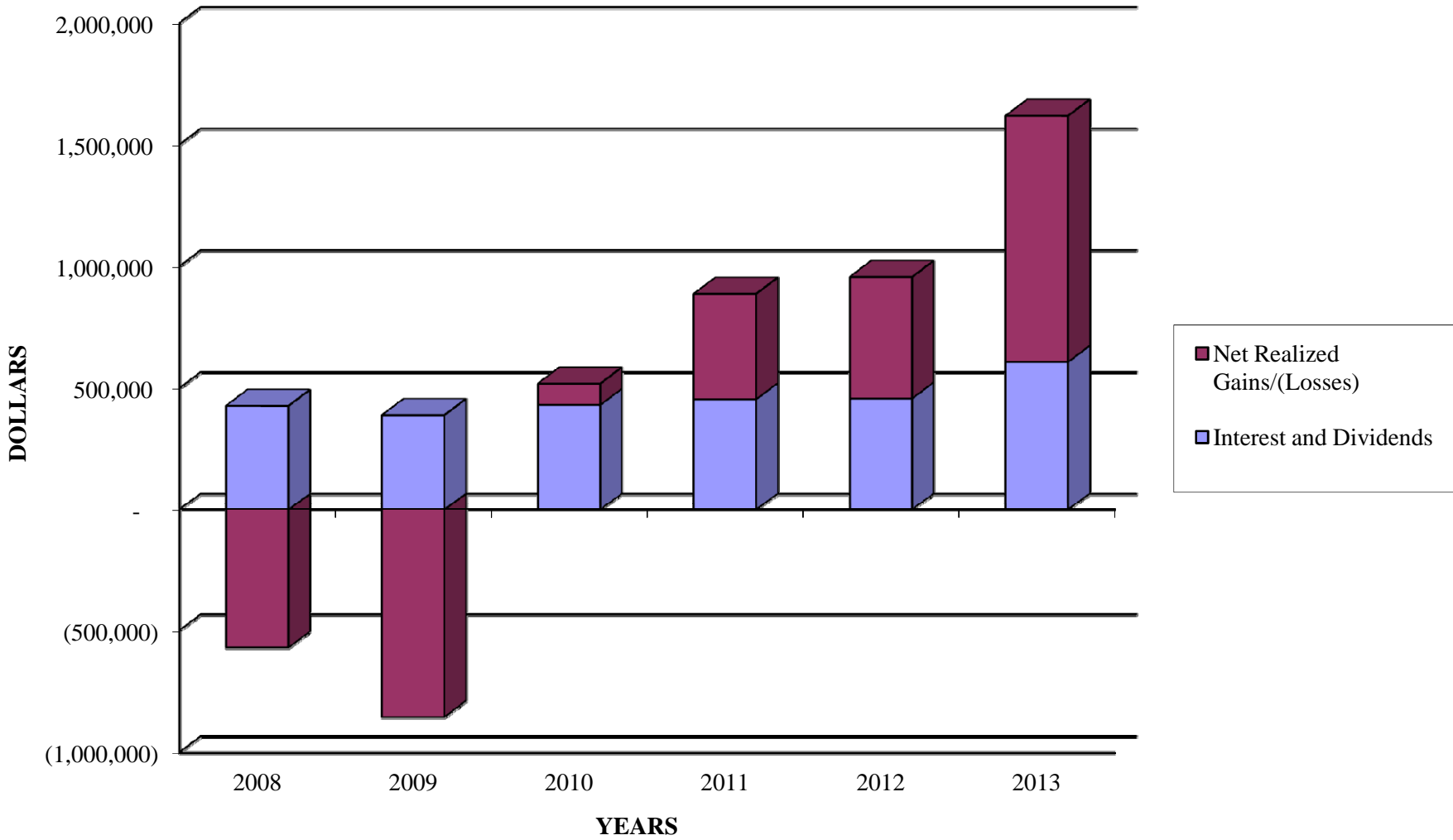
THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES  
GIFTS, BEQUEST AND IN-KIND DONATIONS  
Years Ended December 31,



See Auditor's Report

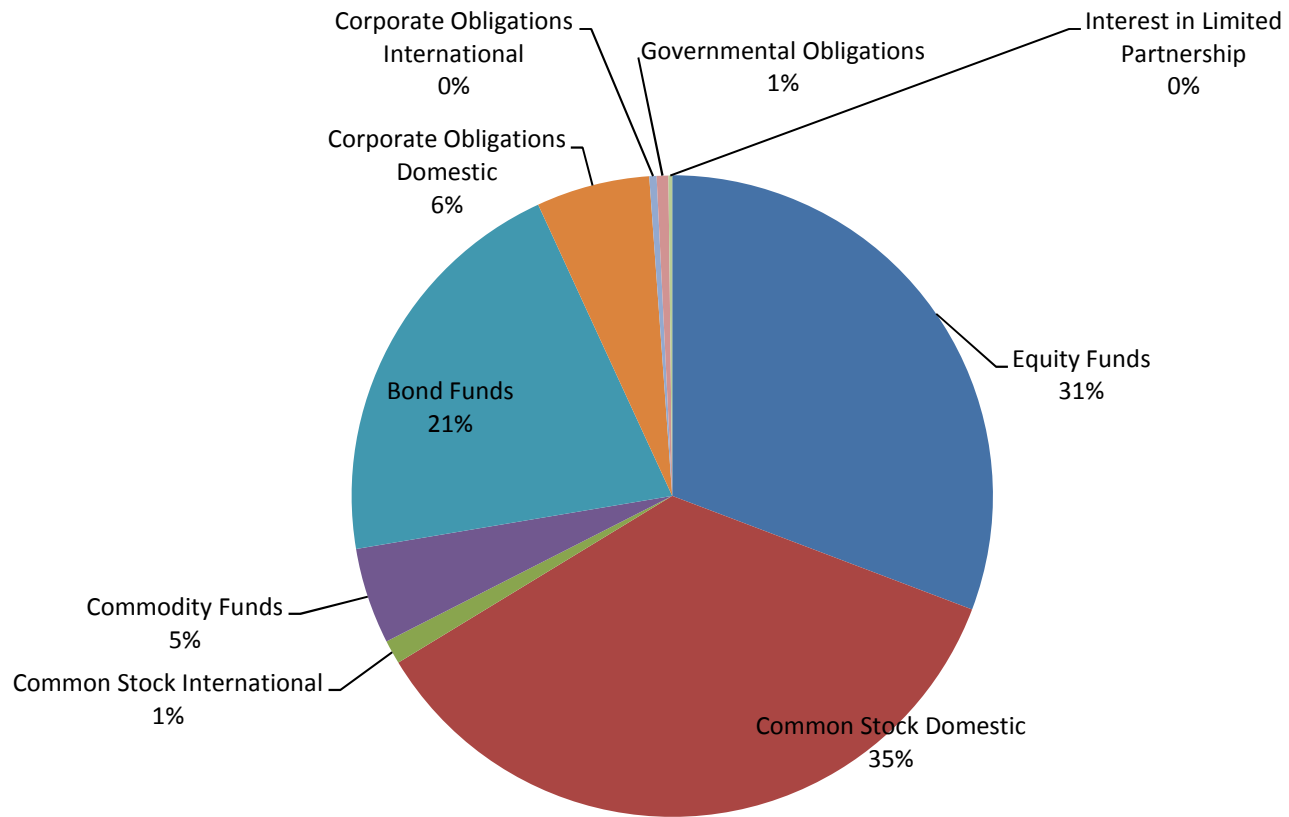


THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES  
 INVESTMENT INCOME (EXCLUDING UNREALIZED GAINS (LOSSES))  
 Years Ended December 31,



See Auditor's Report

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES  
INVESTMENT (COMPOSITION - AT MARKET)  
Year Ended December 31, 2013



See Auditor's Report