

The Muskingum County Community
Foundation and Affiliates
Consolidated Financial Statements

As of and for the Years Ended
December 31, 2014 and 2013



Rea & associates

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September 24, 2015

To the Board of Trustees
The Muskingum County Community Foundation and Affiliates
Columbus, 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 statement of financial position as of December 31, 2014, and the related consolidated statements of activities, change in net assets and cash flows for the year 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, 2014, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The consolidated financial statements of The Muskingum County Community Foundation and Affiliates, as of and for the year ended December 31, 2013, were audited by other auditors whose report dated July 28, 2014 expressed an unmodified opinion on those statements.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidated schedules of operating expenses and graphs on pages 18 through 22 are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and related 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.

Rea & Associates, Inc.

Rea & Associates, Inc.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2014 AND 2013

ASSETS

	2014	2013
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,187,701	\$ 903,428
Certificates of deposit	113,563	30,936
Pledges receivable, net of allowance for uncollectible accounts of \$45,000 in 2014 and \$24,632 in 2013	397,309	459,652
Accounts receivable	59,333	31,230
Other receivables	14,658	14,658
Other current assets	5,890	7,525
Prepaid expenses	1,407	1,459
Total current assets	<u>1,779,861</u>	<u>1,448,888</u>
PROPERTY AND EQUIPMENT, NET	1,474,246	1,170,921
OTHER ASSETS:		
Long-term certificates of deposit	159,098	239,645
Investments	16,737,151	16,756,176
Collectibles & artwork	24,140	21,140
Cash surrender value - life insurance policies	352,541	352,578
Contributions receivable - charitable remainder trusts	75,039	72,739
Long-term note receivable	7,813,722	7,182,500
Long-term pledges receivable	199,718	336,493
Debt issuance costs	40,958	50,965
Total other assets	<u>25,402,367</u>	<u>25,012,236</u>
Total assets	<u>\$ 28,656,474</u>	<u>\$ 27,632,045</u>

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

LIABILITIES AND NET ASSETS

	2014	2013
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 18,963	\$ 1,509
Grants payable	-	1,787
Accrued expenses	5,390	10,390
Payroll taxes and withholdings	-	3,778
Current portion of annuity liability	14,100	14,100
Current portion of capital lease	-	2,761
Refundable advance	-	29,409
Current portion of long-term debt	350,000	350,000
Deferred revenue	-	4,750
Funds held as agency endowments	1,082,051	877,072
Total current liabilities	<u>1,470,504</u>	<u>1,295,556</u>
Long-term liabilities:		
Annuity liability, net of current portion	60,939	66,981
Long-term debt, net of current portion	2,942,550	3,292,550
Total long-term liabilities	<u>3,003,489</u>	<u>3,359,531</u>
Total liabilities	<u>4,473,993</u>	<u>4,655,087</u>
NET ASSETS:		
Unrestricted	23,585,454	22,180,813
Temporarily restricted	597,027	796,145
Total net assets	<u>24,182,481</u>	<u>22,976,958</u>
Total liabilities and net assets	<u><u>\$ 28,656,474</u></u>	<u><u>\$ 27,632,045</u></u>

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

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
SUPPORT AND REVENUE:			
Support:			
Gifts and bequests	\$ 1,813,485	-	\$ 1,813,485
Grants received	5,733	-	5,733
In-kind donations	62,498	-	62,498
Total support	1,881,716	-	1,881,716
Revenue:			
Interest and dividends	611,624	-	611,624
Net realized and unrealized gains on investments	364,183	-	364,183
Administrative fees	204,871	-	204,871
Event revenue	113,194	-	113,194
Miscellaneous income	45,385	-	45,385
Increase in cash surrender value - life insurance	20,238	-	20,238
Change in value of trust agreements	8,342	-	8,342
Total revenue	1,367,837	-	1,367,837
Net assets released from restrictions	199,118	(199,118)	-
Total support and revenue	3,448,671	(199,118)	3,249,553
EXPENSES:			
Grants awarded	865,091	-	865,091
Investment and trust expense	330,300	-	330,300
Operating expense	801,664	-	801,664
Fundraising expense	46,975	-	46,975
Total expenses	2,044,030	-	2,044,030
Change in net assets	1,404,641	(199,118)	1,205,523
NET ASSETS, beginning of year	22,180,813	796,145	22,976,958
NET ASSETS, end of year	\$ 23,585,454	\$ 597,027	\$ 24,182,481

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

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
SUPPORT AND REVENUE:			
Support:			
Gifts and bequests	\$ 593,587	\$ 244,468	\$ 838,055
In-kind donations	60,965	-	60,965
Total support	654,552	244,468	899,020
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
Total revenue	2,437,154	-	2,437,154
Net assets released from restrictions	476,706	(476,706)	-
Total support and revenue	3,568,412	(232,238)	3,336,174
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	1,634,376	-	1,634,376
Change in net assets	1,934,036	(232,238)	1,701,798
NET ASSETS, beginning of year	20,246,777	1,028,383	21,275,160
NET ASSETS, end of year	\$ 22,180,813	\$ 796,145	\$ 22,976,958

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, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,205,523	\$ 1,701,798
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	55,727	29,916
Donated property and equipment	(373,000)	(30,000)
Donated notes receivable	(693,937)	-
(Increase) decrease in cash surrender value of life insurance	37	(32,384)
Provision for loss on unconditional promises to give	20,368	16,832
Amortization of discount on unconditional promises to give	-	(777)
Reinvested interest on certificates of deposit	(2,080)	-
Donated inventory	-	(1,850)
Net realized and unrealized gain on investments	(364,183)	(1,500,901)
(Increase) decrease in operating assets:		
Pledges receivable	178,750	216,183
Accounts receivable	(28,103)	7,424
Other receivables	-	7,636
Inventory	-	374
Other current assets	1,635	-
Prepaid expenses	52	2,874
Contributions receivable - charitable remainder trust	(2,300)	(9,497)
Increase (decrease) in operating liabilities:		
Accounts payable	17,454	(8,281)
Grants payable	(1,787)	1,537
Accrued expenses	(5,000)	4,074
Payroll taxes and withholdings	(3,778)	485
Annuity liability	(6,042)	(4,504)
Deferred revenue	(4,750)	4,750
Funds held as agency endowments	204,979	56,410
Total adjustments	(1,005,958)	(1,239,699)
Net cash provided by operating activities	199,565	462,099
CASH FLOWS FROM INVESTING ACTIVITIES:		
Issuance of notes receivable	-	(7,182,500)
Payments received on notes receivable	62,715	-
Redemption of certificates of deposit	-	2,248
Purchase of property and equipment	(6,045)	(1,369)
Proceeds from sale of property and equipment	30,000	-
Purchase of collectibles	(3,000)	(442)
Purchase of investments	(3,752,387)	(6,570,048)
Proceeds from redemption of investments	4,135,595	6,486,422
Net cash provided by (used in) investing activities	466,878	(7,265,689)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the issuance of notes payable	-	4,042,550
Payments on notes payable	(350,000)	(400,000)
Repayment of refundable advance	(29,409)	(72,266)
Debt issuance costs	-	(60,426)
Payments on capital lease	(2,761)	(3,011)
Net cash provided by (used in) financing activities	(382,170)	3,506,847
Net increase (decrease) in cash and cash equivalents	284,273	(3,296,743)
CASH AND CASH EQUIVALENTS, beginning of year	903,428	4,200,171
CASH AND CASH EQUIVALENTS, end of year	\$ 1,187,701	\$ 903,428
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	\$ 153,352	\$ 158,249

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

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Program and Supporting Services

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

Principles of Consolidation and Method of Accounting

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

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

Unrestricted

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

Temporarily Restricted

Those resources subject to donor imposed restrictions which will be satisfied either by action of the Foundation and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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 as of December 31, 2014 and 2013.

Contributions

Contributions, gifts and bequests received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Donated Materials

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

In-Kind Services

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

Cash and Cash Equivalents

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

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.

Collectibles & Artwork

The Foundation capitalizes its collectibles and artwork, 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 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, 2014 and 2013, 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	7 years
Furniture and fixtures	5 years
Computer software	5 years

Depreciation expense for the years ended December 31, 2014 and 2013 was \$45,720 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 local charitable needs.

Provision for Federal Income Tax

The Muskingum County Community 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, 2014 and 2013.

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. With few exceptions, The Muskingum County Community Foundation is no longer subject to income tax examinations by the U.S. Federal, state or local tax authorities for the years ended December 31, 2011 and prior.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Spending Policy

Subject to giving instruments and statutory requirements, the spending policy is determined by total return. The amount to be spent in the coming year is calculated in October, using September 30th figures, and is reviewed and approved by the Board of Trustees annually. The calculation is based on a 12-quarter moving average of the market value of the total fund multiplied by an amount not to exceed 5%. Half of all fees (administration, investment management and custodianship) will be included in the multiplier. The other half of all fees will come from the principal balance.

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.

Subsequent Events

Subsequent events have been evaluated through September 24, 2015, 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:

	2014	2013
Cash on hand, checking and savings accounts	\$ 388,390	\$ 337,271
Cash management funds	799,311	576,157
Total cash and cash equivalents	<u>\$ 1,187,701</u>	<u>\$ 903,428</u>

NOTE 3: PLEDGES RECEIVABLE

Pledges receivable consisted of the following as of December 31:

	2014	2013
Receivable in less than one year	\$ 443,479	\$ 484,284
Receivable in one to five years at face value	199,718	336,769
Pledges receivable, at face value	643,197	821,053
Less: discount to net present value	(1,170)	(276)
Pledges receivable, at net present value	642,027	820,777
Less: allowances for uncollectible pledges receivable	(45,000)	(24,632)
Pledges receivable, net	<u>\$ 597,027</u>	<u>\$ 796,145</u>

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3: PLEDGES RECEIVABLE (Continued)

	2014	2013
Pledges receivable, current portion, net	\$ 397,309	\$ 459,652
Pledges receivable, long-term portion, net	199,718	336,493
Pledges receivable, net	<u>\$ 597,027</u>	<u>\$ 796,145</u>

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

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, 2014 and 2013.

Investments consisted of the following as of December 31:

	2014	2013
Equity funds	\$ 5,140,225	\$ 5,152,779
Common stock domestic	5,964,610	5,957,887
Common stock international	353,179	201,407
Commodity funds	410,371	813,226
Bond Funds	3,895,721	3,480,530
Corporate obligations domestic	778,519	958,249
Corporate obligations international	30,868	61,486
Governmental obligations	26,402	97,462
Interest in limited partnership	137,256	33,150
Investments, at fair value	<u>16,737,151</u>	<u>16,756,176</u>
Excess fair value over cost	<u>(2,200,034)</u>	<u>(2,352,555)</u>
Investments, at cost	<u>\$ 14,537,117</u>	<u>\$ 14,403,621</u>

NOTE 5: CONTRIBUTIONS RECEIVABLE – CHARITABLE REMAINDER TRUSTS

For the years ended December 31, 2014 and 2013, the Foundation had contributions receivable from a unitrust of \$317,438 and \$308,817 respectively. These contributions receivable were discounted to \$75,039 for 2014 and \$72,739 for 2013 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, 2014 and 2013, is as follows:

	2014	2013
Total net present value	\$ 75,039	\$ 81,081
Less: current portion	(14,100)	(14,100)
Long-term portion	<u>\$ 60,939</u>	<u>\$ 66,981</u>

NOTE 7: PROPERTY AND EQUIPMENT

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

	2014	2013
Buildings and renovations	\$ 494,259	\$ 354,536
Land	1,061,394	858,116
Leasehold improvements	116,772	115,645
Office equipment	105,865	100,948
Furniture and fixtures	43,182	43,182
Property and equipment, at cost	1,821,472	1,472,427
Less: accumulated depreciation	(347,226)	(301,506)
Property and equipment, net	<u>\$ 1,474,246</u>	<u>\$ 1,170,921</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 2014 and 2013, cash surrender values decreased by \$37 and increased by \$32,384, respectively. The aggregate face values of the policies assigned to the Foundation are \$2,098,929 and \$1,953,265 as of December 31, 2014 and 2013, respectively.

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). 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11: SEGREGATED INVESTMENTS

Certain funds are required by donor and trust agreements to be invested and maintained separately in specific financial instruments or bank trust accounts. As of December 31, 2014 and 2013, segregated funds include the Josephine Sebach Educational Fund assets with market values of \$1,799,763 and \$1,720,742, respectively, the Longaberger Quality of Life Endowment Fund assets with market values of \$1,161,311 and \$1,182,753, respectively, funds established from the estate assets of Mary Vashti Funk with market values of \$1,992,540 and \$1,928,630, respectively, funds established from the estate assets of Emmett J. France with market values of \$991,619 and \$966,003, respectively, the Sarah E. Slack Prevention of Blindness Fund with market values of \$1,284,533 and \$1,292,538, respectively, and the Cerney Charitable Remainder Trust Annuity with market values of \$168,896 and \$179,618, respectively. These funds included cash and cash equivalents of \$576,245 and \$154,298 as of December 31, 2014 and 2013, 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 \$8,744 and \$5,701 to the plan during the years ended December 31, 2014 and 2013, respectively.

NOTE 13: CAPITAL LEASE

The Foundation entered into a capital lease for office equipment with a term of four years and no interest, which expired during the year ended December 31, 2014. The asset was 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, 2014 and 2013:

	2014	2013
Office equipment	\$ 13,747	\$ 13,747
Less: accumulated depreciation	(13,747)	(8,926)
Office equipment, net	<u>\$ -</u>	<u>\$ 4,821</u>

NOTE 14: OPERATING LEASES

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

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15: AGENCY FUNDS

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

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

As of December 31, 2014 and 2013, the Foundation was the owner of 20 agency endowment funds with a combined value of \$1,082,051 and \$877,072, respectively. The following table summarizes activity in such funds during the years ended December 31, 2014 and 2013:

	2014	2013
Agency Endowment Fund balances as of January 1	\$ 877,072	\$ 820,662
Amounts raised	224,251	19,213
Investment income, net of administrative and bank fees	965	2,601
Net unrealized and realized gains (losses) on investments	6,034	64,847
Grants	(26,271)	(30,251)
Agency Endowment Fund balances as of December 31	<u>\$ 1,082,051</u>	<u>\$ 877,072</u>

NOTE 16: ASSETS AND LIABILITIES – FAIR VALUE INFORMATION

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

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

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

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

THE 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, 2014			
	Total	Level 1	Level 2	Level 3
Equity funds	\$ 5,140,225	\$ 5,140,225	\$ -	\$ -
Common stock domestic	5,964,610	5,964,610	-	-
Common stock international	353,179	353,179	-	-
Commodity funds	410,371	410,371	-	-
Bond funds	3,895,721	3,895,721	-	-
Corporate obligations domestic	778,519	778,519	-	-
Corporate obligations international	30,868	30,868	-	-
Government obligations	26,402	26,402	-	-
Interest in limited partnership	137,256	137,256	-	-
Total	<u>\$ 16,737,151</u>	<u>\$ 16,737,151</u>	<u>\$ -</u>	<u>\$ -</u>

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>

NOTE 17: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of as of December 31:

	2014	2013
For future periods	\$ 597,027	\$ 796,145

NOTE 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 \$0 and \$29,409 as of December 31, 2014 and 2013, respectively.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19: LONG-TERM DEBT

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

	<u>2014</u>	<u>2013</u>
Bridge note payable with PNC Bank, interest at 3.84% paid quarterly, principal payments due annually, matures December 2017.	\$ 750,000	\$ 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>2,542,550</u>
	3,292,550	3,642,550
Current portion of long-term debt	<u>(350,000)</u>	<u>(350,000)</u>
	<u>\$ 2,942,550</u>	<u>\$ 3,292,550</u>

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

<u>Years Ended December 31,</u>	<u>Amount</u>
2015	\$ 350,000
2016	250,000
2017	150,000
2018	-
2019	-
Thereafter	<u>2,542,550</u>
Total	3,292,550
Current portion of long-term debt	<u>(350,000)</u>
Long-term portion	<u>\$ 2,942,550</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.

NOTE 20: LONG-TERM NOTE RECEIVABLE

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

	<u>2014</u>	<u>2013</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.	<u>\$ 7,813,722</u>	<u>\$ 7,182,500</u>
Total	7,813,722	7,182,500
Less: current portion of long-term note receivable	-	-
Long-term portion of note receivable	<u>\$ 7,813,722</u>	<u>\$ 7,182,500</u>

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 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, 2014 are approximated as follows:

<u>Years Ended December 31,</u>	<u>Amount</u>
2015	\$ 30,300
2016	34,800
2017	36,000
2018	9,000
	<u>\$ 110,100</u>

Expense associated with the above commitment, for the years ended December 31, 2014 and 2013, totaled \$27,100 and \$26,418 respectively.

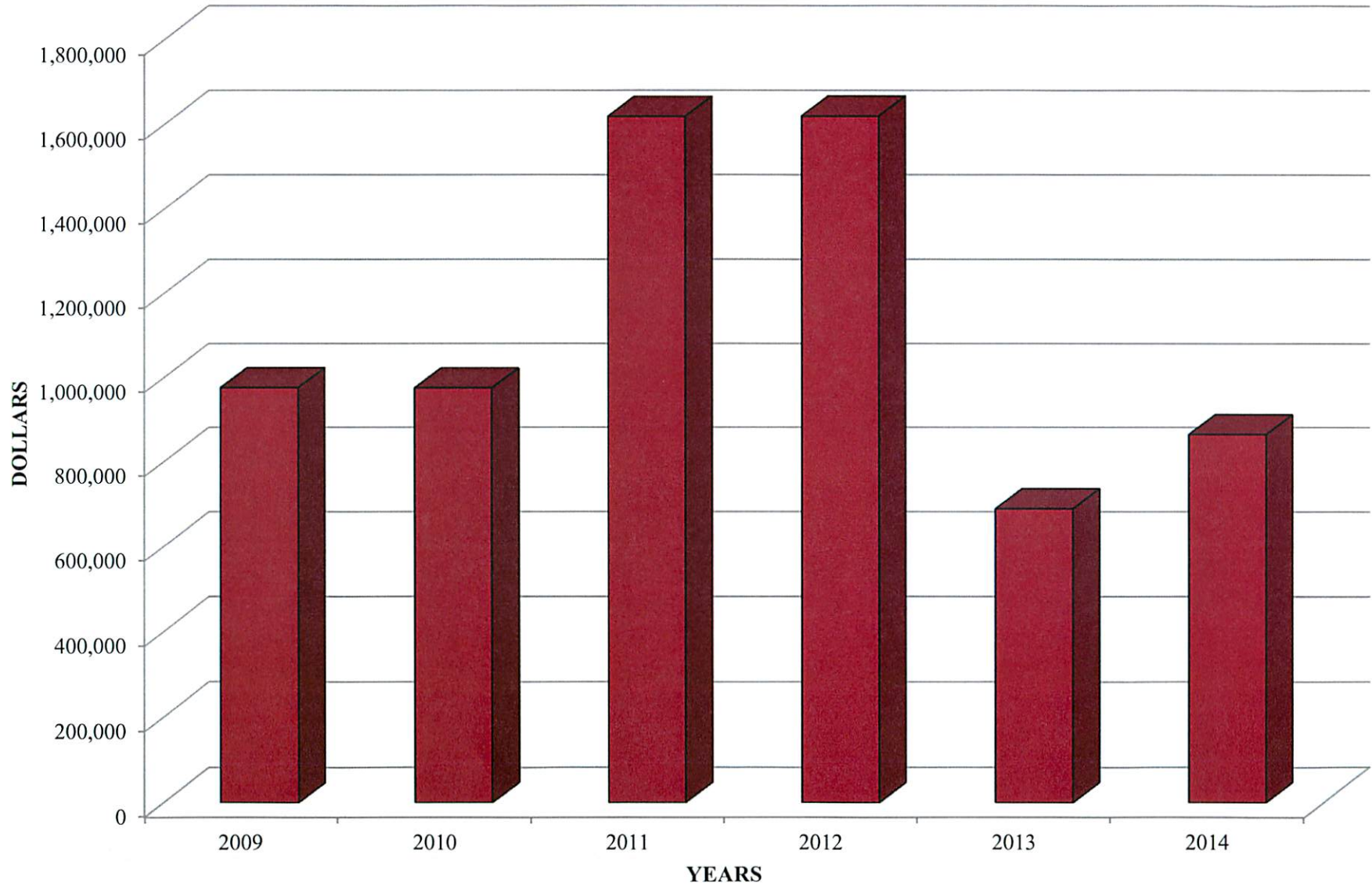
THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED SCHEDULES OF OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
	<u> </u>	<u> </u>
OPERATING EXPENSES:		
Salaries and wages	\$ 210,976	\$ 185,318
Interest Expense	153,352	158,249
In-kind rent (office)	60,000	60,000
Depreciation and amortization expense	55,727	29,916
Contracted services	53,963	11,091
Miscellaneous expense	32,257	595
Payroll and unemployment taxes	28,152	22,021
Software license fees	27,100	26,418
Audit and accounting fees	22,999	21,400
Bad debt expense	20,368	16,832
Unitrust annuity	14,100	14,100
Meetings and conferences	14,078	2,722
Utilities	13,244	7,180
Custodial expenses	10,681	8,638
Office supplies	10,655	2,312
Public relations	9,939	6,124
Telephone and internet	9,058	7,014
Retirement plan employer match	8,544	5,701
Legal fees	7,491	6,362
Employee expense reimbursement	7,000	2,355
Health insurance	6,058	5,083
Special project expense	4,659	2,137
Postage and shipping	4,538	1,035
Business insurance	3,961	2,360
Dues and subscriptions	3,093	3,798
Equipment rental and maintenance	1,966	6,852
Life insurance - employees	1,837	1,266
Director and officer insurance	1,753	1,753
Credit card processing fees	1,465	489
Disability insurance	1,344	1,744
Workers' compensation	609	667
Commercial crime bond insurance	449	449
Filing fees	248	200
Publications and printing	-	52
	<u> </u>	<u> </u>
Total operating expenses	<u>\$ 801,664</u>	<u>\$ 622,233</u>

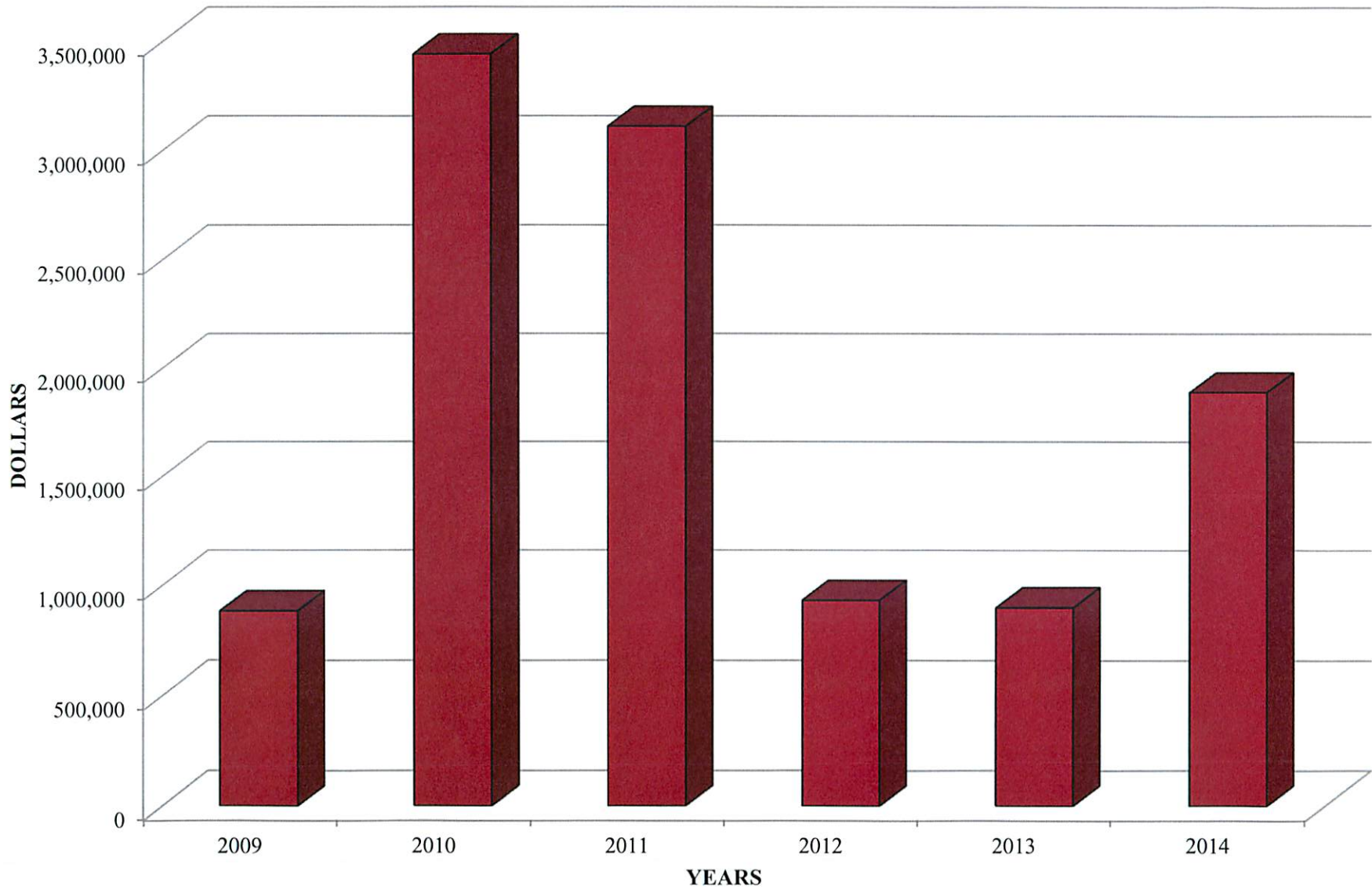
See independent auditor's report.

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



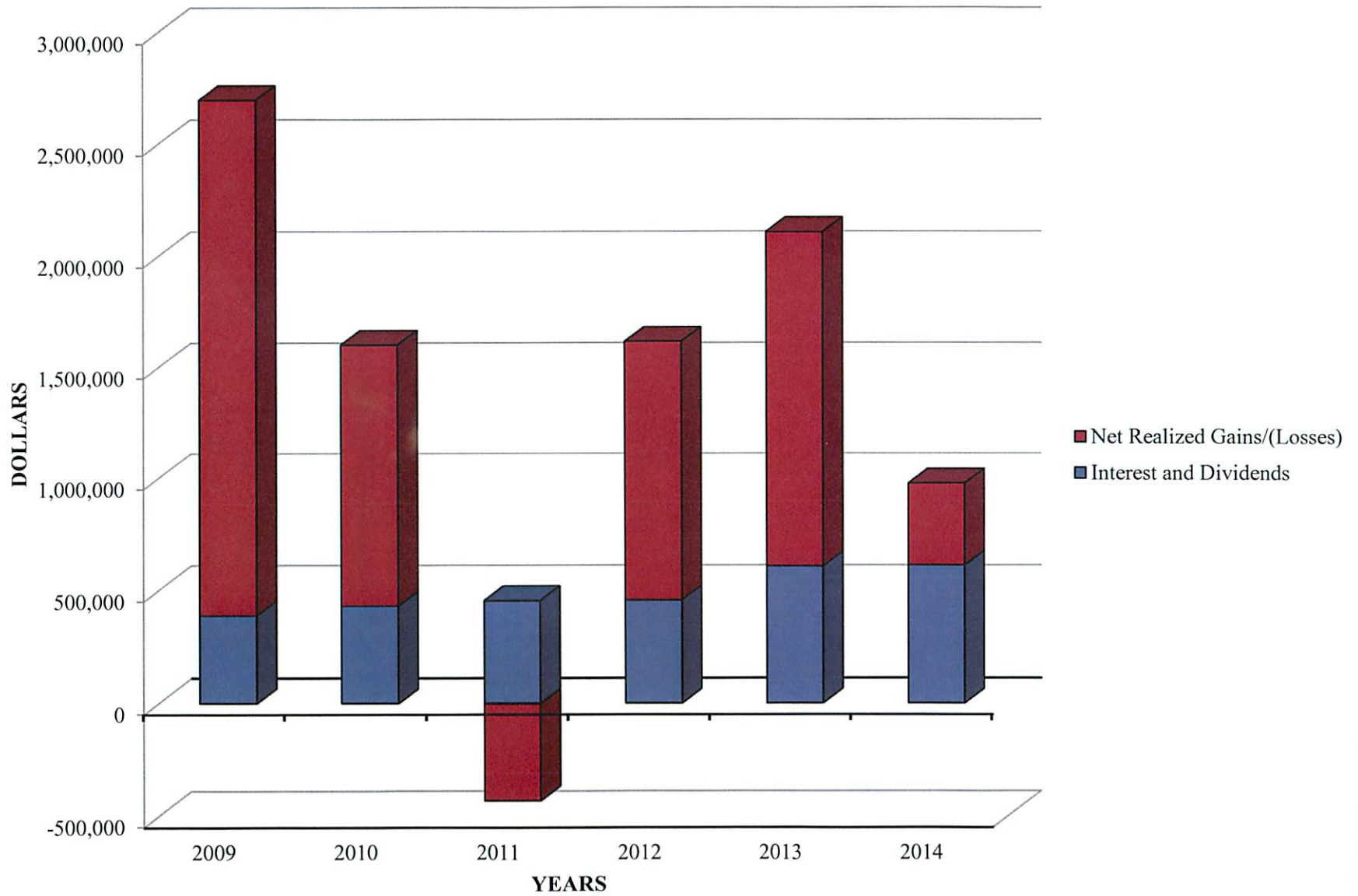
See Independent Auditor's Report

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



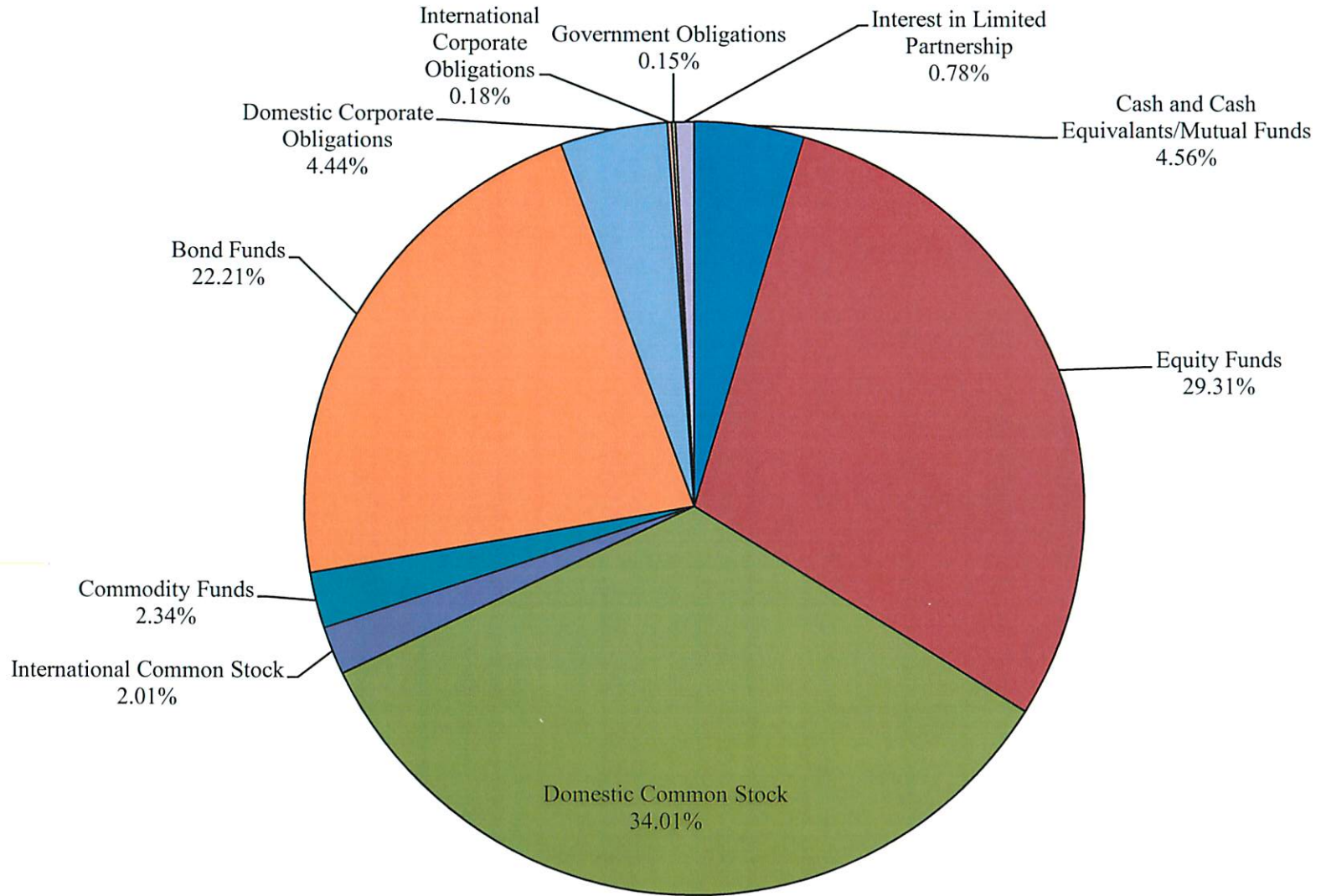
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THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES
INTEREST INCOME (EXCLUDING UNREALIZED GAINS/(LOSSES))
FOR THE YEARS ENDED DECEMBER 31



See Independent Auditor's Report

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATES
INVESTMENT (COMPOSITION - AT MARKET)
FOR THE YEAR ENDED DECEMBER 31, 2014



See Independent Auditor's Report