

The Muskingum County Community  
Foundation and Affiliates  
*Audited Consolidated Financial Statements*

As of and for the Years Ended  
December 31, 2018 and 2017



Rea & associates

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August 7, 2019

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

### INDEPENDENT AUDITOR'S REPORT

#### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Muskingum County Community Foundation and Affiliates (collectively, the "Foundation") which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, change in net assets, and cash flows for the years then ended, the statement of functional expenses for the year ended December 31, 2018, and the related notes to the consolidated financial statements (the "financial statements").

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Muskingum County Community Foundation and Affiliates as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The consolidated schedules of operating expenses on page 22 and graphs representing: grants awarded, gifts, bequests, in-kind donations, and grants received, investment income, and investment composition on pages 23 through 26 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Rea & Associates, Inc.*

Rea & Associates, Inc.  
Dublin, Ohio

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2018 AND 2017

ASSETS

	2018	2017
	<hr/>	<hr/>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 1,560,907	\$ 1,137,161
Certificates of deposit	131,670	146,171
Pledges receivable, net of allowance for uncollectible accounts of \$22,000 in 2018 and 2017	79,654	184,604
Contributions receivable	23,095	11,783
Accounts receivable	34,489	48,345
Other receivables	14,657	14,657
Other current assets	10,330	7,546
Prepaid expenses	2,344	2,129
	<hr/>	<hr/>
Total current assets	1,857,146	1,552,396
PROPERTY AND EQUIPMENT, NET	1,389,975	1,405,899
<b>OTHER ASSETS:</b>		
Investments	19,614,913	20,998,366
Collectibles and artwork	28,680	24,590
Cash surrender value - life insurance policies	434,843	413,443
Contributions receivable - charitable remainder trusts	84,219	90,537
Long-term note receivable	7,182,500	7,182,500
Long-term pledges receivable	79,717	98,040
	<hr/>	<hr/>
Total other assets	27,424,872	28,807,476
Total assets	<hr/> <hr/> \$ 30,671,993	<hr/> <hr/> \$ 31,765,771

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

LIABILITIES AND NET ASSETS

	<u>2018</u>	<u>2017</u>
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable	\$ 10,295	\$ 12,357
Grants payable	7,475	16,058
Accrued expenses	6,382	7,609
Current portion of annuity liability	14,100	14,100
Current portion of capital lease	2,180	2,180
Refundable advance	16,025	52,580
Funds held as agency endowments	787,792	983,481
Total current liabilities	<u>844,249</u>	<u>1,088,365</u>
Long-term liabilities:		
Capital lease liability, net of current portion	384	2,564
Annuity liability, net of current portion	26,860	33,853
Long-term debt, net of current portion	2,537,082	2,531,613
Total long-term liabilities	<u>2,564,326</u>	<u>2,568,030</u>
Total liabilities	<u>3,408,575</u>	<u>3,656,395</u>
<b>NET ASSETS:</b>		
Without donor restrictions, undesignated	24,874,806	25,338,066
Without donor restrictions, board designated	2,229,241	2,488,666
With donor restrictions	159,371	282,644
Total net assets	<u>27,263,418</u>	<u>28,109,376</u>
Total liabilities and net assets	<u>\$ 30,671,993</u>	<u>\$ 31,765,771</u>

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

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES  
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2018

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<b>SUPPORT AND REVENUE:</b>			
Support:			
Gifts and bequests	\$ 1,349,179	\$ 73,750	\$ 1,422,929
Grants received	362,081	-	362,081
In-kind donations	63,025	-	63,025
<b>Total support</b>	<b>1,774,285</b>	<b>73,750</b>	<b>1,848,035</b>
Revenue:			
Interest and dividends	764,364	-	764,364
Net realized and unrealized losses on investments	(1,459,132)	-	(1,459,132)
Administrative fees	246,506	-	246,506
Event revenue	111,940	-	111,940
Miscellaneous income	8,949	-	8,949
Increase in cash surrender value - life insurance	21,400	-	21,400
Change in value of trust agreements	676	-	676
<b>Total revenue</b>	<b>(305,297)</b>	<b>-</b>	<b>(305,297)</b>
Net assets released from restrictions	197,023	(197,023)	-
<b>Total support and revenue</b>	<b>1,666,011</b>	<b>(123,273)</b>	<b>1,542,738</b>
<b>EXPENSES:</b>			
Program services	1,435,700	-	1,435,700
Management and general	701,385	-	701,385
Fundraising expenses	251,611	-	251,611
<b>Total expenses</b>	<b>2,388,696</b>	<b>-</b>	<b>2,388,696</b>
<b>Change in net assets</b>	<b>(722,685)</b>	<b>(123,273)</b>	<b>(845,958)</b>
NET ASSETS, beginning of year	27,826,732	282,644	28,109,376
NET ASSETS, end of year	\$ 27,104,047	\$ 159,371	\$ 27,263,418

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

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

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<b>SUPPORT AND REVENUE:</b>			
Support:			
Gifts and bequests	\$ 1,053,780	\$ 121,955	\$ 1,175,735
Grants received	244,189	-	244,189
In-kind donations	63,619	-	63,619
<b>Total support</b>	<b>1,361,588</b>	<b>121,955</b>	<b>1,483,543</b>
Revenue:			
Interest and dividends	612,484	-	612,484
Net realized and unrealized gains on investments	2,501,922	-	2,501,922
Administrative fees	228,693	-	228,693
Event revenue	78,236	-	78,236
Miscellaneous income	30,840	-	30,840
Gain on sale of property and equipment	50,089	-	50,089
Increase in cash surrender value - life insurance	20,347	-	20,347
Change in value of trust agreements	27,612	-	27,612
<b>Total revenue</b>	<b>3,550,223</b>	<b>-</b>	<b>3,550,223</b>
Net assets released from restrictions	77,742	(77,742)	-
<b>Total support and revenue</b>	<b>4,989,553</b>	<b>44,213</b>	<b>5,033,766</b>
<b>EXPENSES:</b>			
Grants awarded	998,652	-	998,652
Investment and trust expense	236,356	-	236,356
Operating expense	760,970	-	760,970
Fundraising expense	90,968	-	90,968
<b>Total expenses</b>	<b>2,086,946</b>	<b>-</b>	<b>2,086,946</b>
<b>Change in net assets</b>	<b>2,902,607</b>	<b>44,213</b>	<b>2,946,820</b>
NET ASSETS, beginning of year	24,924,125	238,431	25,162,556
NET ASSETS, end of year	<b>\$ 27,826,732</b>	<b>\$ 282,644</b>	<b>\$ 28,109,376</b>

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



THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018

	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUNDRAISING	TOTAL
Grants awarded	\$ 1,193,241	\$ -	\$ -	\$ 1,193,241
Investment and trust expense	-	255,777	-	255,777
Fundraising expense	-	-	86,090	86,090
Salaries and wages	163,528	45,007	106,204	314,739
Employee benefits	14,958	2,422	15,860	33,240
Payroll taxes	19,054	5,615	8,183	32,852
Professional fees	5,509	44,069	5,509	55,087
Advertising	2,133	17,061	2,133	21,327
Office expenses	5,392	43,135	5,392	53,919
Occupancy	10,602	84,819	10,602	106,023
Conferences and meetings	991	6,910	2,007	9,908
Interest	-	118,667	-	118,667
Depreciation expense	11,623	9,509	-	21,132
Insurance	1,460	11,681	1,460	14,601
Special project expenses	533	4,267	533	5,333
Bad debt	2,665	21,320	2,665	26,650
Unitrust annuity	1,410	11,280	1,410	14,100
Dues and subscriptions	513	3,141	1,475	5,129
Contracted services	1,172	9,374	1,172	11,718
Other expenses	916	7,331	916	9,163
	<u>\$ 1,435,700</u>	<u>\$ 701,385</u>	<u>\$ 251,611</u>	<u>\$ 2,388,696</u>

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

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (845,958)	\$ 2,946,820
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	26,601	30,854
Gain on sale of property and equipment	-	(50,089)
Increase in cash surrender value of life insurance	(21,400)	(20,347)
Reinvested interest on certificates of deposit	14,501	(1,520)
Net realized and unrealized (gain) loss on investments	1,459,132	(2,643,271)
(Increase) decrease in operating assets:		
Pledges receivable	123,273	(44,213)
Contributions receivable	(11,312)	13,217
Accounts receivable	13,856	75,736
Other current assets	(2,784)	2,127
Prepaid expenses	(215)	(453)
Contributions receivable - charitable remainder trust	6,318	(13,379)
Increase (decrease) in operating liabilities:		
Accounts payable	(2,062)	7,703
Grants payable	(8,583)	(13,659)
Accrued expenses	(1,227)	209
Annuity liability	(6,993)	(14,233)
Funds held as agency endowments	(195,689)	31,416
Total adjustments	<u>1,393,416</u>	<u>(2,639,902)</u>
Net cash from operating activities	547,458	306,918
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for the purchase of property and equipment	(5,208)	(8,186)
Proceeds from sale of property and equipment	-	91,040
Payments for the purchase of collectibles	(4,090)	-
Payments for the purchase of investments	(5,985,892)	(4,192,749)
Proceeds from redemption of investments	5,910,213	3,475,592
Net cash from investing activities	<u>(84,977)</u>	<u>(634,303)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on notes payable	-	(150,000)
Net payments on refundable advance	(36,555)	(32,195)
Principal payments on capital lease liability	(2,180)	(2,158)
Net cash from financing activities	<u>(38,735)</u>	<u>(184,353)</u>
Net increase (decrease) in cash and cash equivalents	423,746	(511,738)
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,137,161</u>	<u>1,648,899</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,560,907</u>	<u>\$ 1,137,161</u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	<u>\$ 118,667</u>	<u>\$ 120,665</u>

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

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Program and Supporting Services

The Muskingum County Community Foundation, formerly The Zanesville Foundation, was formed in August 1985 for the purpose of encouraging gifts from individuals, estates, corporations and other entities and to provide the means for those gifts to be accumulated and distributed for the benefit of the community of Muskingum County. The Muskingum County Community Foundation administers the funds of MCCF, Limited (a limited liability company), MCCF II, LLC (a limited liability company), MCCF III, LLC (a limited liability company) and Wooden Building, LTD (a limited liability company). The Muskingum County Community Foundation is the sole member of these four entities. MCCF, Limited was formed in April 2002. MCCF II, LLC and MCCF III, LLC were formed in November 2004 and January 2010, respectively, and Wooden Building, LTD was formed in July 2013, to support The Muskingum County Community Foundation and its charitable purposes.

Principles of Consolidation and Method of Accounting

The consolidated financial statements are prepared on the accrual basis to include The Muskingum County Community Foundation, MCCF, Limited, MCCF II, LLC, MCCF III, LLC and Wooden Building, LTD (collectively, the "Foundation"). All intercompany accounts and transactions have been eliminated.

Net Assets and Financial Statement Presentation

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

Net Assets Without Donor Restriction – Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the "Board") and/or management for general operating purposes. From time to time, the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion. While most of the Foundation's assets are listed as unrestricted, many of them are endowments designated to benefit specific charities. Assets are listed as unrestricted due to the existence of variance power.

Net Assets With Donor Restrictions – Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. The Foundation reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

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 net assets without donor restrictions. Accordingly, the financial statements classify all net assets that the Foundation has obtained variance power from the donor as net assets without donor restrictions.

Contributions

Contributions, gifts and bequests received are recorded as with donor restriction or without donor restrictions depending on the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Donated Materials

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

In-Kind Services

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

Cash and Cash Equivalents

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

Pledges Receivable

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

Certificates of Deposit

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

Investments

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

Collectibles and Artwork

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

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 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, 2018 and 2017, the Foundation did not have donated property restricted for a specific purpose. It is the Foundation's policy to capitalize expenditures for items in excess of \$400. Expenditures for replacements are capitalized and the replaced items are retired. Maintenance and repairs are charged to operations. Gains and losses from the sale of property and equipment are included in income. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

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

Depreciation expense for the years ended December 31, 2018 and 2017 was \$21,132 and \$20,847 respectively.

Property and equipment includes a house donated to the Foundation in 1998. Subsequent renovations have been made to the house by the Foundation, as it is intended to serve local charitable needs.

Provision for Federal Income Tax

The Foundation is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and had no unrelated business income subject to income tax for the years ended December 31, 2018 and 2017.

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

Allocation of Functional Expenses

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Pronouncements Adopted

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The ASU amends the previous reporting model for not-for-profit organizations and enhances their required disclosures. The major changes relevant to the Foundation include; (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions, (b) requiring that all not-for-profit organizations present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (c) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (d) presenting investment return net of external and internal investment expenses, and (e) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of not-for-profit financial statements. The Foundation has adopted this ASU as of and for the year ended December 31, 2018, and it has not been applied retroactively, with the exception of the net asset classifications.

Recently Issued Accounting Pronouncements Not Yet Effective

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

In February 2016, the FASB issued ASU No. 2016-02 entitled “Leases (Topic 842),” which may change the Foundation’s statement of financial position by requiring lessees to recognize most leases on the balance sheet as a lease liability and corresponding right-of-use asset. This may affect compliance with any contractual agreements and loan covenants. This new standard is effective for the Foundation for fiscal years beginning after December 15, 2020, with early adoption permitted. The provisions of this standard will be applied retrospectively. Management has not yet determined whether this new standard will have a material effect on its financial statements.

Reclassification

Certain board designations for the year ended December 31, 2017, have been reclassified on the statement of financial position to reflect the presentation adopted for the year ended December 31, 2018.

Subsequent Events

Subsequent events have been evaluated through August 7, 2019, which is the date the financial statements were available to be issued. Management has determined that there were no transactions or events that required disclosure through the evaluation date.

NOTE 2: CASH AND CASH EQUIVALENTS

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

	2018	2017
Cash on hand, checking and savings accounts	\$ 566,740	\$ 468,463
Cash management funds	994,167	668,698
Total cash and cash equivalents	<u>\$ 1,560,907</u>	<u>\$ 1,137,161</u>

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3: PLEDGES RECEIVABLE

Pledges receivable consisted of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$ 101,654	\$ 206,604
Receivable in one to five years at face value	<u>79,717</u>	<u>98,040</u>
Pledges receivable, at face value	181,371	304,644
Less: allowances for uncollectible pledges receivable	<u>(22,000)</u>	<u>(22,000)</u>
Pledges receivable, net	<u>\$ 159,371</u>	<u>\$ 282,644</u>
	<u>2018</u>	<u>2017</u>
Pledges receivable, current portion, net	\$ 79,654	\$ 184,604
Pledges receivable, long-term portion, net	<u>79,717</u>	<u>98,040</u>
Pledges receivable, net	<u>\$ 159,371</u>	<u>\$ 282,644</u>

NOTE 4: INVESTMENTS

Investments are recorded at fair value. The value assigned to investments received by the gift is the market value at the date of the donation. Marketable equity securities are valued at fair value determined by quoted prices as of December 31, 2018 and 2017.

Investments consisted of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Equity funds	\$ 8,461,421	\$ 8,023,862
Common stock domestic	5,322,387	6,866,081
Common stock international	153,819	178,083
Commodity funds	324,396	449,127
Bond funds	3,172,473	4,004,383
Corporate obligations domestic	1,747,726	1,160,809
Governmental obligations	213,043	191,066
Other equity interests	195,573	100,738
Interest in limited partnerships	<u>24,075</u>	<u>24,217</u>
Investments, at fair value	19,614,913	20,998,366
Excess fair value over cost	<u>(1,310,704)</u>	<u>(4,213,510)</u>
Investments, at cost	<u>\$ 18,304,209</u>	<u>\$ 16,784,856</u>

NOTE 5: CONTRIBUTIONS RECEIVABLE – CHARITABLE REMAINDER TRUSTS

For the years ended December 31, 2018 and 2017, the Foundation had contributions receivable from a unitrust of \$289,962 and \$328,258 respectively. These contributions receivable were discounted to \$84,219 for 2018 and \$90,537 for 2017 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6: ANNUITY LIABILITY

The Foundation is the beneficiary of a charitable remainder trust, which specified that an annual annuity payment of \$14,100 is to be made to the donors during their lifetime. Upon the death of the donors, the balance remaining in the trust will pass to the Foundation. The liability for this charitable remainder trust has been recorded at the present value of the expected future payments to be made to the donors. The present value as of December 31, 2018 and 2017, is as follows:

	<u>2018</u>	<u>2017</u>
Total net present value	\$ 40,960	\$ 47,953
Less: current portion	<u>(14,100)</u>	<u>(14,100)</u>
Long-term portion	<u>\$ 26,860</u>	<u>\$ 33,853</u>

NOTE 7: PROPERTY AND EQUIPMENT

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

	<u>2018</u>	<u>2017</u>
Building and renovations	\$ 494,259	\$ 494,259
Land	1,020,443	1,020,443
Leasehold improvements	121,390	121,390
Equipment	74,918	71,110
Furniture and fixtures	<u>50,668</u>	<u>49,268</u>
Property and equipment, at cost	1,761,678	1,756,470
Less: accumulated depreciation	<u>(371,703)</u>	<u>(350,571)</u>
Property and equipment, net	<u>\$ 1,389,975</u>	<u>\$ 1,405,899</u>

NOTE 8: ADMINISTRATION FEES

The Foundation assesses administration fees to the various funds at a rate of 0.25% of the market value of invested assets at each quarter end. Scholarship funds were assessed fees at a rate of 0.50% per quarter. Project type funds were assessed fees at a rate of 2% of income coming into the fund.

NOTE 9: CASH SURRENDER VALUE – LIFE INSURANCE

The Foundation is the owner and beneficiary of various insurance policies given as contributions. The Foundation, in most cases, pays the premium and the donor reimburses the Foundation. Cash surrender values are determined at the end of the statement year and revenue is adjusted accordingly. For the years ended December 2018 and 2017, cash surrender values increased by \$21,400 and \$20,347, respectively. The aggregate face values of the policies assigned to the Foundation are \$2,098,929 as of December 31, 2018 and 2017.



THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10: CONCENTRATION OF ECONOMIC RISK

The Foundation invests its funds with local financial institutions or investment advisors. Other than funds needed for current operations, all funds are deposited with financial institution trust departments under various trust agreements and cash management arrangements. Monies are invested by the trust departments, subject to agreements and general guidelines, in cash management accounts, mutual funds, U.S. Treasury securities, agency issues of the United States government, corporate bonds, and corporate capital stock (foreign and domestic). Deposits in interest-bearing and non-interest bearing accounts are collectively insured by the Federal Deposit Insurance Corporation (FDIC) up to a coverage limit of \$250,000 at each FDIC-insured depository institution. As a result, the Foundation may have balances that exceed the insured limit.

NOTE 11: SEGREGATED INVESTMENTS

Certain funds are required by donor and trust agreements to be invested and maintained separately in specific financial instruments or bank trust accounts. As of December 31, 2018 and 2017, segregated funds include the Josephine Sebach Educational Fund assets with market values of \$1,982,612 and \$2,042,000, respectively, the Longaberger Quality of Life Endowment Fund assets with market values of \$1,178,316 and \$1,299,134, respectively, funds established from the estate assets of Mary Vashti Funk with market values of \$2,130,758 and \$2,204,494, respectively, funds established from the estate assets of Emmett J. France with market values of \$1,096,680 and \$1,127,177, respectively, the Sarah E. Slack Prevention of Blindness Fund with market values of \$1,446,599 and \$1,433,002, respectively, and the Cerney Charitable Remainder Trust Annuity with market values of \$129,570 and \$152,752, respectively. These funds included cash and cash equivalents of \$341,221 and \$336,449 as of December 31, 2018 and 2017, respectively.

NOTE 12: RETIREMENT PLAN

The Foundation has a Simple IRA in which employees may contribute any amount up to certain maximum limits allowable as specified in the Internal Revenue Code. The Foundation matches employee contributions up to 3%. The Foundation contributed \$11,859 and \$9,796 to the plan during the years ended December 31, 2018 and 2017, respectively.

NOTE 13: CAPITAL LEASE

The Foundation entered into a capital lease for office equipment with a term of five years and no interest beginning February 1, 2015 (imputed interest is not significant to the financial statements). Assets under lease are depreciated over the term of the lease. Depreciation of assets under capital lease is included in depreciation expense. The following is a summary of the property held under capital lease, which is included in property and equipment in the financial statements for the years ended December 31, 2018 and 2017:

	2018	2017
Office equipment	\$ 10,993	\$ 10,993
Less: accumulated depreciation	(8,611)	(6,412)
Office equipment, net	<u>\$ 2,382</u>	<u>\$ 4,581</u>

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14: OPERATING LEASES

The Foundation leases its offices from a non-profit organization. The term of the lease is 20 years through 2019 and can be automatically renewed for an additional 20-year term upon notification to the lessor at least one year prior to the expiration of the primary term. The Foundation is required to set aside \$500 per month to provide for maintenance and repairs of the building. If this fund reaches \$6,000 of unneeded and uncommitted funds, the monthly set aside may cease as long as the sum of \$6,000 is maintained in the accounts. The Foundation recognizes the fair value of the building rent in the amount of \$60,000 annually as an in-kind contribution and corresponding rental expense.

NOTE 15: AGENCY FUNDS

The Foundation has adopted provisions of the “Revenue Recognition” topic of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”). Provisions of this topic establish standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both to another entity that is specified by the donor. Provisions also specifically require that if a not-for-profit organization establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as agency endowments.

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

As of December 31, 2018 and 2017, the Foundation was the owner of 21 agency endowment funds with a combined value of \$787,792 and \$983,481, respectively. The following table summarizes activity in such funds during the years ended December 31, 2018 and 2017:

	2018	2017
Agency Endowment Fund balances as of January 1	\$ 983,481	\$ 952,065
Amounts raised	5,435	1,455
Investment income, net of administrative and bank fees	6,308	2,877
Net unrealized and realized gains on investments	(75,598)	103,962
Pledges written-off	(105,340)	-
Grants	(26,494)	(76,878)
Agency Endowment Fund balances as of December 31	<u>\$ 787,792</u>	<u>\$ 983,481</u>

NOTE 16: ASSETS AND LIABILITIES – FAIR VALUE INFORMATION

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

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

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Level 2: Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, inputs that are derived principally from or corroborated by observable market data by correlation or other means, and if the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

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

There were no changes in methodologies used during the years ended December 31, 2018 and 2017.

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

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

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

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

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Description	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Equity funds	\$ 8,461,421	\$ 8,461,421	\$ -	\$ -
Common stock domestic	5,322,387	5,322,387	-	-
Common stock international	153,819	153,819	-	-
Commodity funds	324,396	324,396	-	-
Bond funds	3,172,473	3,172,473	-	-
Corporate obligations domestic	1,747,726	1,747,726	-	-
Government obligations	213,043	213,043	-	-
Other equity interest	219,648	219,648	-	-
Total	<u>\$19,614,913</u>	<u>\$19,614,913</u>	<u>\$ -</u>	<u>\$ -</u>

The Foundation includes in its investments, an equity method investment in the amount of \$24,075 as of December 31, 2018.

Description	December 31, 2017			
	Total	Level 1	Level 2	Level 3
Equity funds	\$ 8,023,862	\$ 8,023,862	\$ -	\$ -
Common stock domestic	6,866,082	6,866,082	-	-
Common stock international	178,083	178,083	-	-
Commodity funds	449,127	449,127	-	-
Bond funds	4,004,382	4,004,382	-	-
Corporate obligations domestic	1,160,809	1,160,809	-	-
Government obligations	191,066	191,066	-	-
Other equity interest	124,955	124,955	-	-
Total	<u>\$20,998,366</u>	<u>\$20,998,366</u>	<u>\$ -</u>	<u>\$ -</u>

The Foundation includes in its investments an equity method investment in the amount of \$24,217 as of December 31, 2017.

NOTE 17: REFUNDABLE ADVANCES

During 2015, the Foundation received a refundable advance on behalf of the Friends of Sulsberger Stadium, Inc. to aid in the renovation of Sulsberger Stadium. The funds have been included in the Friends of Sulsberger Stadium Fund held at the Foundation. The Foundation then uses pledges received by the Fund to repay the refundable advance in accordance with the payment terms of the promissory note the Friends of Sulsberger Stadium, Inc. has with a bank. The balance of this refundable advance was \$16,025 and \$52,580 as of December 31, 2018 and 2017, respectively.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18: LONG-TERM DEBT

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

	2018	2017
Term note payable with PNC Bank, interest at 4.31% paid quarterly, principal balance due in lump sum January 2020.	\$ 2,542,550	\$ 2,542,550
Less: debt issuance costs	5,468	10,937
	\$ 2,537,082	\$ 2,531,613

Annual maturities of long-term debt are as follows:

Years Ended December 31,	Amount
2019	\$ -
2020	2,542,550
Total	\$ 2,542,550

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

NOTE 19: LONG-TERM NOTE RECEIVABLE

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

	2018	2017
Note receivable from Muskingum Investment Fund, LLC, interest at 2.519% paid quarterly. Beginning January 2020 quarterly interest and principal payments due. This loan matures January 2042.	\$7,182,500	\$7,182,500

NOTE 20: ENDOWMENTS

Investment Policy

The Foundation's investment policy was established to give general guidance to investment managers with a goal of earning a reasonable rate of return based on market conditions while minimizing risk. Target allocations are as follows. Acceptable ranges are also given for each category.

US equities	30%
International equities – developed	15%
International equities – emerging	10%
Commodities	5%
Real estate	5%
High yield	5%
Investment grade fixed income	25%
Treasury inflation protected securities	5%

This policy applies to all of the Foundation's investments as a whole, with the exception of those assets in the Donor Advised/Pass Thru pool, which has a benchmark of 30% equity and 70% fixed income.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 20: ENDOWMENTS (Continued)

*Spending Policy*

Subject to giving instruments and statutory requirements, the Foundation's 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. The spending policy applies to all endowment funds held by the Foundation.

The tables below represent changes in board designated endowment net assets for the years ended December 31, 2018 and 2017.

	2018	2017
Balance, beginning of year	\$ 2,488,666	\$ 2,289,654
Contributions	6,812	19,139
Investment income	38,365	50,297
Net (depreciation) appreciation	(195,300)	258,787
Amounts appropriated for expenditures	(109,302)	(129,211)
Balance, end of the year	<u>\$ 2,229,241</u>	<u>\$ 2,488,666</u>

NOTE 21: LIQUIDITY AND AVAILABILITY OF FUNDS

The following reflects the Foundation's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of December 31, 2018 because of contractual or donor-imposed restrictions or internal designations. Amounts not available include amounts set aside by the Board for growth and sustainability of the Foundation that could be drawn upon if the Board of Directors approves the action. The Foundation's financial assets available within one year of the statements of financial position date for general expenditure are as follows:

Financial assets:	
Cash and cash equivalents	\$ 1,560,907
Certificates of deposit	131,670
Accounts receivable	34,489
Contributions and pledges receivables	102,749
Other receivables	<u>14,657</u>
Financial assets, at year-end	1,844,472
Less those unavailable for general expenditure within one year, due to:	
Contractual or donor-imposed restrictions:	
Restriction by donor with purpose restrictions	<u>159,371</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,685,101</u>

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 21: LIQUIDITY AND AVAILABILITY OF FUNDS (Continued)

Liquidity Policy

As part of the Foundation's liquidity management, it maintains a sufficient level of operating cash and short-term investments to be available as its general expenditures, liabilities, and other obligations come due. Management treats investments as long-term assets. Additionally, the Foundation has the Board designated endowment fund, while the Foundation does not intend to spend this fund for purposes other than those identified, the amounts could be made available for current operations, if necessary.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

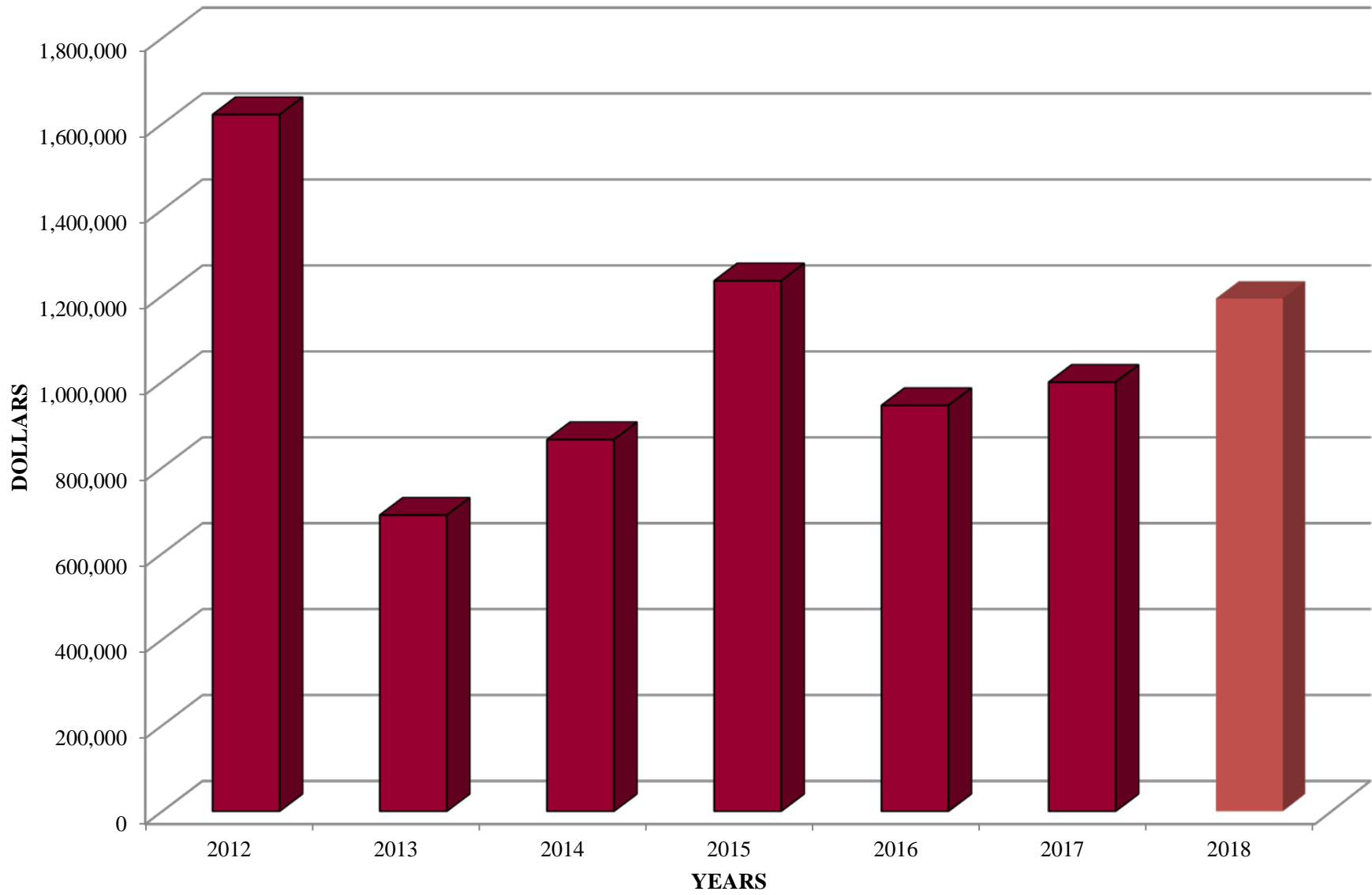
CONSOLIDATED SCHEDULES OF OPERATING EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
	<u>          </u>	<u>          </u>
OPERATING EXPENSES:		
Salaries and wages	\$ 314,739	\$ 258,754
Interest expense	118,667	120,665
In-kind rent (office)	60,000	60,000
Special project expense	5,333	61,739
Software license fees	42,000	39,505
Depreciation expense	21,132	30,854
Audit and accounting fees	23,523	24,273
Payroll and unemployment taxes	32,852	29,146
Custodial expenses	23,043	14,965
Legal fees	31,564	14,837
Unitrust annuity	14,100	14,100
Telephone and internet	12,293	9,657
Meetings and conferences	9,908	4,899
Utilities	10,687	9,603
Retirement plan employer match	11,859	9,796
Life insurance premium	8,917	7,606
Miscellaneous expense	8,963	1,083
Office supplies	6,192	4,702
Public relations	21,327	6,206
Equipment rental and maintenance	1,610	2,319
Health insurance	12,800	12,935
Dues and subscriptions	5,129	2,440
Business insurance	3,482	2,880
Disability insurance	2,865	2,417
Director and officer insurance	1,753	1,753
Employee expense reimbursement	2,958	1,428
Postage and shipping	3,116	2,233
Life insurance - employees	2,635	1,854
Credit card processing fees	1,001	948
Workers' compensation	123	504
Commercial crime bond insurance	449	449
Filing fees	200	225
Contracted services	11,718	5,403
Bad debt expense	26,650	-
Publications and printing	-	792
	<u>          </u>	<u>          </u>
Total operating expenses	<u>\$ 853,588</u>	<u>\$ 760,970</u>

See independent auditor's report.

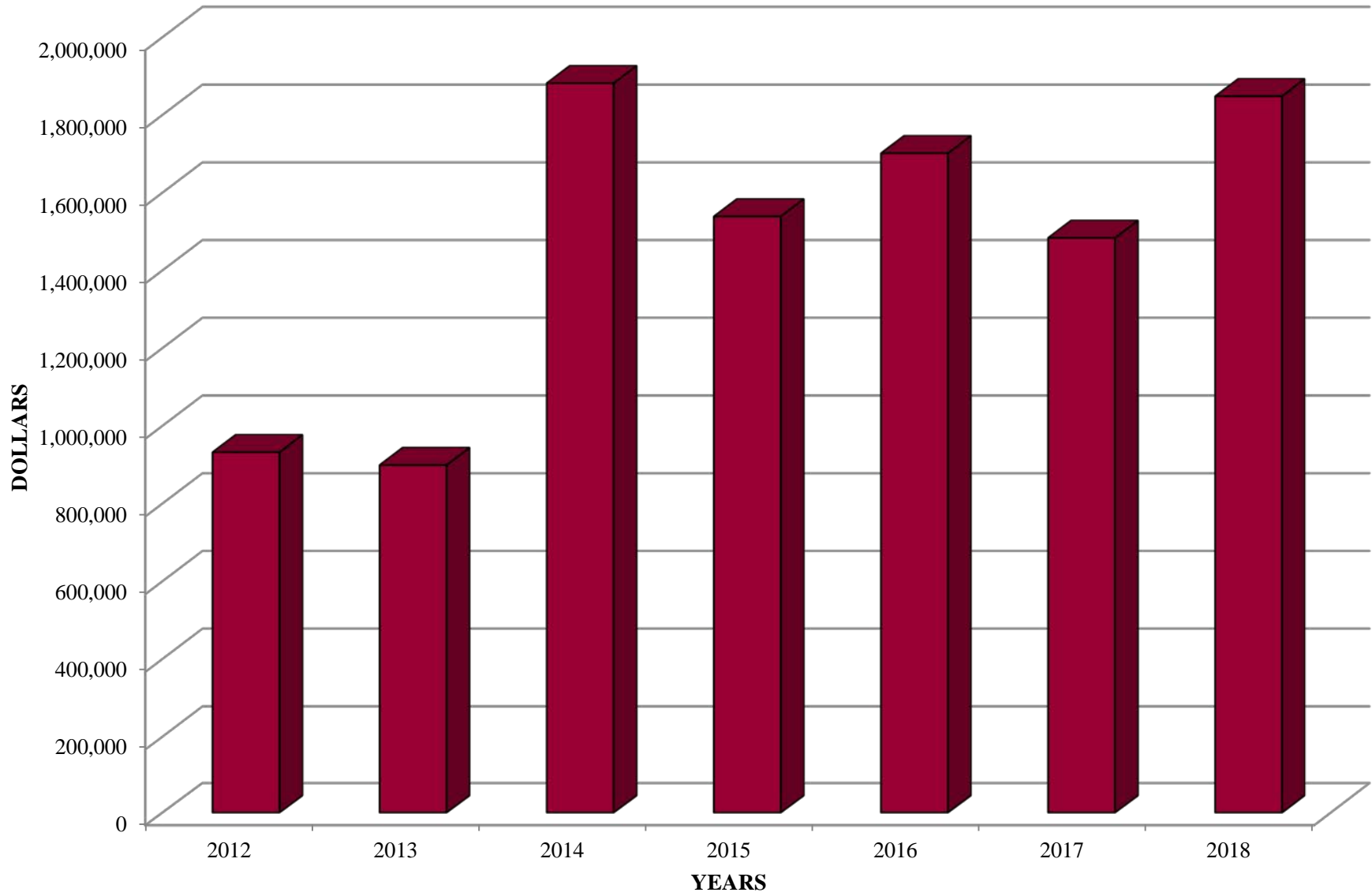


**THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES**  
**GRANTS AWARDED**  
**FOR THE YEARS ENDED DECEMBER 31**



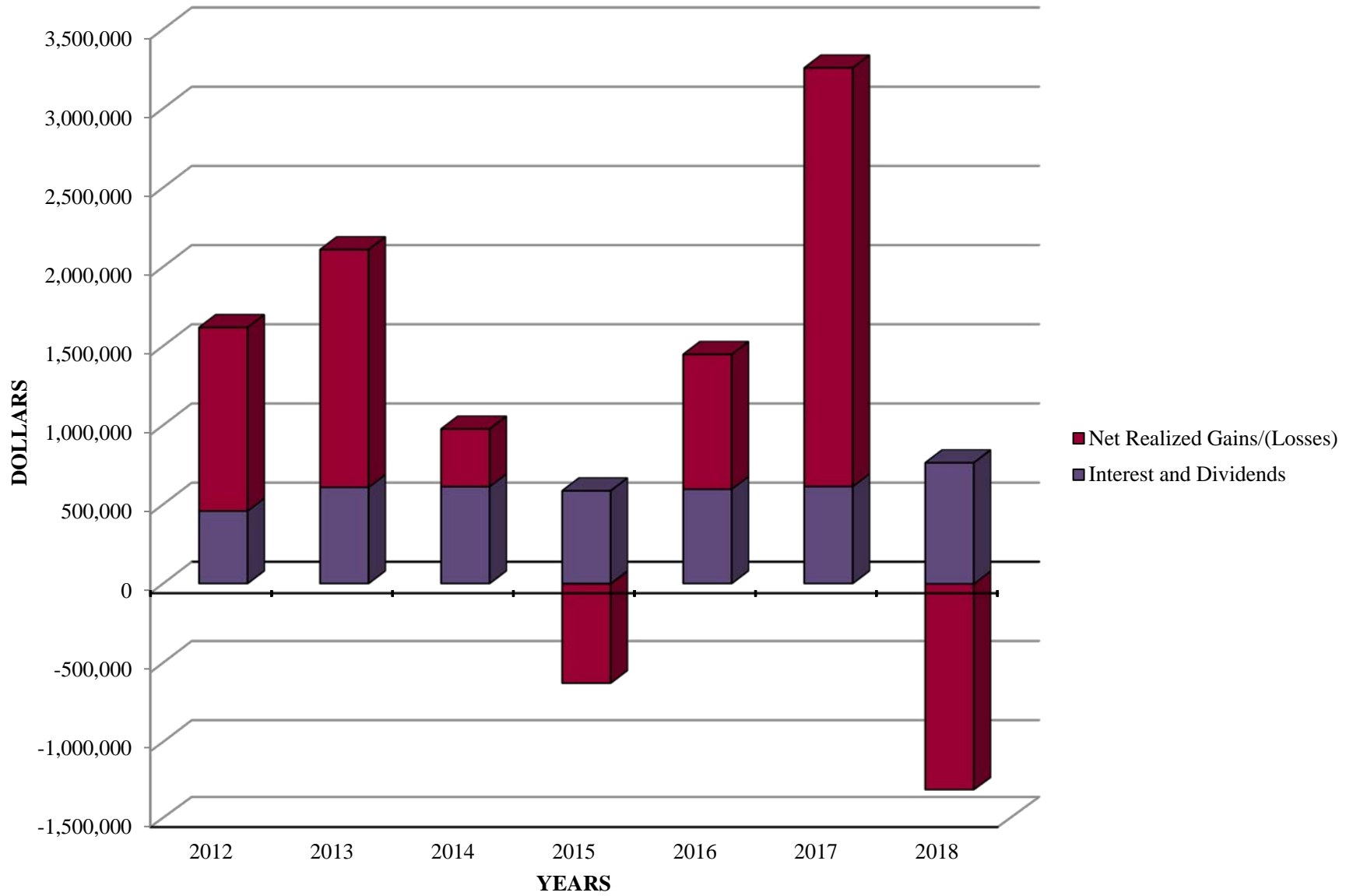
See independent auditor's report

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



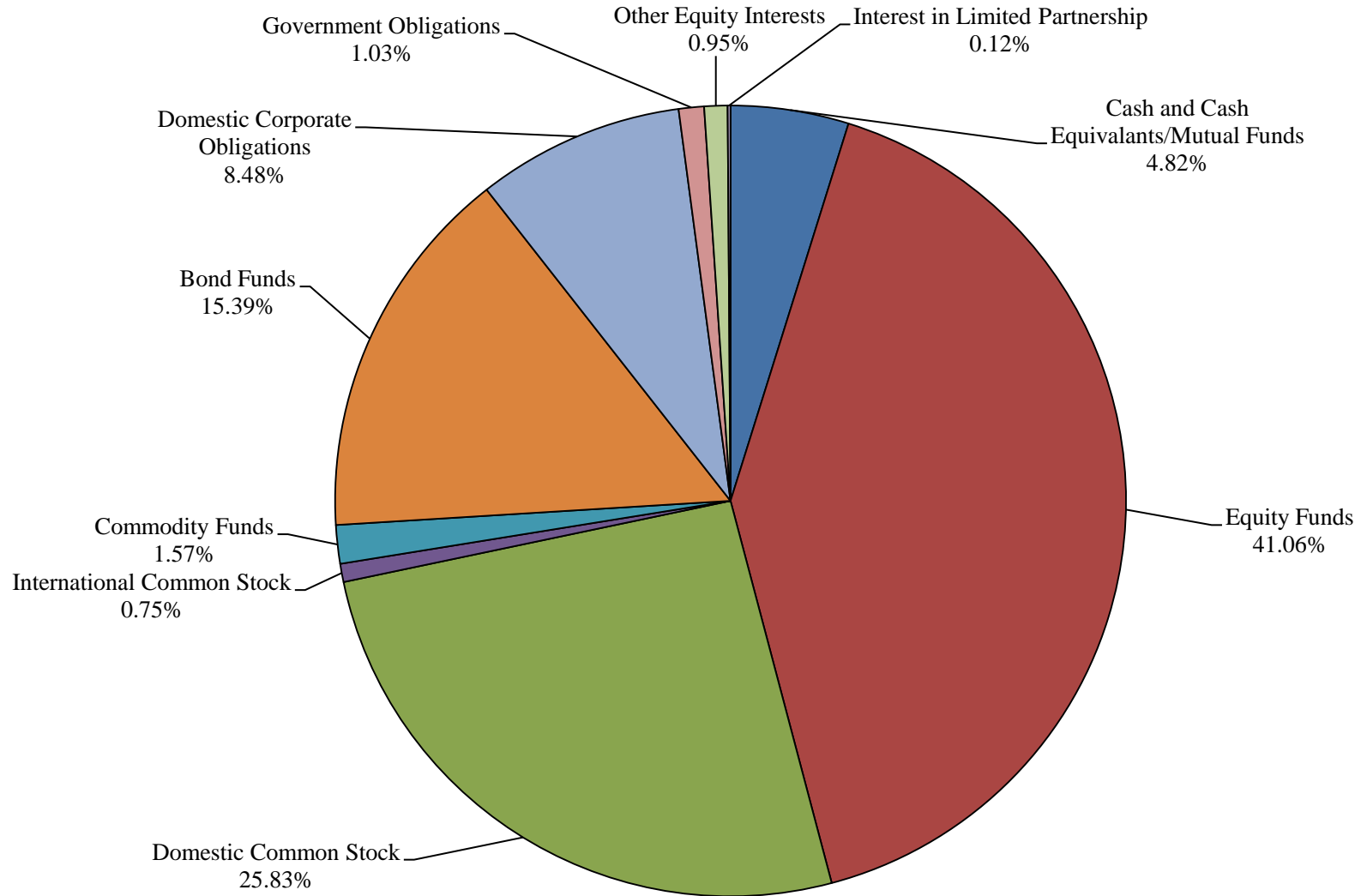
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**THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES**  
**INVESTMENT INCOME (EXCLUDING UNREALIZED GAINS/(LOSSES))**  
**FOR THE YEARS ENDED DECEMBER 31**



See independent auditor's report

**THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES**  
**INVESTMENT (COMPOSITION - AT MARKET)**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**



See independent auditor's report