

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES

Consolidated Financial Statements

Years Ended December 31, 2018 and 2017



FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Fairfield County Foundation (a Nonprofit Organization) and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2018, the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 auditors' 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 Fairfield County Foundation and Subsidiaries as of December 31, 2018, and the results of its operations 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 financial statements of Fairfield County Foundation and Subsidiaries, as of and for the year ended December 31, 2017, were audited by other auditors, whose report, dated April 17, 2018, expressed an unmodified opinion on those statements.

SEO CPA Group, LTD

SEO CPA Group, LTD
Zanesville, Ohio

April 30, 2019

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES

**Consolidated Statements of Financial Position
As of December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
ASSETS			
Cash and cash equivalents	\$ 2,002,239	\$ 2,447,461	\$ (445,222)
Investments	41,491,187	44,121,273	(2,630,086)
Contribution receivable - charitable lead trust	-	33,000	(33,000)
Other investments	634,400	634,400	-
Fixed assets and collectibles, net	<u>776,112</u>	<u>791,124</u>	<u>(15,012)</u>
TOTAL ASSETS	<u><u>\$ 44,903,938</u></u>	<u><u>\$ 48,027,258</u></u>	<u><u>\$ (3,123,320)</u></u>
LIABILITIES			
Accrued expenses	\$ 4,132	\$ 3,891	\$ 241
Managed assets under agency contracts	<u>4,428,677</u>	<u>4,764,120</u>	<u>(335,443)</u>
TOTAL LIABILITIES	4,432,809	4,768,011	(335,202)
NET ASSETS			
Net assets without donor restriction	39,706,903	42,442,006	(2,735,103)
Net assets with donor restriction	<u>764,226</u>	<u>817,241</u>	<u>(53,015)</u>
TOTAL NET ASSETS	<u>40,471,129</u>	<u>43,259,247</u>	<u>(2,788,118)</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 44,903,938</u></u>	<u><u>\$ 48,027,258</u></u>	<u><u>\$ (3,123,320)</u></u>

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, 2018 and 2017**

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
NET ASSETS WITH DONOR RESTRICTION			
Support:			
Contributions	\$ 2,128,817	\$ 2,914,323	\$ (785,506)
Revenue:			
Investment return	(2,200,321)	5,194,269	(7,394,590)
Administrative fees	507,748	482,710	25,038
Rental and other income, net	65,621	6,211	59,410
Net assets released from restrictions	37,631	36,892	739
Total unrestricted support and revenue	<u>539,496</u>	<u>8,634,405</u>	<u>(8,094,909)</u>
Expenses			
Program expenses:			
Grants	1,997,570	1,534,295	463,275
Scholarships	968,287	779,143	189,144
Supporting services expenses:			
Management and general	181,189	191,259	(10,070)
Fundraising	127,553	118,250	9,303
Total unrestricted expenses	<u>3,274,599</u>	<u>2,622,947</u>	<u>651,652</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION	(2,735,103)	6,011,458	(8,746,561)
NET ASSETS WITH DONOR RESTRICTION			
Change in charitable lead trust receivable	(15,384)	3,946	(19,330)
Net assets added to/released from restrictions	(37,631)	(36,892)	(739)
CHANGE IN NET ASSETS WITH DONOR RESTRICTION	<u>(53,015)</u>	<u>(32,946)</u>	<u>(20,069)</u>
CHANGE IN TOTAL NET ASSETS	(2,788,118)	5,978,512	(8,766,630)
NET ASSETS - Beginning of year	<u>43,259,247</u>	<u>37,280,735</u>	<u>5,978,512</u>
NET ASSETS - End of year	<u>\$ 40,471,129</u>	<u>\$ 43,259,247</u>	<u>\$ (2,788,118)</u>

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES

**Consolidated Statement of Functional Expenses
For the year ended December 31, 2018**

	Program Services		Management and General	Fundraising and Development	Total
	Grants	Scholarships			
Grants and scholarships	\$ 1,602,420	\$ 623,164	\$ -	\$ -	\$ 2,225,584
Foundation administrative fees	250,268	221,935	-	-	472,203
Fundraising expenses	-	-	-	34,114	34,114
Salaries, taxes and benefits	58,053	44,849	77,627	89,539	270,068
Depreciation	-	-	22,738	-	22,738
Travel and mileage	732	498	125	434	1,789
Professional and consultant fees	19,299	17,114	20,714	-	57,127
Repairs and maintenance	-	-	11,150	-	11,150
Supplies	5,252	11,500	28,602	2,484	47,838
Postage and delivery	243	-	1,701	486	2,430
Utilities	-	-	10,007	-	10,007
Taxes	-	-	1,873	-	1,873
Conference, convention, and meeting expense	426	-	-	106	532
Dues and subscriptions	6,247	781	590	390	8,008
Insurance	-	-	6,048	-	6,048
Bank charges	54,630	48,446	-	-	103,076
Rental expense	-	-	12,427	-	12,427
Other	-	-	14	-	14
Less expenses included with revenues on the consolidated statement of activities	-	-	(12,427)	-	(12,427)
Rental expense	-	-	-	-	-
Total expenses on the statement of activities	\$ 1,997,570	\$ 968,287	\$ 181,189	\$ 127,553	\$ 3,274,599

See independent auditors' report and notes to the financial statements.
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FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES

**Consolidated Statement of Functional Expenses
For the year ended December 31, 2017**

	Program Services		Management and General	Fundraising and Development	Total
	Grants	Scholarships			
Grants and scholarships	\$ 1,152,667	\$ 448,259	\$ -	\$ -	\$ 1,600,926
Foundation administrative fees	240,436	213,216	-	-	453,652
Fundraising expenses	-	-	-	26,360	26,360
Salaries, taxes and benefits	58,765	45,930	78,604	89,374	272,673
Depreciation	-	-	24,060	-	24,060
Travel and mileage	616	437	109	279	1,441
Professional and consultant fees	17,641	15,644	50,190	-	83,475
Repairs and maintenance	-	-	4,524	-	4,524
Supplies	3,119	5,463	14,249	1,354	24,185
Postage and delivery	208	-	1,455	416	2,079
Utilities	-	-	9,063	-	9,063
Taxes	-	-	1,872	-	1,872
Conference, convention, and meeting expense	893	-	-	223	1,116
Dues and subscriptions	3,898	487	444	244	5,073
Insurance	-	-	6,224	-	6,224
Bank charges	56,052	49,707	-	-	105,759
Rental expense	-	-	8,221	-	8,221
Other	-	-	465	-	465
Less expenses included with revenues on the on the consolidated statement of activities	-	-	(8,221)	-	(8,221)
Rental expense	-	-	-	-	-
Total expenses on the statement of activities	\$ 1,534,295	\$ 779,143	\$ 191,259	\$ 118,250	\$ 2,622,947

See independent auditors' report and notes to the financial statements.
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FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES

**Consolidated Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in total net assets	\$ (2,788,118)	\$ 5,978,512
Adjustments to reconcile change in total net assets to net cash from operating activities:		
Depreciation	22,738	24,060
Net realized and unrealized (gain) loss on investments	2,976,828	(4,501,367)
Unrealized (gain) loss on charitable lead trust receivable	15,384	(3,946)
Non-cash contributions (contributed securities)	(535,564)	(250,000)
(Increase) decrease in operating assets:		
Contribution receivable - charitable lead trust	33,000	12,931
Increase (decrease) in operating liabilities:		
Accrued expenses	241	(340)
Managed assets under agency contracts	(335,443)	74,391
Net cash provided (used) by operating activities	(610,934)	1,334,241
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(7,726)	-
Investment income reinvested	(776,507)	(689,078)
Purchase of investments	(10,105,625)	(5,996,057)
Sale of investments	11,055,570	5,420,133
Net cash provided (used) by investing activities	165,712	(1,265,002)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(445,222)	69,239
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,447,461	2,378,222
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 2,002,239	\$ 2,447,461
 SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES		
Contribution of investment securities	\$ 516,064	\$ -
Contribution of closely-held shares for real estate	19,500	250,000
Total noncash investing activities	\$ 535,564	\$ 250,000

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

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2018 and 2017

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. All material intercompany balance and transactions have been eliminated.

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.

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 net assets with donor restriction. Accordingly, the Foundation has recorded no assets that are permanently restricted.

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

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions as well as those with variance power provisions. The governing board designates, from net assets without donor restrictions, net assets available for operating and grant purposes in accordance with the Foundation's spending policy.

Net Assets with Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Grants and expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor 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.

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2018 and 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Property held for investment purposes is recorded at estimated fair market value at date of contribution.

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.

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 their 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.

Impairment of debt securities is assessed annually by management in accordance with the impairment provisions FASB ASC 825-10, Financial Instruments – Overall, as applicable to non-profit organizations. There were no debt securities losses considered other-than-temporarily impaired recognized during the years ended December 31, 2018 or 2017.

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 and Improvements	40 years
Office furniture and furnishings	10 years
Office and computer equipment	5 years

Revenue Recognition

Unconditional contributions and grant revenue are recorded when received. The Foundation recognizes revenue from exchange transactions, primarily administrative fees and facilities rental income, when the service is rendered. Conditional promises to give, whether received or made, are recognized when the conditions are substantially met.

Administrative Fees

For operating purposes, fees are charged to the funds in accordance with agreements reached between the Foundation and the respective funds as established by donors and other organizations. These fees are recorded as revenue by the Foundation.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising Costs

Advertising costs are expensed as incurred and totaled \$34,113 and \$26,360 for the years ended December 31, 2018 and 2017, respectively.

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2018 and 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 most significant tax positions of the Organization are its assertion that it is exempt from income taxes and its determination of whether any amounts are subject to unrelated business income tax (UBIT). The Foundation follows the guidance of Accounting Standards Codification (ASC) 740, *Accounting for Income Taxes*, related to uncertainties in income taxes, which prescribes a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. There are no such uncertain tax positions for the Foundation for the years ended December 31, 2018 and 2017.

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 2015 – 2017 and the return to be filed in 2019 is the 2018 informational return.

Fairfield Foundation Real Estate LTD and Fairfield Foundation Real Estate II LTD Companies are considered disregarded entities for tax purposes.

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.

Recent Accounting Pronouncements

In May 2014, the FASB issued Revenue from Contracts with Customers (Topic 606) (ASU 2014-09). The objective of the guidance in this Topic is to establish the principles that an entity shall apply to report useful information to users of the financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The core principle is that the entity shall recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or service. For nonpublic entities, the amendments are effective for annual reporting periods beginning after December 15, 2018 and interim periods within annual periods beginning after December 15, 2019. Early adoption and retrospective application are permitted with limitations. During 2017, the Foundation adopted the pronouncement effective beginning January 1, 2019.

With the issuance of ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, FASB provided specific guidance on the cash flow classification and presentation of changes in restricted cash or restricted cash equivalents. For non-profit entities, the ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Foundation has not adopted nor determined the effect of implementing the pronouncement.

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2018 and 2017

NOTE C – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$	1,279,335
Operating investments		722,904
Total net assets	\$	<u>2,002,239</u>

The Foundation invests cash in excess of daily requirements in short-term investments, CD's and money market funds.

The Foundation has over 300 funds that are internally classified as net assets without donor restrictions or net assets with donor restrictions. The Board temporarily restricts funds in accordance with the spending policy. The Foundation's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

Although the Foundation classifies most of its donor-imposed restricted funds as net assets without restrictions due to variance power over the assets, the following represents donor- and grantor-imposed restrictions:

	<u>2018</u>	<u>2017</u>
Donor restricted endowment funds	\$ 26,627,921	\$ 28,446,597
Time and/or purpose restrictions	12,308,119	13,102,025
Net assets with donor restrictions	<u>\$ 38,936,040</u>	<u>\$ 41,548,622</u>

Reported Net Assets with Donor Restrictions

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 net assets with donor restrictions. See Note H.

Net assets with donor restrictions reported as of December 31, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Net land, building and collectibles	\$ 764,226	\$ 784,241
Contribution receivable - charitable lead trust	-	33,000
Total net asset with donor restrictions	<u>\$ 764,226</u>	<u>\$ 817,241</u>

Spending policy

The Foundation has adopted a policy whereby it limits the amount of income that may be utilized for operating or grant purposes to four percent of the trailing twenty quarter average of the endowment's market value, with the exception of one fund the Foundation holds that spends 20% of the prior year's ending fund balance. The calculated amount available to be spent for the years ended December 31, 2018 and 2017 were \$1,838,443 and \$1,754,070, respectively. This policy enables the Foundation to preserve and strengthen its endowment for the future.

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2018 and 2017

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.

The Foundation's investments at December 31, 2018 and 2017 are stated at fair market value and consist of the following:

	<u>2018</u>	<u>2017</u>
Certificates of deposit	\$ 11,351	\$ 11,289
Government agencies	688,667	642,146
Corporate bonds and note	6,533,836	5,705,398
Equities and partnerships	7,202,827	8,138,331
Marketable certificates of deposit	99,863	-
Mutual funds	26,692,973	29,374,109
Closely-held stocks – real estate	261,670	250,000
Total	<u>\$ 41,491,187</u>	<u>\$ 44,121,273</u>

Investment return, as stated in the statement of revenues, expenses, and change in net assets for the years ended December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Interest and dividends on investments	\$ 776,507	\$ 692,902
Realized gain (loss) on investments	1,668,399	1,156,499
Unrealized gain (loss) on investments	(4,645,227)	3,344,868
Total investment return	<u>\$ (2,200,321)</u>	<u>\$ 5,194,269</u>

Investment fees totaled \$103,076 and \$105,759 for 2018 and 2017, respectively, and are included in program expenses.

NOTE E – FAIR VALUE MEASUREMENT

Generally accepted accounting principles define fair value, establish a framework for measuring fair value that categorizes and prioritizes the sources used to measure and disclose fair values. Fair value is defined as 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 (an exit price). 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"> • 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 market data for the asset or liability; • inputs that are derived principally from or corroborated by observable market data. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset 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.

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2018 and 2017

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, 2018 and 2017.

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.

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. The trust ended during 2018.

Closely-held stock for real estate property: Valued at appraised value at donor's date of death which is the estimated value at date of donation, adjusted for income and distributions.

Marketable certificates of deposit: Valued at the principal plus accrued interest, which approximates fair value due to the nature of these investments.

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 Foundation 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, 2018 and 2017.

Fair Value Measurements on a Recurring Basis				
As of December 31, 2018				
	Level 1	Level 2	Level 3	Total
Money market funds – cash and cash equivalents	\$ 2,002,239	\$ -	\$ -	\$ 2,002,239
Investments:				
Equities:				
Large cap growth funds	4,399,766	-	-	4,399,766
Large cap core funds	4,221,428	-	-	4,221,428
Large cap equities	6,058,814	-	-	6,058,814
Mid cap core funds	2,310,034	-	-	2,310,034
Mid cap equities	466,054	-	-	466,054
Small cap core funds	2,090,790	-	-	2,090,790
International	8,049,519	-	-	8,049,519
European	329,375	-	-	329,375
Pacific	361,099	-	-	361,099
Financial Service funds	760,599	-	-	760,599
REIT's	115,960	-	-	115,960
Dynamic asset allocation funds	36,437	-	-	36,437
Common stock	59,792	-	-	59,792
Closely-held stock – real estate	-	-	261,670	261,670
Fixed Income:				
Taxable bonds	11,958,500	-	-	11,958,500
Certificates of deposit	11,350	-	-	11,350
Total Investments	41,229,517	-	261,670	41,491,187
Total	\$ 43,231,756	\$ -	\$ 261,670	\$ 43,493,426

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NOTE E – FAIR VALUE MEASUREMENT (continued)

Fair Value Measurements on a Recurring Basis				
As of December 31, 2017				
	Level 1	Level 2	Level 3	Total
Money market funds – cash and cash equivalents	\$ 2,447,461	\$ -	\$ -	\$ 2,447,461
Investments:				
Equities:				
Large cap growth funds	4,789,813	-	-	4,789,813
Large cap value funds	4,081	-	-	4,081
Large cap core funds	4,542,426	-	-	4,542,462
Large cap equities	7,019,423	-	-	7,019,423
Mid cap core funds	2,091,786	-	-	2,091,786
Mid cap equities	623,203	-	-	623,203
Small cap core funds	2,255,136	-	-	2,255,136
International	9,419,631	-	-	9,419,631
European	270,578	-	-	270,578
Pacific	281,499	-	-	281,499
Financial Services funds	888,486	-	-	888,486
REIT's	139,821	-	-	139,821
Common stock	58,856	-	-	58,856
Closely-held stock – real estate	-	-	250,000	250,000
Fixed Income:				
Municipal bonds	437,429	-	-	437,429
Taxable bonds	11,037,816	-	-	11,037,816
Certificates of deposit	11,289	-	-	11,289
Total Investments	43,871,273	-	250,000	44,121,273
Charitable lead trust	-	-	33,000	33,000
Total	\$ 46,318,734	\$ -	\$ 283,000	\$ 46,601,734

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, 2018 and 2017.

	<i>Level 3 Assets</i>			
	December 31, 2018		December 31, 2017	
	Closely-held Stock Real Estate	Charitable Lead Trust	Closely-held Stock Real Estate	Charitable Lead Trust
Balance, beginning of year	\$ 250,000	\$ 33,000	\$ -	\$ 45,931
Donated property	19,500	-	250,000	-
Realized gains	-	2,048	-	2,293
Unrealized gains	-	(36,216)	-	(16,346)
Interest credited	410	1,168	-	1,122
Net rental income	62,209	-	-	-
Distributions	(70,449)	-	-	-
Balance, end of year	\$ 261,670	\$ -	\$ 250,000	\$ 33,000

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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. The charitable lead unitrust ended during the year ended December 31, 2018.

NOTE G – OTHER INVESTMENTS

Other investments as of December 31, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Artwork and coins	\$ 6,900	\$ 6,900
Investment land	627,500	627,500
Total other assets	<u>\$ 634,400</u>	<u>\$ 634,400</u>

Other investments are valued at appraised value when donated.

NOTE H – FIXED ASSETS AND COLLECTIBLES

Fixed assets and collectibles, net at December 31, 2018 and 2017 are comprised of the following:

	<u>2018</u>	<u>2017</u>
Building	\$ 273,199	\$ 273,199
Building addition	527,387	527,387
Office furniture and equipment	82,122	84,045
Total depreciable fixed assets	<u>882,708</u>	<u>884,631</u>
Less: Accumulated depreciation	<u>(305,056)</u>	<u>(291,967)</u>
Net depreciable fixed assets	577,652	592,664
Collectibles	105,950	105,950
Land	92,510	92,510
Net fixed assets and collectibles	<u>\$ 776,112</u>	<u>\$ 791,124</u>

Depreciation totaled \$22,738 and \$24,060 for 2018 and 2017, respectively.

NOTE I – 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 SUBSIDIARIES
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NOTE J – 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. Amounts are not payable to the recipient until certain requirements are met, and therefore, expensed when paid. Grants and scholarships totaled \$2,225,584 and \$1,600,926 for the years 2018 and 2017, respectively.

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, 2018 and 2017, agency funds are comprised of the following:

	<u>2018</u>	<u>2017</u>
4-H Fairfield County Foundation Fund	\$ 174,553	\$ 162,516
Afterschool Programs Funds	14,173	10,120
Big Brothers Big Sisters of FC Agency Fund	60,486	54,288
Big Brothers Big Sisters of FC Endowment	14,659	15,692
Bremen Area Historical Society	13,374	14,388
Decorative Arts Center of Ohio Endowment Fund	1,203,292	1,268,129
Fairfield Community Health Center Service Fund	15,074	-
Fairfield Heritage – Kindler Piano Fund	4,263	4,701
Fairfield Heritage Assn – Crist Trust Fund	13,593	17,856
Fairfield Heritage Assn Operating Endow. Fund	631,312	698,322
Family Y Endowment Fund	50,236	53,618
Family Y Unrestricted Fund	152,376	161,934
Unrestricted Festival Fund	94,899	-
The Harcum House Endowment Fund	5,558	5,225
New Horizons Youth and Family Center Endowment Fund	10,630	11,379
Kiwanis Club of Lancaster Endowment Fund	140,686	168,482
Lancaster Public Education Foundation	30,246	38,006
Lithopolis United Methodist Church Endowment Fund	26,588	-
Live United Program Fund	239,289	256,150
Meals on Wheels Fairfield County Fund	5,298	2,435
Pickerington Public Library Fund	259,875	295,645
Pickerington-Violet Township Historical Society Fund	31,888	32,119
Pickerington-Violet Township Historical Society Endowment Fund	11,106	11,855
Refreshing 90.9 FM Fund	792	818
St. John's Episcopal Church Exterior Fund	-	42,825
St. John's Episcopal Church Mithoff Fund	20,644	19,526
St. John's Episcopal Church Stradman-Meenach	-	10,627
St. Peter's Lutheran Church Fund	637,244	888,582
Trinity United Church of Christ Bohr Fund	11,702	12,527
Trinity United Church of Christ Capital Campaign Fund	56,354	60,325
Trinity United Church of Christ Equity Housing Fund	19,411	17,760
Trinity United Church of Christ Fundraising Fund	5,431	5,814
Trinity United Church of Christ Memorial Fund	18,317	19,607
United Way of Fairfield County Endowment Fund	455,328	402,848
Total managed assets under agency contracts	<u>\$ 4,428,677</u>	<u>\$ 4,764,120</u>

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NOTE L – RELATED PARTY TRANSACTIONS

The Foundation has a volunteer Board of Directors and received contributions of approximately \$4,650 and \$3,772 from participating members during December 31, 2018 and 2017, respectively. A board member is also a principle of a law firm that provided legal services in the amount \$133 and \$32,334 to the Foundation for years ended December 31, 2018 and December 31, 2017, respectively.

NOTE M – LEASES

Fairfield Foundation Real Estate II LTD holds donated farm land in which it receives a percentage of the crops harvested and sold. The income for the years ended December 31, 2018 and 2017 was \$14,955 and \$15,452, respectively. The donated land is to be held by the Foundation until certain conditions are met.

The Foundation holds closely held stock of Amos Shopping Center, donated by an estate. Net rental income was recorded in the amount of \$62,209 and \$-0- for the years ended December 31, 2018 and 2017, respectively. The Foundation's closely held stock of Amos Shopping Center is available for sale.

The abovementioned leases are recorded as Rental and other income on the consolidated statements of activities, net of related expenses.

NOTE N – RECLASSIFICATIONS

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

NOTE O – SUBSEQUENT EVENTS

The consolidated financial statements and related disclosures include evaluation of the events up through and including April 30, 2019, which is the date the statements were available for issue.