

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARY

Consolidated Financial Statements

Years Ended December 31, 2009 and 2008

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARY

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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, 2009 and 2008, 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, 2009 and 2008, 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

January 29, 2010

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FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARY

**Consolidated Statements of Financial Position
As of December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents	\$ 917,261	\$ 1,045,169
Investment securities	22,639,748	19,111,069
Contribution receivable - Charitable lead trust	146,591	142,996
Other investments	256,900	256,900
Fixed assets and collectibles, net	<u>908,341</u>	<u>932,607</u>
TOTAL ASSETS	<u><u>\$ 24,868,841</u></u>	<u><u>\$ 21,488,741</u></u>
LIABILITIES		
Accrued expenses	\$ 3,159	\$ 3,250
Liability under gift	38,880	38,173
Line of Credit	213,131	263,131
Managed assets under agency contracts	<u>2,171,429</u>	<u>1,824,857</u>
TOTAL LIABILITIES	<u>2,426,599</u>	<u>2,129,411</u>
NET ASSETS		
Unrestricted net assets	21,413,387	18,315,941
Temporarily restricted net assets	1,028,855	1,043,389
Permanently restricted net assets	<u>-</u>	<u>-</u>
TOTAL NET ASSETS	<u>22,442,242</u>	<u>19,359,330</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 24,868,841</u></u>	<u><u>\$ 21,488,741</u></u>

See accompanying notes and accountants' report.

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARY

**Consolidated Statements of Activities
For the Years Ended December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
UNRESTRICTED NET ASSETS		
Support:		
Contributions	\$ 1,048,924	\$ 2,810,272
Revenue:		
Investment return	3,735,045	(6,821,124)
Administrative fees	256,017	288,842
Rental income and other income	15,396	(3,991)
Net assets released from restrictions	37,622	(454,039)
Total unrestricted support and revenue	<u>5,093,004</u>	<u>(4,180,040)</u>
Expenses		
Program expenses		
Grants and scholarship	1,372,073	1,272,889
Foundation fees	224,758	255,362
Supporting services - program	163,259	188,563
Supporting services - management and general	164,191	161,053
Support services - fundraising	71,277	72,386
Total unrestricted expenses	<u>1,995,558</u>	<u>1,950,253</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>3,097,446</u>	<u>(6,130,293)</u>
TEMPORARILY RESTRICTED NET ASSETS		
Change in charitable lead trust receivable	23,088	(48,461)
Net assets released from restrictions	(37,622)	454,039
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>(14,534)</u>	<u>405,578</u>
CHANGE IN TOTAL NET ASSETS	3,082,912	(5,724,715)
NET ASSETS - Beginning of year	<u>19,359,330</u>	<u>25,084,045</u>
NET ASSETS - End of year	<u>\$ 22,442,242</u>	<u>\$ 19,359,330</u>

See accompanying notes and accountants' report.

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARY

**Consolidated Statements of Cash Flows
For the Years Ended December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in total net assets	\$ 3,082,912	\$ (5,724,715)
Adjustments to reconcile change in total net assets to net cash from operating activities:		
Depreciation	24,717	17,228
(Loss) on donation or sale of equipment	-	(100)
Donation of collectible	(451)	-
Net realized and unrealized (gain) loss on investments	(3,129,360)	7,420,474
Change in charitable lead trust receivable	(23,088)	48,461
(Increase) decrease in operating assets:		
Charitable lead trust receivable	(3,595)	76,191
Increase (decrease) in operating liabilities:		
Accrued expenses	(91)	(470)
Liability under gift	707	(11,543)
Increase (decrease) in managed assets	346,572	(451,780)
Net cash provided by operating activities	<u>298,323</u>	<u>1,373,746</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	-	(517,262)
Investment activities	(376,231)	(1,024,728)
Net cash (used) by investing activities	<u>(376,231)</u>	<u>(1,541,990)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit, net of payments	-	263,131
Payments on line of credit	(50,000)	-
Net cash provided (used) by financing activities	<u>(50,000)</u>	<u>263,131</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(127,908)	94,887
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>1,045,169</u>	<u>950,282</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 917,261</u>	<u>\$ 1,045,169</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	<u>\$ 15,988</u>	<u>\$ 7,840</u>

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARY
Notes to the Consolidated Financial Statements
December 31, 2009 and 2008

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 FASB ASC 958, under which 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.

Revenue Recognition

Contributions are recorded when received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

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, 2009 and 2008

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.

Advertising Costs

Advertising costs are expenses as incurred.

Income Taxes

On January 1, 2009, the Foundation adopted FASB ASC 740.10 (FIN48) which clarifies the accounting for uncertainty in income taxes recognized in the Foundation's financial statements in accordance with SFAS 109 and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition and measurement of a tax position taken or expected to be taken in a tax return. The adoption of FIN 48 did not have a material effect on the Foundation.

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. The Foundation's informational returns for tax years 2006 and beyond remain subject to examination by the Internal Revenue Service.

The Foundation did not have unrecognized tax benefit as of December 31, 2009 and does not expect this to change significantly over the next 12 months. In connection with the adoption of FIN 48, the Foundation will recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of December 31, 2009, the Foundation has not accrued interest or penalties related to uncertain tax positions.

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 2009 or 2008.

Credit Risk

Financial instruments which potentially subject the Foundation to a concentration of credit risk consist principally of cash and investments. The Foundation has significant amounts of cash equivalents that are not federally insured, however the Foundation places cash and temporary overnight investments with high credit quality financial institutions. The Foundation's investments are managed by independent asset management firms whose performance is reviewed by the Investment Committee of the Board of Directors on a periodic basis.

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.

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARY
Notes to the Consolidated Financial Statements
December 31, 2009 and 2008

NOTE C - TEMPORARILY RESTRICTED ASSETS

Temporarily restricted net assets as of December 31, 2009 and 2008 consist of the following:

	<u>2009</u>	<u>2008</u>
Net land, building and collectibles	\$ 882,264	\$ 900,393
Contribution receivable - charitable lead trust	146,591	142,996
	\$ 1,028,855	\$ 1,043,389
Total temporarily restricted assets	\$ 1,028,855	\$ 1,043,389

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, 2009 and 2008 are stated at market value and consist of the following:

	<u>2009</u>	<u>2008</u>
Certificates of deposit	\$ 10,616	\$ 10,299
Government agencies	3,057,617	3,320,678
Corporate bonds and note	3,055,850	3,309,824
Equities and partnerships	7,354,541	7,035,018
Mutual funds	9,161,124	5,435,250
	\$ 22,639,748	\$ 19,111,069
Total	\$ 22,639,748	\$ 19,111,069

NOTE E - FAIR VALUE MEASUREMENT

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Foundation has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Partnership's own data.)

The following tables present the Foundation's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2009.

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARY
Notes to the Consolidated Financial Statements
December 31, 2009 and 2008

NOTE E – FAIR VALUE MEASUREMENT (Continued)

Fair Value Measurements on a Recurring Basis
As of December 31, 2009

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ 10,616	\$ -	\$ -	\$ 10,616
Government agencies	3,057,617	-	-	3,057,617
Corporate bonds and note	3,055,850	-	-	3,055,850
Equities and partnerships	7,317,951	36,590	-	7,354,541
Mutual funds	9,161,124	-	-	9,161,124
Total	\$ 22,603,158	\$ 36,590	\$ -	\$ 22,639,748

NOTE F - INVESTMENT RETURN

Investment return, as stated in the statement of revenues, expenses, and change in net assets for the years ended December 31, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Interest and dividends on investments	\$ 605,685	\$ 599,350
Realized gain (loss) on investments	(1,532,857)	(63,033)
Unrealized gain (loss) on investments	4,662,217	(7,357,441)
Total investment return	\$ 3,735,045	\$ (6,821,124)

Investment fees totaled \$89,897 and \$113,999 for 2009 and 2008, respectively, and are included in supporting services.

NOTE G - 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 H - OTHER INVESTMENTS

Other investments as of December 31, 2009 and 2008 consist of the following:

	<u>2009</u>	<u>2008</u>
Artwork and coins	\$ 6,900	\$ 6,900
Investment land	250,000	250,000
Total other assets	\$ 256,900	\$ 256,900

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARY
Notes to the Consolidated Financial Statements
December 31, 2009 and 2008

NOTE I - FIXED ASSETS AND COLLECTIBLES

Fixed assets and collectibles, net at December 31, 2009 and 2008 are comprised of the following:

	<u>2009</u>	<u>2008</u>
Building	\$ 215,771	\$ 215,771
Building addition	527,387	527,387
Office furniture and equipment	78,100	78,100
Total depreciable fixed assets	821,258	821,258
Less accumulated depreciation	(111,377)	(86,661)
Net depreciable fixed assets	709,881	734,597
Collectibles	105,950	105,500
Land	92,510	92,510
 Net fixed assets and collectibles	 \$ 908,341	 \$ 932,607

Depreciation totaled \$24,717 and \$17,228 for 2009 and 2008, 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 J - 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.

NOTE K - CONFLICT OF INTEREST STATEMENT

Among the Fairfield County Foundation and its board, officers and employees, there exists a fiduciary duty which carries with it a broad and unbending loyalty. The board, officers and employees have the responsibility to administer the affairs of the Fairfield County Foundation honestly and prudently for the sole benefit of the Foundation. Those persons shall exercise the utmost good faith in all transactions involved in their duties, and they shall not use their position with the Fairfield County Foundation or knowledge gained there from for their personal benefit.

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.

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARY
Notes to the Consolidated Financial Statements
December 31, 2009 and 2008

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 \$1,372,073 and \$1,272,889 for the years 2009 and 2008, 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 outstanding balances were \$213,131 and \$263,131 at December 31, 2009 and 2008, respectively. Interest expense, included in supporting services, was \$15,988 and 7,840 for years ended December 31, 2009 and 2008 respectively.

NOTE N – RELATED PARTY TRANSACTIONS

The Foundation has a volunteer Board of Directors and received contributions of approximately \$49,500 and \$11,850 from participating members during December 31, 2009 and 2008, respectively.

A key officer of Fairfield National Bank is an officer of the Board of Directors of the Foundation. The Foundation paid \$89,897 and \$113,999 in investment fees to Fairfield National Bank during December 21, 2009 and 2008, respectively.

NOTE O – 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, 2009 and 2008, agency funds are comprised of the following:

	<u>2009</u>	<u>2008</u>
Big Brothers Big Sisters	\$ 8,854	\$ 7,347
Bremen Area Historical Society	7,728	6,445
Decorative Arts Center	940,842	815,094
Emery & Evelyn Williams Education Fund	26,105	23,192
Fairfield Heritage – Kindler Piano Fund	3,455	2,882
Fairfield Heritage Assn – Crist	11,947	9,963
Fairfield Heritage Assn Operating Endow. Fund	251,982	218,255
Fairfield Medical Center General Endowment	194,938	156,559
Family Y Endowment Fund	32,561	27,018
Family Y Unrestricted Fund	96,881	80,792
FMC Capital Equipment and Improvement	166,505	139,541
Kiwanis Club of Lancaster Endowment	122,125	101,843
Lancaster Public Education Foundation Fund	29,322	18,659
Maple Street Church	21,822	18,198
Pickerington Public Library	192,223	145,581
St. John's Episcopal Church Exterior Fund	27,069	22,574
St. John's Episcopal Church Mithoff Fund	12,342	10,293
St. John's Episcopal Church Stradman-Meenach	6,718	5,602
William Monger Fund	18,010	15,019
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Total managed assets under agency contracts	\$ 2,171,429	\$ 1,824,857