

**FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES**

**Consolidated Financial Statements**

**Years Ended December 31, 2011 and 2010**

**FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES**

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McLAIN, HILL, RUGG & ASSOCIATES, INC.

Certified Public Accountants

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Members:

American Institute Of  
Certified Public Accountants

Ohio Society Of  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated statements of financial position of Fairfield County Foundation (a nonprofit organization) and Subsidiaries as of December 31, 2011 and 2010, 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 Subsidiaries as of December 31, 2011 and 2010, and the changes in their net assets and their 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

April 20, 2012

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**FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES**

**Consolidated Statements of Financial Position  
As of December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>	<b>Increase (Decrease)</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,452,505	\$ 966,989	\$ 485,516
Investments	24,887,182	24,897,776	(10,594)
Contribution receivable - Charitable lead trust	127,672	124,904	2,768
Other investments	884,400	884,400	-
Fixed assets and collectibles, net	<u>861,013</u>	<u>884,010</u>	<u>(22,997)</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 28,212,772</u></b>	<b><u>\$ 27,758,079</u></b>	<b><u>\$ 454,693</u></b>
<b>LIABILITIES</b>			
Accrued expenses	\$ 4,538	\$ 3,885	\$ 653
Liability under gift	18,068	18,015	53
Line of Credit	160,081	213,131	(53,050)
Managed assets under agency contracts	<u>2,790,010</u>	<u>2,644,273</u>	<u>145,737</u>
<b>TOTAL LIABILITIES</b>	<b><u>2,972,697</u></b>	<b><u>2,879,304</u></b>	<b><u>93,393</u></b>
<b>NET ASSETS</b>			
Unrestricted net assets	24,267,297	23,890,186	377,111
Temporarily restricted net assets	972,778	988,589	(15,811)
Permanently restricted net assets	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL NET ASSETS</b>	<b><u>25,240,075</u></b>	<b><u>24,878,775</u></b>	<b><u>361,300</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 28,212,772</u></b>	<b><u>\$ 27,758,079</u></b>	<b><u>\$ 454,693</u></b>

McLAIN, HILL, RUGG and ASSOCIATES, INC., CERTIFIED PUBLIC ACCOUNTANTS

See independent auditors' report and notes to the financial statements.

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES

Consolidated Statements of Activities  
For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease)</u>
<b>UNRESTRICTED NET ASSETS</b>			
<b>Support:</b>			
Contributions	\$ 2,254,613	\$ 1,734,701	\$ 519,912
<b>Revenue:</b>			
Investment return	(340,039)	2,343,906	(2,683,945)
Administrative fees	323,198	286,443	36,755
Rental and other income, net	31,893	28,849	3,044
Net assets released from restrictions	39,452	39,757	(305)
<b>Total unrestricted support and revenue</b>	<u>2,309,117</u>	<u>4,433,656</u>	<u>(2,124,539)</u>
<b>Expenses</b>			
Program expenses			
Grants and scholarships	1,218,535	1,293,061	(74,526)
Foundation fees	293,315	257,278	36,037
Supporting services - program	183,368	176,512	6,856
Supporting services - management and general	158,015	161,723	(3,708)
Support services - fundraising	78,773	68,283	10,490
<b>Total unrestricted expenses</b>	<u>1,932,006</u>	<u>1,956,857</u>	<u>(24,851)</u>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	<u>377,111</u>	<u>2,476,799</u>	<u>(2,099,688)</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>			
Change in charitable lead trust receivable	23,641	(509)	24,150
Net assets released from restrictions	(39,452)	(39,757)	305
<b>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</b>	<u>(15,811)</u>	<u>(40,266)</u>	<u>24,455</u>
<b>CHANGE IN TOTAL NET ASSETS</b>	361,300	2,436,533	(2,075,233)
<b>NET ASSETS - Beginning of year</b>	<u>24,878,775</u>	<u>22,442,242</u>	<u>2,436,533</u>
<b>NET ASSETS - End of year</b>	<u>\$ 25,240,075</u>	<u>\$ 24,878,775</u>	<u>\$ 361,300</u>

McLAIN, HILL, RUGG and ASSOCIATES, INC., CERTIFIED PUBLIC ACCOUNTANTS

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows  
For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in total net assets	\$ 361,300	\$ 2,436,533
Adjustments to reconcile change in total net assets to net cash from operating activities:		
Depreciation	22,997	24,711
Donation of other investments	-	(627,500)
Net realized and unrealized (gain) loss on investments	1,127,082	(1,798,327)
Change in charitable lead trust receivable	(23,641)	509
(Increase) decrease in operating assets:		
Charitable lead trust receivable	(2,768)	21,687
Increase (decrease) in operating liabilities:		
Accrued expenses	653	726
Liability under gift	53	(20,865)
Increase in managed assets	145,737	472,844
<b>Net cash provided by operating activities</b>	<u>1,631,413</u>	<u>510,318</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	-	(380)
Investment activities	<u>(1,092,847)</u>	<u>(460,210)</u>
<b>Net cash (used) by investing activities</b>	<u>(1,092,847)</u>	<u>(460,590)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on line of credit	<u>(53,050)</u>	-
<b>Net cash (used) by financing activities</b>	<u>(53,050)</u>	-
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	485,516	49,728
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>966,989</u>	<u>917,261</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>\$ 1,452,505</u>	<u>\$ 966,989</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Interest paid	<u>\$ 11,915</u>	<u>\$ 13,906</u>

**FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2011 and 2010**

**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 Foundation is the sole member of the Fairfield Foundation Real Estate LTD and Fairfield Foundation Real Estate II LTD Companies (Ohio Limited Liability Companies). The accompanying consolidated financial statements include the accounts of the Fairfield County Foundation and its Subsidiaries. The Subsidiaries were organized to solely engage in the business activities upon which the sole member agrees.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting and Financial Statement Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. The Foundation presents its financial position and activities based on the existence or absence of donor-imposed restrictions. If donor-imposed restrictions are met in the same period as the gift or investment income is received, the amount is reported as unrestricted revenues. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

*Unrestricted net assets*—Net assets that are not subject to donor-imposed stipulations.

*Temporarily restricted net assets*—Net assets that are available for use, but expendable only for those purposes specified by the grantor.

*Permanently restricted net assets*—Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

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, becomes unnecessary, incapable of fulfillment, or inconsistent with its charitable and educational mission or the need of its constituents. Based on these provisions, most contributions received by the Foundation are reported as unrestricted support, except for pledges and bequests that have not yet been received or settled and the net assets held under charitable trust and gift annuity agreements, which are classified as temporarily restricted net assets. The Foundation has no assets that are permanently restricted.

Grants and expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets. Expirations of temporary restricted on net assets (i.e., the stipulation time period has elapsed or purpose was satisfied) are reported as net assets released from restrictions.

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

Investments including certificates of deposit, corporate and governmental obligations, equities and partnerships and mutual funds are stated at fair value based on quoted market values. Investments in cash management funds are stated at cost, which approximates fair value. Net realized and unrealized gains and losses on investments are reflected in the statement of activities.

Marketable Securities consist of bonds which are classified as held-to-maturity and common stock which are classified as available for sale. Securities classified as available for sale are those that the Foundation intends to hold for an indefinite period of time while securities are classified as held-to-maturity when the Foundation has the positive intent and ability to hold the securities to maturity.

See independent auditors' report.

**FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2011 and 2010**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Fair Value of Financial Instruments

Investments in common stock, government and corporate bonds, mutual funds and equivalents cash management funds are recorded at fair values. The carrying amount of cash and cash equivalents, accrued expenses, and line of credit approximates fair value due to its short term nature. Funds held for other organizations and funds held as agency endowments are recorded at the fair values of the corresponding assets. Gift annuity liabilities are carried at the present value of the total future payments to annuitants and approximate fair value because the annuity was established in the current year using a market rate.

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

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.

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 expensed as incurred.

Income Taxes

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes is reflected in the accompanying financial statement.

The Foundation adopted accounting rules that prescribe when to recognize and how to measure the financial effects, if any, of income tax positions taken or expected to be taken on its income tax returns, including the position that the Foundation continues to qualify to be treated as not-for-profit organization exempt from income tax provisions. Management is required to evaluate the likelihood that, upon examination by relevant taxing jurisdictions, those income tax positions would be sustained.

Based on that evaluation, if it were more than 50% probable that a material amount of income tax would be imposed at the entity level upon examination by the relevant taxing authorities, a liability would be recognized in the accompanying balance sheet along with any interest and penalties that would result from that assessment. Should any such penalties and interest be incurred, the Foundation's policy would be to recognize them as operating expenses. Based on the results of management's evaluation, a liability was not recognized in the Foundation's financial statements. Further, no interest or penalties have been accrued or charged to expense as of December 31, 2011, or for the year then ended.

McLAIN, HILL, RUGG and ASSOCIATES, INC., CERTIFIED PUBLIC ACCOUNTANTS



**FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2011 and 2010**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Income Taxes (continued)

The Foundation's informational return is subject to examination by taxing authorities for a period of three years from the date they are filed. The open years for the filed returns are 2008 – 2010 and the return to be filed in 2012 is the 2011 informational return.

Fairfield Foundation Real Estate LTD and Fairfield Foundation Real Estate II LTD Companies have elected to be taxed as limited liability companies. Fairfield Foundation Real Estate LTD Company had no operating activity in 2011 or 2010 while Fairfield Foundation Real Estate II LTD was established to receive donated land during 2010 from the Foundation.

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.

Risks and Uncertainties

The Foundation invests or holds a variety of investment vehicles, including certificates of deposit, corporate and governmental obligations, equities and partnerships and mutual funds. These investments are exposed to interest rate, market, credit and other risks depending upon the nature of the investment. Accordingly, it is reasonably possible that these factors will result in changes in the value of the Foundation's investments, which could materially affect amounts reported in the financial statements.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of the events up through and including April 20, 2012, which is the date the statements were available for issue.

**NOTE C - TEMPORARILY RESTRICTED ASSETS**

Temporarily restricted net assets as of December 31, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
Net land, building and collectibles	\$ 845,106	\$ 863,685
Contribution receivable - charitable lead trust	127,672	124,904
Total temporarily restricted assets	\$ 972,778	\$ 988,589

**NOTE D - INVESTMENTS**

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.

**FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2011 and 2010**

**NOTE D – INVESTMENTS (continued)**

The Foundation's investments at December 31, 2011 and 2010 are stated at fair market value and consist of the following:

	<u>2011</u>	<u>2010</u>
Certificates of deposit	\$ 10,902	\$ 10,774
Government agencies	975,800	1,592,416
Corporate bonds and note	3,932,754	3,707,259
Equities and partnerships	5,516,501	7,656,565
Marketable certificates of deposit	451,029	899,852
Mutual funds	<u>14,000,196</u>	<u>11,030,910</u>
Total	<u>\$ 24,887,182</u>	<u>\$ 24,897,776</u>

Investment return, as stated in the statement of revenues, expenses, and change in net assets for the years ended December 31, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Interest and dividends on investments	\$ 787,043	\$ 545,580
Realized gain (loss) on investments	555,009	210,300
Unrealized gain (loss) on investments	<u>(1,682,091)</u>	<u>1,588,026</u>
Total investment return	<u>\$ (340,039)</u>	<u>\$ 2,343,906</u>

Investment fees totaled \$103,408 and \$98,848 for 2011 and 2010, respectively, and are included in supporting services.

**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 to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
Level 2	Inputs to the valuation methodology include <ul style="list-style-type: none"> <li>• quoted prices for similar assets or liabilities in active markets;</li> <li>• quoted prices for identical or similar assets or liabilities in inactive markets;</li> <li>• inputs other than quoted priced that are observable for the asset or liability</li> <li>• inputs that are derived principally from or corroborated by observable market data by correlation or other means.</li> </ul> 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.

**FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2011 and 2010**

**NOTE E – FAIR VALUE MEASUREMENT (Continued)**

The asset 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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2011 and 2010.

*Common stocks, equities, corporate bonds and notes, U.S. government securities, and partnerships:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Closely held equities:* Valued, using the market approach, at the most recent trade, or book value provided by the issuer, or an alternative pricing source.

*Mutual funds:* Valued at the net asset value (NAV) of shares held by the plan at year end.

*Charitable lead trust:* Valued and adjusted each year to the present value (income approach) of future cash flows, discounted at 5.4%, for the remaining period of the trust for 20 years beginning in 1998.

*Liability under gifts:* Valued and adjusted each year to the present value (income approach) of future cash flows, discounted at 5.4%, expected to be paid.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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, 2011 and 2010.

Fair Value Measurements on a Recurring Basis				
As of December 31, 2011				
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 1,452,505	\$ -	\$ -	\$ 1,452,505
Equities:				
Large cap growth funds	1,768,844	-	-	1,768,844
Large cap core funds	2,205,907	-	-	2,205,907
Large cap equities	6,233,574	48,095	-	6,281,669
Mid cap core funds	1,328,789	-	-	1,328,789
Mid cap equities	257,550	-	-	257,550
Small cap growth funds	1,069,427	-	-	1,069,427
Small cap equities	17,575	-	-	17,575
International	4,803,190	-	-	4,803,190
European	215,113	-	-	215,113
Pacific	221,161	-	-	221,161
Common stock	33,048	-	-	33,048
Fixed Income:				
Taxable bonds	6,674,007	-	-	6,674,007
Certificates of deposit	10,902	-	-	10,902
Charitable lead trust	-	-	127,672	127,672
Liability under gift	-	-	(18,068)	(18,068)
Total	\$ 26,291,592	\$ 48,095	\$ 109,604	\$ 26,449,291

See independent auditors' report.

**FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2011 and 2010**

**NOTE E – FAIR VALUE MEASUREMENT (Continued)**

Fair Value Measurements on a Recurring Basis As of December 31, 2010				
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 966,989	\$	\$	\$ 966,989
Equities:				
Large cap growth funds	19,758			19,758
Large cap core funds	2,141,848			2,141,848
Large cap equities	7,249,134	46,335		7,295,469
Mid cap core funds	1,342,676			1,342,676
Mid cap equities	311,168			311,168
Small cap growth funds	1,114,649			1,114,649
Small cap equities	18,145			18,145
International	5,893,258			5,893,258
European	188,687			188,687
Pacific	195,033			195,033
Common stock	28,784			28,784
Fixed Income:				
Taxable bonds	6,337,527			6,337,527
Certificates of deposit	10,774			10,774
Charitable lead trust	-	-	124,904	124,904
Liability under gift	-	-	(18,015)	(18,015)
Total	\$ 25,818,430	\$ 46,335	\$ 106,889	\$ 25,971,654

**Level 3 Gains and Losses**

The following table sets forth a summary of changes in the fair value of the Foundation's level 3 assets for the year ended December 31, 2011 and 2010.

	<i>Level 3 Assets</i>			
	December 31, 2011		December 31, 2010	
	Charitable lead trust	Liability under gift	Charitable lead trust	Liability under gift
Balance, beginning of year	\$ 124,904	\$ (18,015)	\$ 146,591	\$ (38,880)
Realized gains	1,207	1	520	(8,531)
Unrealized gains	292	(56)	(6,171)	19,584
Interest credited	1,269	2	936	1,803
Purchases, sales, issuances, and settlements, (net)	-	-	(16,972)	8,009
Balance, end of year	\$ 127,672	\$ (18,068)	\$ 124,904	\$ (18,015)

**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.

**FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2011 and 2010**

**NOTE G - OTHER INVESTMENTS**

Other investments as of December 31, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
Artwork and coins	\$ 6,900	\$ 6,900
Investment land	<u>877,500</u>	<u>877,500</u>
 Total other assets	 <u>\$ 884,400</u>	 <u>\$ 884,400</u>

Other investments are valued at appraised value when donated.

**NOTE H - FIXED ASSETS AND COLLECTIBLES**

Fixed assets and collectibles, net at December 31, 2011 and 2010 are comprised of the following:

	<u>2011</u>	<u>2010</u>
Building	\$ 215,771	\$ 215,771
Building addition	527,387	527,387
Office furniture and equipment	<u>78,480</u>	<u>78,100</u>
Total depreciable fixed assets	821,638	821,258
Less accumulated depreciation	<u>(159,085)</u>	<u>(136,088)</u>
Net depreciable fixed assets	662,553	685,550
Collectibles	105,950	105,950
Land	<u>92,510</u>	<u>92,510</u>
 Net fixed assets and collectibles	 <u>\$ 861,013</u>	 <u>\$ 884,010</u>

Depreciation totaled \$22,997 and \$24,711 for 2011 and 2010, 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 no longer has a use for the property, 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. The charitable gift unitrust was distributed during 2010.

See independent auditors' report.

**FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2011 and 2010**

**NOTE J – 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.

**NOTE K – GRANTS AND SCHOLARSHIPS**

Grants and Scholarships 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 and Scholarships totaled \$1,218,535 and \$1,293,061 for the years 2011 and 2010, respectively.

**NOTE L – 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 \$160,081 and \$213,131 at December 31, 2011 and 2010, respectively. Interest expense, included in supporting services, was \$11,915 and \$13,906 for years ended December 31, 2011 and 2010 respectively.

**NOTE M – RELATED PARTY TRANSACTIONS**

The Foundation has a volunteer Board of Directors and received contributions of approximately \$13,450 and \$18,570 from participating members during December 31, 2011 and 2010, respectively.

The Foundation's attorney who is also a former board member represented the Foundation in a case during 2010 in which the court is determining distributions of which the Foundation is a beneficiary. Legal services were provided at no cost to the Foundation.

**NOTE N – 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.

**FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2011 and 2010**

**NOTE N – AGENCY FUNDS (Continued)**

As of December 31, 2011 and 2010, agency funds are comprised of the following:

	<u>2011</u>	<u>2010</u>
Big Brothers Big Sisters	\$ 9,648	\$ 9,937
Bremen Area Historical Society	8,170	8,457
Decorative Arts Center	1,109,222	1,147,469
Emery & Evelyn Williams Education Fund	27,597	28,566
Fairfield Heritage – Kindler Piano Fund	3,496	3,781
Fairfield Heritage Assn – Crist	12,630	13,074
Fairfield Heritage Assn Operating Endow. Fund	516,700	373,231
Fairfield Medical Center General Endowment	234,948	241,988
Family Y Endowment Fund	34,768	35,810
Family Y Unrestricted Fund	107,432	106,017
FMC Capital Equipment and Improvement	165,286	171,092
Edward Sawyer Fund	97,063	0
Kiwanis Club of Lancaster Endowment	125,635	131,497
Lancaster Public Education Foundation Fund	34,114	35,519
Maple Street Church	0	23,879
Pickerington Public Library	235,496	243,769
St. John's Episcopal Church Exterior Fund	28,616	29,622
St. John's Episcopal Church Mithoff Fund	13,048	13,506
St. John's Episcopal Church Stradman-Meenach	7,102	7,351
William Monger Fund	19,039	19,708
	<hr/>	<hr/>
Total managed assets under agency contracts	\$ <u>2,790,010</u>	\$ <u>2,644,273</u>

**NOTE O – LEASES**

A Subsidiary leased donated residential property for the years ended December 31, 2011 and 2010 in the amounts of \$23,888 and \$20,730, respectively. One property is rented to a family member of a Foundation employee. Future minimum lease payments are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2012	11,888
2013	-
2014	-
2015	-
2016	-
Thereafter	-
	<hr/>
Total	\$ <u>11,888</u>

Beginning in 2010, the new Subsidiary received donated farm land that leases land in which they received a percentage of the crops harvested and sold. The income for the years ended December 31, 2011 and 2010 were \$15,107 and \$13,929. Amounts are not included in the above future minimum lease payments.

The above mentioned leases are recorded as Rental income on the consolidated statements of activities, net of related expense.