

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARY

Consolidated Financial Statements

Years Ended December 31, 2008 and 2007

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARY

C O N T E N T S

Page 1	Independent Auditor's Report.
Page 2	Consolidated Statements of Financial Position as of December 31, 2008 and 2007.
Page 3	Consolidated Statements of Activities for the years ended December 31, 2008 and 2007.
Page 4	Consolidated Statements of Cash Flows for the years ended December 31, 2008 and 2007.
Page 5	Notes to the Consolidated Financial Statements. (5 pages)

McLAIN, HILL, RUGG & ASSOCIATES, INC.

Certified Public Accountants



Members:

American Institute Of
Certified Public Accountants

Ohio Society Of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Fairfield County Foundation and Subsidiary
Lancaster, Ohio

We have audited the accompanying consolidated statements of financial position of Fairfield County Foundation (a nonprofit organization) and Subsidiary as of December 31, 2008 and 2007, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Foundation's management. 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Fairfield County Foundation and Subsidiary as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McLain, Hill, Rugg & Associates, Inc.

McLain, Hill, Rugg & Associates, Inc.
Lancaster, Ohio

February 6, 2009

Page 1

NEW LEXINGTON, OHIO 43764
395 Lincoln Park Drive
Post Office Box 190
Phone 740-342-3512
Toll Free 1-800-322-7600
Fax 740-342-3034

LOGAN, OHIO 43138
1389 West Hunter Street
Post Office Box 856
Phone 740-385-6888
Toll Free 1-800-767-5581
Fax 740-385-1649

ZANESVILLE, OHIO 43702-0069
601 Underwood Street
Post Office Box 69
Phone 740-453-0371
Toll Free 1-800-624-9026
Fax 740-453-3009

LANCASTER, OHIO 43130
137 South Broad Street
Post Office Box 1005
Phone 740-687-6313
Toll Free 1-800-872-5066
Fax 740-687-1005

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARY

Consolidated Statements of Financial Position
As of December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 1,045,169	\$ 950,282
Investment securities	19,111,069	25,555,276
Contribution receivable - Charitable lead trust	142,996	219,187
Other investments	256,900	256,900
Fixed assets and collectibles, net	<u>932,607</u>	<u>432,473</u>
TOTAL ASSETS	<u>\$ 21,488,741</u>	<u>\$ 27,414,118</u>
LIABILITIES		
Accrued expenses	\$ 3,250	\$ 3,720
Liability under gift	38,173	49,716
Line of Credit	263,131	0
Managed assets under agency contracts	<u>1,824,857</u>	<u>2,276,637</u>
TOTAL LIABILITIES	<u>2,129,411</u>	<u>2,330,073</u>
NET ASSETS		
Unrestricted net assets	18,315,941	24,446,234
Temporarily restricted net assets	1,043,389	637,811
Permanently restricted net assets	<u>0</u>	<u>0</u>
TOTAL NET ASSETS	<u>19,359,330</u>	<u>25,084,045</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 21,488,741</u>	<u>\$ 27,414,118</u>

See accompanying notes and accountants' report.

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARY

Consolidated Statements of Activities
For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
UNRESTRICTED NET ASSETS		
Support:		
Contributions	\$ 2,810,272	\$ 713,059
Revenue:		
Investment return	(6,821,124)	1,960,234
Administrative fees	288,842	329,552
Rental income and other income	(3,991)	15,563
Net assets released from restrictions	(454,039)	(2,808)
Total unrestricted support and revenue	<u>(4,180,040)</u>	<u>3,015,600</u>
Expenses		
Program expenses		
Grants and scholarship	1,272,889	1,183,312
Foundation fees	255,362	294,362
Supporting services - program	188,563	194,591
Supporting services - management and general	161,053	98,344
Support services - fund raising	72,386	70,333
Total unrestricted expenses	<u>1,950,253</u>	<u>1,840,942</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>(6,130,293)</u>	<u>1,174,658</u>
TEMPORARILY RESTRICTED NET ASSETS		
Change in charitable lead trust receivable	(48,461)	9,915
Net assets released from restrictions	454,039	2,808
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>405,578</u>	<u>12,723</u>
CHANGE IN TOTAL NET ASSETS	(5,724,715)	1,187,381
NET ASSETS - Beginning of year	<u>25,084,045</u>	<u>23,896,664</u>
NET ASSETS - End of year	<u>\$ 19,359,330</u>	<u>\$ 25,084,045</u>

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARY

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in total net assets	\$ (5,724,715)	\$ 1,187,381
Adjustments to reconcile change in total net assets to net cash from operating activities:		
Depreciation	17,228	8,796
(Loss) on donation or sale of equipment	(100)	(53)
Net realized and unrealized (gain) loss on investments	7,468,935	(1,354,447)
(Increase) decrease in operating assets:		
Charitable lead trust receivable	76,191	18,863
Increase (decrease) in operating liabilities:		
Accrued expenses	(470)	1,018
Liability under gift	(11,543)	(3,533)
Increase (decrease) in agency assets	(451,780)	183,877
Net cash provided by operating activities	<u>1,373,746</u>	<u>41,902</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(517,262)	(11,092)
Construction in progress	0	(33,631)
Changes in other assets	0	8,234
Investment activities	(1,024,728)	(550,869)
Net cash (used) by investing activities	<u>(1,541,990)</u>	<u>(587,358)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit, net of payments	263,131	0
Net cash provided by financing activities	<u>263,131</u>	<u>0</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	94,887	(545,456)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>950,282</u>	<u>1,495,738</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 1,045,169</u>	<u>\$ 950,282</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	<u>\$ 7,840</u>	<u>\$ 0</u>

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARY
Notes to the Consolidated Financial Statements
December 31, 2008 and 2007

NOTE A - NATURE OF ACTIVITIES AND BASIS OF CONSOLIDATION

The Fairfield County Foundation (the "Foundation") was founded as a non-profit community foundation on April 20, 1989, for the purpose of the encouragement and promotion of charitable giving within Fairfield County, Ohio; to provide a means for prudent investment and the administration of gifts, bequests and devises made for charitable, educational and public purposes; and to provide for distribution of funds in such a manner as to permit the benefits of the trust to continue to meet the needs of Fairfield County, Ohio, as such needs may change with time and circumstances.

The accompanying consolidated financial statements include the accounts of the Fairfield County Foundation and its Subsidiary, the Fairfield Foundation Real Estate LTD Company. The Foundation is the sole member of the Fairfield Foundation Real Estate LTD Company (an Ohio Limited Liability Company). The company was organized to solely engage in the business activities upon which the sole member agrees.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, depending on the existence or nature of any donor restrictions. The bylaws of the Foundation include a Variance Provision and Powers of Modification giving the Board of Directors the power to vary the use of funds if a restriction expressed by the donor would result in use contrary to the intent presumed. Based on these provisions, most contributions received by the Foundation are reported as unrestricted support.

Cash and cash equivalents

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

Investments

Marketable debt and equity securities are stated at fair market value as determined by quoted market prices.

Fixed Assets

Purchased fixed assets are recorded at cost. Donated fixed assets and collectibles are recorded at estimated fair market value at the date of donation. Expenditures for replacements are capitalized, and the replaced items are retired. Depreciation is computed over the estimated useful lives of the related assets using the straight-line method.

Building	40 years
Building Addition	40 years
Office furniture and equipment	3 - 10 years

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARY
Notes to the Consolidated Financial Statements
December 31, 2008 and 2007

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Administrative Fees

Fees are charged to the funds in accordance with agreements reached between the Foundation and the respective funds. These fees are recorded as revenue by the Foundation.

Functional Expenses

Expenses are charged to programs based on direct expenditures incurred. Indirect expenses have been allocated based on analysis of utilization for the related activity.

Income Taxes

The Foundation is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal income taxes has been made in the financial statements.

Fairfield Foundation Real Estate LTD Company has elected to be taxed as a limited liability company. Fairfield Foundation Real Estate LTD Company had no operating activity in 2008 or 2007.

Estimates

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

NOTE C - TEMPORARILY RESTRICTED ASSETS

Temporarily restricted net assets as of December 31, 2008 and 2007 consist of the following:

	<u>2008</u>	<u>2007</u>
Net land, building and collectibles	\$ 900,393	\$ 418,624
Contribution receivable - charitable lead trust	142,996	219,187
	<hr/>	<hr/>
Total temporarily restricted assets	\$ 1,043,389	\$ 637,811

NOTE D - INVESTMENT SECURITIES

The Foundation's investments are administered by banks and securities brokerage companies. Investment totals include managed assets under agency contracts. Per the agreements, these funds can be co-mingled with Foundation funds. The Foundation's investments at December 31, 2008 and 2007 are stated at market value and consist of the following:

	<u>2008</u>	<u>2007</u>
Certificates of deposit	\$ 10,299	\$ 9,887
Government agencies	3,320,678	2,411,275
Corporate bonds and note	3,309,824	2,647,678
Equities and partnerships	7,035,018	12,480,708
Mutual funds	5,435,250	8,005,728
	<hr/>	<hr/>
Total	\$ 19,111,069	\$ 25,555,276

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARY
Notes to the Consolidated Financial Statements
December 31, 2008 and 2007

NOTE E - INVESTMENT RETURN

Investment return, as stated in the statement of revenues, expenses, and change in net assets for the years ended December 31, 2008 and 2007 is as follows:

	<u>2008</u>	<u>2007</u>
Interest and dividends on investments	\$ 599,350	\$ 615,702
Realized gain (loss) on investments	(63,033)	1,025,774
Unrealized gain (loss) on investments and change in split interest agreements	<u>(7,357,441)</u>	<u>318,758</u>
Total investment return	<u>\$ (6,821,124)</u>	<u>\$ 1,960,234</u>

Investment fees totaled \$113,999 and \$119,650 for 2008 and 2007, respectively, and are included in supporting services.

NOTE F - CONTRIBUTION RECEIVABLE - CHARITABLE LEAD TRUST

During 1998, a donor established a trust naming the Foundation as the lead beneficiary of a charitable lead unitrust ("lead trust"). Under the terms of the trust, the Foundation is to receive eight percent (8%) of the net fair market value of the trust assets, determined on the first business day of each year. Payments shall commence in the year of the donors' deaths and continue for twenty years. Upon expiration of the trust term, the lead trust shall terminate, and the trustee shall distribute all property constituting the lead trust, including all received or accrued but undistributed income, other than amounts due the Foundation, in equal shares to the donor's grandchildren or the survivors of them. At the date of donors' death in 1998, the value of the future benefits expected to be received by the Foundation was estimated to be \$528,125, which was recorded as a contribution and as a charitable lead trust receivable which is adjusted each year to the present value of future cash flows, discounted at 5.4%, for the remaining period of the trust.

NOTE G - OTHER INVESTMENTS

Other investments as of December 31, 2008 and 2007 consist of the following:

	<u>2008</u>	<u>2007</u>
Artwork and coins	\$ 6,900	\$ 6,900
Investment land	<u>250,000</u>	<u>250,000</u>
Total other assets	<u>\$ 256,900</u>	<u>\$ 256,900</u>

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARY
Notes to the Consolidated Financial Statements
December 31, 2008 and 2007

NOTE H - FIXED ASSETS AND COLLECTIBLES

Fixed assets and collectibles, net at December 31, 2008 and 2007 are comprised of the following:

	<u>2008</u>	<u>2007</u>
Building	\$ 215,771	\$ 215,771
Building addition	527,387	33,631
Office furniture and equipment	78,100	54,493
Total depreciable fixed assets	821,258	303,895
Less accumulated depreciation	(86,661)	(69,432)
Net depreciable fixed assets	734,597	234,463
Collectibles	105,500	105,500
Land	92,510	92,510
Net fixed assets and collectibles	\$ 932,607	\$ 432,473

Depreciation totaled \$17,228 and \$8,796 for 2008 and 2007, respectively.

The land, building and various collectibles were donated to the Foundation during 2002 by the City of Lancaster, with a stipulation that the Foundation would be unable to sell the property. If the Foundation attempts to sell the property or its contents, the ownership of all property reverts back to the city. The property (land and building) is recorded at fair market value as of the date of the donation. The donated collectibles are recorded at appraised value or a reasonable estimate of value at the time of donation. Since the collectible items are considered "inexhaustible" they are not depreciated. Land, building and collectibles are recorded as temporarily restricted net assets.

NOTE I - LIABILITY UNDER GIFT

Liabilities under gifts consist of the following:

The Foundation entered into a charitable gift annuity during 1997. Under the agreement, the Foundation pays an annual sum of \$4,625 to the annuitant during his lifetime. The annuity payment liability is recognized at the present value of future cash flows, discounted at 5.4%, expected to be paid to the annuitant.

The Foundation entered into a charitable gift unitrust during 1998. Under the agreement, the Foundation pays an annual sum equal to eight percent (8%) of the fair market value as of January 1 of each year, to the donors during their lifetimes. The contribution was recognized at fair market value at the time of receipt. The unitrust payment liability is recognized at the present value of future cash flows, discounted at 5.4%, expected to be paid to the donor.

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARY
Notes to the Consolidated Financial Statements
December 31, 2008 and 2007

NOTE J – CONFLICT OF INTEREST STATEMENT (Continued)

In the event that a possible conflict does arise, the board member, committee member, employee will: immediately disclose the relationship to the Foundation Board Chair; refrain from participating in any discussion, except to provide pertinent factual information; refrain from voting on any issue that would benefit the organization, business or individual.

NOTE K- AGENCY FUNDS

The Foundation acts as an investment administrator for the funds specified below. These assets are not reported as contributions by the Foundation because the entities are solely using the Foundation to manage their investments. These assets are co-mingled with the Foundation assets and recorded separately on the Foundation books as a liability. These investments and any resulting revenues or expenses affiliated with these funds are reflected as a payable due to the entities. The entities report the investments and related revenues and expenses on their respective financial statements. As of December 31, 2008 and 2007, agency funds are comprised of the following:

	<u>2008</u>	<u>2007</u>
Big Brothers Big Sisters	\$ 7,347	\$ 7,178
Bremen Area Historical Society	6,445	8,192
Decorative Arts Center	815,094	1,014,457
Emery & Evelyn Williams Education Fund	23,192	35,873
Fairfield Heritage – Kindler Piano Fund	2,882	5,097
Fairfield Heritage Assn – Crist	9,963	13,995
Fairfield Heritage Assn Operating Endow. Fund	218,255	303,349
Fairfield Medical Center General Endowment	156,559	165,238
Family Y Endowment Fund	27,018	37,761
Family Y Unrestricted Fund	80,792	113,487
FMC Capital Equipment and Improvement	139,541	167,793
Kiwanis Club of Lancaster Endowment	101,843	137,679
Lancaster Public Education Foundation Fund	18,659	17,582
Maple Street Church	18,198	29,717
Pickerington Public Library	145,581	189,640
St. John's Episcopal Church Exterior Fund	22,574	0
St. John's Episcopal Church Mithoff Fund	10,293	0
St. John's Episcopal Church Stradman-Meenach	5,602	0
William Monger Fund	15,019	29,599
	<hr/>	<hr/>
Total managed assets under agency contracts	\$ 1,824,857	\$ 2,276,637

NOTE L - GRANTS

Grants are approved by the Board of Directors and are awarded for the following purposes: youth services, parks and recreation, health, education, disaster relief, community improvement, arts and culture, and scholarships. Grants totaled \$1,272,889 and \$1,183,312 for the years 2008 and 2007, respectively.

NOTE M – LINE OF CREDIT

During 2008, the Foundation established an unsecured line of credit loan totaling \$350,000 with Fairfield Federal Savings and Loan Association of Lancaster. The annual rate of interest payable is 6.5% and the maturity date is March 31, 2015. The Foundation had drawn \$263,131 at December 31, 2008.