

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

* * * * *

December 31, 2019 and 2018

CONTENTS

INDEPENDENT AUDITOR'S REPORT (2 pages) 1

FINANCIAL STATEMENTS:

Consolidated Statements of Financial Position..... 2

Consolidated Statements of Activities and Change in Net Assets 3

Consolidated Statements of Functional Expenses (2 pages) 4

Consolidated Statements of Cash Flows 5

Notes to the Financial Statements (10 pages)..... 6



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Fairfield County Foundation (a corporation, not-for-profit) and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2019, the related consolidated statements of activities and change in net assets, functional expenses, and cash flows, for the year then ended, and the related notes to 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Fairfield County Foundation and Subsidiaries as of December 31, 2019 and the results of its activities and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees
Fairfield County Foundation and Subsidiaries
Page 2

Other Matter

The consolidated financial statements of Fairfield County Foundation and Subsidiaries, as of and for the year ended December 31, 2018 were audited by other auditors, whose report, dated April 30, 2019, expressed an unmodified opinion on those statements.

Circleville, Ohio
April 9, 2020

BHM CPA Group, Inc.

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

ASSETS	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,164,336	\$ 2,002,239
Investments	49,409,514	41,491,187
Other investments	634,400	634,400
TOTAL CURRENT ASSETS	52,208,250	44,127,826
FIXED ASSETS AND COLLECTIBLES, NET	837,856	776,112
 TOTAL ASSETS	 \$ 53,046,106	 \$ 44,903,938
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued expenses	\$ 1,734	\$ 4,132
Managed assets under agency contracts	4,562,208	4,428,677
TOTAL CURRENT LIABILITIES	4,563,942	4,432,809
NET ASSETS		
Net assets without donor restriction	47,663,034	39,706,903
Net assets with donor restriction	819,130	764,226
TOTAL NET ASSETS	48,482,164	40,471,129
 TOTAL LIABILITIES AND NET ASSETS	 \$ 53,046,106	 \$ 44,903,938

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

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Years Ended December 31, 2019 and 2018

	2019	2018
NET ASSETS WITHOUT DONOR RESTRICTION		
<i>Support:</i>		
Contributions	\$ 3,541,414	\$ 2,128,817
<i>Revenue:</i>		
Investment return	7,616,678	(2,200,321)
Administrative fees	533,716	507,748
Rental and other income, net	49,424	65,621
Change in net assets with donor restriction	(54,904)	37,631
Total support and revenue without donor restriction	11,686,328	539,496
<i>Expenses:</i>		
<i>Program expenses:</i>		
Grants	2,392,778	1,997,570
Scholarships	970,617	968,287
<i>Supporting service expenses</i>		
Management and general	237,454	181,189
Fundraising	129,348	127,553
Total expenses without donor restriction	3,730,197	3,274,599
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION	7,956,131	(2,735,103)
NET ASSETS WITH DONOR RESTRICTION		
Change in charitable lead trust receivable	-	(15,384)
Additions to net assets with donor restriction	75,261	-
Net assets released from restriction	(20,357)	(37,631)
CHANGE IN NET ASSETS WITH DONOR RESTRICTION	54,904	(53,015)
CHANGE IN TOTAL NET ASSETS	8,011,035	(2,788,118)
NET ASSETS - Beginning of year	40,471,129	43,259,247
NET ASSETS - End of year	\$ 48,482,164	\$ 40,471,129

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

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2019

	2019				
	Program Services		Management and General	Fundraising and Development	Total
	Grants	Scholarships			
Grants and scholarships	\$ 2,006,533	\$ 599,354	\$ -	\$ -	\$ 2,605,887
Foundation administrative fees	261,853	232,210	-	-	494,063
Fundraising expenses	-	-	-	41,082	41,082
Salaries, taxes and benefits	63,748	81,963	72,855	84,998	303,564
Depreciation	-	-	24,055	-	24,055
Travel and mileage	1,039	709	177	608	2,533
Professional and consultant fees	-	-	61,851	-	61,851
Repairs and maintenance	-	-	11,591	-	11,591
Supplies	4,215	7,306	24,631	2,164	38,316
Postage and delivery	-	-	2,002	-	2,002
Utilities	-	-	8,959	-	8,959
Taxes	-	-	1,873	-	1,873
Conference, convention and meeting expense	50	-	446	496	992
Dues and subscriptions	-	-	6,897	-	6,897
Insurance	-	-	6,464	-	6,464
Bank charges	55,340	49,075	1,031	-	105,446
Rental expense	-	-	12,062	-	12,062
Other	-	-	14,622	-	14,622
Less expenses netted with revenues on the consolidated statements of activities					
Rental expense	-	-	(12,062)	-	(12,062)
TOTAL EXPENSES ON THE STATEMENT OF ACTIVITIES	<u>\$ 2,392,778</u>	<u>\$ 970,617</u>	<u>\$ 237,454</u>	<u>\$ 129,348</u>	<u>\$ 3,730,197</u>

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

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018

	2018				
	Program Services		Management	Fundraising and	Total
	Grants	Scholarships	and General	Development	
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 netted with revenues on the consolidated statements of activities					
Rental expense	-	-	(12,427)	-	(12,427)
TOTAL EXPENSES ON THE STATEMENT OF ACTIVITIES	\$ 1,997,570	\$ 968,287	\$ 181,189	\$ 127,553	\$ 3,274,599

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

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES		
Change in total net assets	\$ 8,011,035	\$ (2,788,118)
Adjustments to reconcile change in total net assets to net cash provided (used) by operating activities:		
Depreciation	24,055	22,738
Net realized and unrealized (gain) loss on investments	(7,294,790)	2,976,828
Unrealized loss on charitable lead trust receivable	-	15,384
Noncash contributions received	(243,095)	(535,564)
Changes in assets and liabilities:		
Contributions receivable-charitable lead trust	-	33,000
Accrued expenses	(2,398)	241
Managed assets under agency contracts	133,531	(335,443)
Net cash provided (used) by operating activities	628,338	(610,934)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(85,799)	(7,726)
Investment income reinvested	(1,195,969)	(776,507)
Purchase of investments	(9,915,661)	(10,105,625)
Proceeds from sale of investments	10,731,188	11,055,570
Net cash provided (used) by investing activities	(466,241)	165,712
CASH FLOW FROM FINANCING ACTIVITIES		
	-	-
Net increase (decrease) in cash and cash equivalents	162,097	(445,222)
Cash and cash equivalents at beginning of year	2,002,239	2,447,461
Cash and cash equivalents at end of year	\$ 2,164,336	\$ 2,002,239
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES		
Contribution of investment securities	\$ 243,095	\$ 516,064
Contribution of closely-held shares for real estate	-	19,500
Total noncash investing activities	\$ 243,095	\$ 535,564

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

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

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 Trustees 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 support without donor restrictions, 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 restrictions.

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 reported 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, 2019 and 2018

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 value at date of contribution.

Fair Value of Financial Instruments

Investments in common stock, government and corporate bonds, mutual funds and cash and cash equivalents are recorded at fair value. 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 using a market rate.

Impairment of debt securities is assessed annually by management in accordance with the impairment provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (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 2019 or 2018.

Fixed Assets

Purchased fixed assets are recorded at cost. Donated fixed assets and collectibles are recorded at estimated fair 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

During the year ended December 31, 2019, the Foundation adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. The objective of this ASU is to significantly enhance comparability and clarify principles of revenue recognition practices across entities, industries, jurisdictions, and capital markets. The ASU was applied retrospectively and required no adjustments to previously reported balances.

The Foundation recognizes revenue from rental agreements in accordance with ASC 840 – *Leases*. Rental revenue is generated from base rents received through agreements with lessees and is recognized in the month earned as stated in the agreement.

Revenues from all other sources, primarily administrative fees, are recognized as the service is provided. 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 when earned.

Unconditional contributions and grant revenue are recorded when received. Conditional promises to give, whether received or made, are recognized when the conditions are substantially met.

Advertising Costs

Advertising costs are expensed as incurred and totaled \$41,082 and \$34,114 for the years ended December 31, 2019 and 2018, respectively.

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement 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.

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 statements.

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 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, 2019 and 2018.

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 2016 – 2018 and the return to be filed in 2020 is the 2019 informational return.

Fairfield Foundation Real Estate LTD and Fairfield Foundation Real Estate II LTD 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 Trustees 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, equity securities 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 February 2016, the FASB issued ASU 2016-02, *Leases*. The FASB issued this Update to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The guidance is effective for annual periods beginning after December 15, 2021. The standard can be adopted either retrospectively to each prior reporting period presented or as a cumulative effect adjustment as of the date of adoption. The Foundation is currently in the process of analyzing the information necessary to determine the impact of adopting this new guidance.

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

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	\$1,338,801
Operating investments	<u>825,535</u>
Total net assets	<u>\$2,164,336</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>2019</u>	<u>2018</u>
Donor restricted endowment funds	\$ 32,374,172	\$ 26,627,921
Time and/or purpose restrictions	<u>14,403,502</u>	<u>12,308,119</u>
Net assets with donor restrictions	<u>\$ 46,777,674</u>	<u>\$ 38,936,040</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 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, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Net land, building and collectibles	\$ 819,130	\$ 764,226

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, 2019 and 2018 were \$1,879,898 and \$1,838,443, 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, 2019 and 2018

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, 2019 and 2018 are stated at fair value and consist of the following:

	<u>2019</u>	<u>2018</u>
Certificates of deposit	\$ 11,569	\$ 11,351
Government agencies	699,912	688,667
Corporate bonds and notes	4,280,702	6,533,836
Equities and partnerships	9,032,992	7,202,827
Marketable certificates of deposit	250,720	99,863
Mutual funds	34,861,669	26,692,973
Closely-held stocks – real estate	<u>271,950</u>	<u>261,670</u>
Total	<u>\$ 49,409,514</u>	<u>\$ 41,491,187</u>

Investment return, as stated in the statement of activities and change in net assets for the years ended December 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Interest and dividends on investments	\$ 1,085,036	\$ 776,507
Realized gain (loss) on investments	2,498,284	1,668,399
Unrealized gain (loss) on investments	<u>4,033,358</u>	<u>(4,645,227)</u>
Total investment return	<u>\$ 7,616,678</u>	<u>\$ (2,200,321)</u>

Investment fees totaled \$105,446 and \$103,076 for 2019 and 2018, 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, 2019 and 2018

NOTE E – FAIR VALUE MEASUREMENT (continued)

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, 2019 and 2018.

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, 2019 and 2018.

Fair Value Measurements on a Recurring Basis As of December 31, 2019				
	Level 1	Level 2	Level 3	Total
Money market funds – cash and cash equivalents	\$ 2,164,336	\$ -	\$ -	\$ 2,164,336
Investments:				
Equities:				
Large cap growth funds	7,697,526	-	-	7,697,526
Large cap core funds	7,138,018	-	-	7,138,018
Large cap equities	7,212,166	-	-	7,212,166
Mid cap core funds	3,832,239	-	-	3,832,239
Mid cap equities	670,368	-	-	670,368
Small cap core funds	3,680,075	-	-	3,680,075
Small cap equities	41,737	-	-	41,737
International	4,330,889	-	-	4,330,889
European	404,001	-	-	404,001
Pacific	394,278	-	-	394,278
Emerging markets	37,006	-	-	37,006
REIT's	146,287	-	-	146,287
Dynamic asset allocation funds	42,519	-	-	42,519
Common stock	75,608	-	-	75,608
Closely-held stock – real estate			271,950	271,950
Fixed Income:				
Municipal bonds	-	-	-	-
Taxable bonds	13,423,278	-	-	13,423,278
Certificates of deposit	11,569	-	-	11,569
Total Investments	\$ 49,137,564	\$ -	\$ 271,950	\$ 49,409,514
	-	-	-	-
Total	\$ 51,301,900	\$ -	\$ 271,950	\$ 51,573,850

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

NOTE E – FAIR VALUE MEASUREMENT (continued)

	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 Services 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

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, 2019 and 2018.

	Level 3 Assets			
	December 31, 2019		December 31, 2018	
	Closely-held Stock Real Estate	Charitable Lead Trust	Closely-held Stock Real Estate	Charitable Lead Trust
Balance, beginning of year	\$ 261,670	\$ -	\$ 250,000	\$ 33,000
Donated property	-	-	19,500	-
Realized gains	-	-	-	2,048
Unrealized gains	-	-	-	(36,216)
Interest credited	20	-	410	1,168
Net rental income	40,176	-	62,209	-
Distributions	(29,916)	-	(70,449)	-
Balance, end of year	\$ 271,950	\$ -	\$ 261,670	\$ -

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

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 value of the trust assets, determined on the first business day of each year. Payments commenced in the year of the donors' deaths and continued for twenty years. Upon expiration of the trust term, the lead trust terminated, and the trustee distributed 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 was 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 and was liquidated during the year ended December 31, 2018.

NOTE G - OTHER INVESTMENTS

Other investments as of December 31, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Artwork and coins	\$ 6,900	\$ 6,900
Investment land	<u>627,500</u>	<u>627,500</u>
 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, 2019 and 2018 are comprised of the following:

	<u>2019</u>	<u>2018</u>
Building	\$ 334,706	\$ 273,199
Building addition	541,141	527,387
Office furniture and equipment	<u>92,660</u>	<u>84,122</u>
Total depreciable fixed assets	968,507	882,708
Less: Accumulated depreciation	<u>(329,111)</u>	<u>(305,056)</u>
Net depreciable fixed assets	639,396	577,652
Collectibles	105,950	105,950
Land	<u>92,510</u>	<u>92,510</u>
 Net fixed assets and collectibles	 <u>\$ 837,856</u>	 <u>\$ 776,112</u>

Depreciation totaled \$24,055 and \$22,738 for 2019 and 2018, 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 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
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

NOTE J – GRANTS AND SCHOLARSHIPS

Grants and Scholarships are approved by the Board of Trustees 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 \$2,605,887 and \$2,225,584 for the years 2019 and 2018, 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, 2019 and 2018, agency funds are comprised of the following:

	<u>2019</u>	<u>2018</u>
4-H Fairfield County Foundation Fund	\$ 230,362	\$ 174,553
Afterschool Programs Funds	17,763	14,173
Big Brothers Big Sisters of FC Agency Fund	72,891	60,486
Big Brothers Big Sisters of FC Endowment	17,420	14,659
Bremen Area Historical Society	18,628	13,374
Decorative Arts Center of Ohio Endowment Fund	1,431,573	1,203,292
Fairfield Community Health Center Service Fund	18,249	15,074
Fairfield County Park District Fund	114,646	-
Fairfield Heritage – Kindler Piano Fund	5,028	4,263
Fairfield Heritage Assn – Crist Trust Fund	12,637	13,593
Fairfield Heritage Assn Operating Endow. Fund	714,900	631,312
Family Y Endowment Fund	59,412	50,236
Family Y Unrestricted Fund	178,647	152,376
Unrestricted Festival Fund	123,724	94,899
The Harcum House Endowment Fund	14,010	5,558
New Horizons Youth and Family Center Endowment Fund	12,601	10,630
Kiwanis Club of Lancaster Endowment Fund	128,269	140,686
Lancaster Public Education Foundation	23,669	30,246
Lithopolis United Methodist Church Endowment Fund	42,839	26,588
Live United Program Fund	-	239,289
Meals on Wheels Fairfield County Fund	9,812	5,298
Pickerington Public Library Fund	293,472	259,875
Pickerington-Violet Township Historical Society Fund	38,136	31,888
Pickerington-Violet Township Historical Society Endowment Fund	13,174	11,106
Refreshing 90.9 FM Fund	-	792
St. John's Episcopal Church Mithoff Fund	23,720	20,644
St. Peter's Lutheran Church Fund	262,381	637,244
Trinity United Church of Christ Bohr Fund	13,872	11,702
Trinity United Church of Christ Capital Campaign Fund	66,803	56,354
Trinity United Church of Christ Equity Housing Fund	23,010	19,411
Trinity United Church of Christ Fundraising Fund	6,438	5,431
Trinity United Church of Christ Memorial Fund	21,713	18,317
United Way of Fairfield County – Sherry Orlando Endowment Fund	11,199	-
United Way of Fairfield County Endowment Fund	541,210	455,328
	<u>541,210</u>	<u>455,328</u>
Total managed assets under agency contracts	\$ <u>4,562,208</u>	\$ <u>4,428,677</u>

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

NOTE L – RELATED PARTY TRANSACTIONS

The Foundation has a volunteer Board of Trustees and received contributions of approximately \$7,610 and \$4,650 from participating members during December 31, 2019 and 2018, 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, 2019 and 2018 was \$18,868 and \$14,955, 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 \$40,176 and \$62,209 for the years ended December 31, 2019 and 2018, 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 9, 2020, which is the date the statements were available for issue.

As a result of the spread of COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact contributions, the fair value of investments and related investment income. Other financial impacts could occur, though such potential impact is unknown at this time.