



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees
of Fairfield County Foundation and Subsidiaries

We have completed the audit of the consolidated financial statements of Fairfield County Foundation and Subsidiaries (the Foundation) for the years ended December 31, 2021 and 2020, and have issued our report thereon dated May 10, 2022. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As communicated in our engagement letter dated November 30, 2021, our responsibility, as described by professional standards, is to form and express an opinion about whether the consolidated financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the consolidated financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements are free of material misstatement. An audit of consolidated financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Foundation solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

As described in our engagement letter, our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements; therefore, our audit involved judgment about the number of transactions we examined and the areas we tested. Our audit also included obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the consolidated financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity.

We conducted our audit consistent with the planned scope and timing previously established.

Compliance with All Ethics Requirements Regarding Independence

Our firm has implemented safeguards designed to prevent violations of the AICPA Code of Professional Conduct with respect to independence. As a result, the engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. A summary of the significant accounting policies used by the Foundation are described in the notes to the consolidated financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2021. All significant transactions have been recognized in the consolidated financial statements in the proper period.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The more significant estimates affecting the consolidated financial statements include investment valuations, depreciation and various accrued liabilities. We evaluated key factors and assumptions used to develop the estimates in determining that they were reasonable in relation to the consolidated financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Foundation's consolidated financial statements are those related to accounting policies, investments and fair value measurement.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit. All personnel acted in a cooperative and professional manner.

Corrected and Uncorrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the consolidated financial statements as a whole.

Management has corrected all significant misstatements arising from the audit and any misstatements that were not corrected, whose effects in the current and prior periods, as determined by management, were considered to be immaterial, both individually and in the aggregate, to the consolidated financial statements.

Representations Requested from Management

As a standard audit procedure, we request certain representations from management that were included in the management representation letter.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the Foundation's consolidated financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Management Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no such consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

There have been several accounting standards addressing financial instruments and fair value measurements issued in recent years. During 2022, the Foundation should review its investment portfolio to determine if certain investments are appropriately classified in the fair value hierarchy and if any should be excluded from the table.

In February 2016 the Financial Accounting Standards Board (FASB) issued a pronouncement that revises accounting for leases. The new standard will significantly change how leases are recorded and presented in financial statements, including those classified as operating leases. The standard is effective for the Foundation's year ending December 31, 2022.

In September 2020, the FASB issued a new standard that provides guidance for not-for-profit entities that receive contributions of nonfinancial assets. The new standard requires a new reporting format and additional disclosures for such assets. The ASU should be applied retrospectively and is effective for years beginning after June 15, 2021.

In the normal course of our professional association with the Foundation, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Foundation's auditors.

Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the Foundation's audited consolidated financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the consolidated financial statements.

This information is intended solely for the use of the Board of Trustees and management of Fairfield County Foundation and Subsidiaries and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

BHM CPA Group, Inc.

**FAIRFIELD COUNTY FOUNDATION
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

* * * * *

December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2021 and 2020, the related consolidated statements of activities and change in net assets, functional expenses, and cash flows, for the years then ended, and the related notes to the consolidated financial statements. 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, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fairfield County Foundation and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Fairfield County Foundation and Subsidiaries' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Fairfield County Foundation and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Fairfield County Foundation and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Circleville, Ohio
May 10, 2022

BHM CPA Group, Inc.

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,925,246	\$ 2,822,436
Accounts receivable	2,129	3,845
Investments	62,878,598	55,260,614
Other investments	679,400	704,400
TOTAL CURRENT ASSETS	<u>67,485,373</u>	<u>58,791,295</u>
FIXED ASSETS AND COLLECTIBLES, NET	<u>892,367</u>	<u>911,800</u>
TOTAL ASSETS	<u>\$ 68,377,740</u>	<u>\$ 59,703,095</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accrued expenses	\$ 8,319	\$ 6,281
Managed assets under agency contracts	4,947,887	4,328,262
TOTAL CURRENT LIABILITIES	<u>4,956,206</u>	<u>4,334,543</u>
NET ASSETS		
Net assets without donor restrictions	62,546,560	54,471,399
Net assets with donor restrictions	874,974	897,153
TOTAL NET ASSETS	<u>63,421,534</u>	<u>55,368,552</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 68,377,740</u>	<u>\$ 59,703,095</u>

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, 2021 and 2020

	2021	2020
NET ASSETS WITHOUT DONOR RESTRICTIONS		
<i>Support:</i>		
Contributions	\$ 4,346,721	\$ 2,374,712
<i>Revenue:</i>		
Investment return	6,743,782	6,869,715
Administrative fees	676,178	551,866
Rental and other income, net	32,295	130,523
Change in net assets with donor restrictions	22,179	(78,023)
Total support and revenue without donor restrictions	11,821,155	9,848,793
<i>Expenses:</i>		
<i>Program expenses:</i>		
Grants	2,166,075	1,542,222
Scholarships	1,143,716	1,108,599
<i>Supporting service expenses</i>		
Management and general	290,571	262,024
Fundraising	145,632	127,583
Total expenses without donor restrictions	3,745,994	3,040,428
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	8,075,161	6,808,365
NET ASSETS WITH DONOR RESTRICTIONS		
Additions to net assets with donor restrictions	-	99,990
Net assets released from restrictions	(22,179)	(21,967)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	(22,179)	78,023
CHANGE IN TOTAL NET ASSETS	8,052,982	6,886,388
NET ASSETS - Beginning of year	55,368,552	48,482,164
NET ASSETS - End of year	\$ 63,421,534	\$ 55,368,552

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, 2021

	<u>Program Services</u>		<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
	<u>Grants</u>	<u>Scholarships</u>			
Grants and scholarships	\$ 1,668,941	\$ 658,956	\$ -	\$ -	\$ 2,327,897
Foundation administrative fees	343,269	304,409	-	-	647,678
Fundraising expenses	-	-	-	35,761	35,761
Salaries, taxes and benefits	80,307	103,252	91,780	107,076	382,415
Depreciation	-	-	26,917	-	26,917
Travel and mileage	692	472	118	405	1,687
Professional and consultant fees	-	-	77,595	-	77,595
Repairs and maintenance	-	-	11,334	-	11,334
Supplies	4,559	17,405	17,820	1,658	41,442
Postage and delivery	-	-	2,110	-	2,110
Utilities	-	-	9,534	-	9,534
Taxes	-	-	4,613	-	4,613
Conference, convention and meeting expense	73	-	659	732	1,464
Dues and subscriptions	-	-	11,044	-	11,044
Insurance	-	-	7,928	-	7,928
Bank charges	68,234	59,222	1,288	-	128,744
Other	-	-	27,831	-	27,831
TOTAL EXPENSES ON THE STATEMENT OF ACTIVITIES	<u>\$ 2,166,075</u>	<u>\$ 1,143,716</u>	<u>\$ 290,571</u>	<u>\$ 145,632</u>	<u>\$ 3,745,994</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, 2020

	<u>Program Services</u>		<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
	<u>Grants</u>	<u>Scholarships</u>			
Grants and scholarships	\$ 1,129,083	\$ 695,032	\$ -	\$ -	\$ 1,824,115
Foundation administrative fees	277,095	245,725	-	-	522,820
Fundraising expenses	-	-	-	26,838	26,838
Salaries, taxes and benefits	73,115	94,006	83,560	97,487	348,168
Depreciation	-	-	26,546	-	26,546
Travel and mileage	1,078	736	184	631	2,629
Professional and consultant fees	-	-	75,600	-	75,600
Repairs and maintenance	-	-	6,229	-	6,229
Supplies	6,259	23,843	24,631	2,164	56,897
Postage and delivery	-	-	2,134	-	2,134
Utilities	-	-	7,992	-	7,992
Taxes	-	-	7,112	-	7,112
Conference, convention and meeting expense	46	-	416	463	925
Dues and subscriptions	-	-	9,695	-	9,695
Insurance	-	-	8,053	-	8,053
Bank charges	55,546	49,257	1,031	-	105,834
Other	-	-	8,841	-	8,841
TOTAL EXPENSES ON THE STATEMENT OF ACTIVITIES	<u>\$ 1,542,222</u>	<u>\$ 1,108,599</u>	<u>\$ 262,024</u>	<u>\$ 127,583</u>	<u>\$ 3,040,428</u>

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, 2021 and 2020

	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES		
Change in total net assets	\$ 8,052,982	\$ 6,886,388
Adjustments to reconcile change in total net assets to net cash provided by operating activities:		
Depreciation	26,917	26,546
Unrealized gain on investments	(2,621,507)	(4,863,850)
Realized gain on sale of investments	(2,951,119)	(1,171,473)
Unrealized gain on appraisal	-	(88,675)
Noncash contributions received	-	(70,000)
Changes in assets and liabilities:		
Accounts receivable	1,716	(3,845)
Accrued expenses	2,038	4,547
Managed assets under agency contracts	619,625	(233,946)
Net cash provided by operating activities	3,130,652	485,692
 CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(7,484)	(11,815)
Net purchases and sales of investments	(2,020,358)	184,223
Net cash used by investing activities	(2,027,842)	172,408
 CASH FLOW FROM FINANCING ACTIVITIES	-	-
 Net increase in cash and cash equivalents	1,102,810	658,100
Cash and cash equivalents at beginning of year	2,822,436	2,164,336
Cash and cash equivalents at end of year	\$ 3,925,246	\$ 2,822,436

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

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

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 (Ohio Limited Liability Companies) (The Subsidiaries). 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 balances and transactions have been eliminated.

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 common to nonprofit organizations. 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, is incapable of fulfillment, or is inconsistent with its charitable and educational mission or the needs 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.

Advertising Costs

Advertising costs are expensed as incurred and totaled \$35,761 and \$26,838 for the years ended December 31, 2021 and 2020, respectively.

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investments

Investments, including certificates of deposit, corporate and governmental obligations, equities, partnerships, collectibles and mutual funds are stated at fair value at the year end date, determined in accordance with the procedures identified in the fair value note. 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.

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.

Fair Value of Financial Instruments

Investments in common stock, government and corporate bonds and mutual funds are recorded at fair value. The carrying amount of cash and cash equivalents and accrued expenses 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 2021 or 2020.

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 following 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

In accordance with Accounting Standards Codification (ASC) 958-605, unconditional contributions and grant revenue are recorded when received. Conditional promises to give and grants, whether received or made, are recognized when the conditions are substantially met. Investment income is recorded when earned.

In accordance with ASC 606, *Revenue from Contracts with Customers*, Revenues from 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 may require multiple performance obligations which are not easily separable and are substantially initiated and completed in the same month. There are generally no rights of return or warranties related to any services provided.

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.

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

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.

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.

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. Management is not aware of any uncertain tax positions for the Foundation for the years ended December 31, 2021 and 2020.

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 2018 through 2020 and the 2021 return to be filed in 2022.

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

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, 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, FASB issued ASU 2016-02, *Leases*. The FASB issued this ASU 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 - CONTINUED

December 31, 2021 and 2020

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	\$	2,919,633
Operating investments		1,005,613
Accounts receivable		<u>2,129</u>
 Total net assets	 \$	 <u>3,927,375</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. Those include endowment funds which 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>2021</u>	<u>2020</u>
Donor restricted endowment funds	\$ 39,365,802	\$ 35,922,041
Time and/or purpose restrictions	<u>21,944,687</u>	<u>17,509,898</u>
 Net assets with donor restrictions	 <u>\$ 61,310,489</u>	 <u>\$ 53,431,939</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 or when periodically updated. Since the collectible items are considered “inexhaustible” they are not depreciated. Land, building and collectibles are recorded as net assets with donor restrictions. See the fixed assets and collectibles note for additional information.

Net assets with donor restrictions reported as of December 31, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Net land, building and collectibles	\$ 874,974	\$ 897,153

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

LIQUIDITY AND AVAILABILITY - Continued

Spending Policy

The Board temporarily restricts funds in accordance with the Foundation's 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, 2021 and 2020 were \$2,267,045 and \$2,093,298, respectively. This policy enables the Foundation to preserve and strengthen its endowment for the future.

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, 2021 and 2020 are stated at fair value and consist of the following:

	<u>2021</u>	<u>2020</u>
Certificates of deposit	\$ 11,982	\$ 11,871
Corporate bonds and notes	3,418,164	3,691,976
Equities and partnerships	11,168,646	9,650,958
Mutual funds	48,013,642	41,629,351
Closely-held stocks – real estate	<u>266,164</u>	<u>276,458</u>
Total	<u>\$ 62,878,598</u>	<u>\$ 55,260,614</u>

Investment return, as stated in the statement of activities and change in net assets for the years ended December 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Interest and dividends on investments	\$ 1,171,156	\$ 834,392
Realized gain (loss) on investments	2,951,119	1,171,473
Unrealized gain (loss) on investments	<u>2,621,507</u>	<u>4,863,850</u>
Total investment return	<u>\$ 6,743,782</u>	<u>\$ 6,869,715</u>

Investment fees totaled \$106,824 and \$103,063 for 2021 and 2020, respectively, and are included in program expenses.

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

FAIR VALUE MEASUREMENT

Generally accepted accounting principles define fair value and establishes 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.

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, 2021 and 2020.

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

Mutual funds: Valued at the closing net asset value (NAV) per share at year end as reported in active markets.

Closely-held stock for real estate property: Valued at appraised value at date of donation or 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.

Collectibles: Valued at appraised value at date of donation, periodically updated. Value was updated during 2020.

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

FAIR VALUE MEASUREMENT - Continued

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, 2021 and 2020.

Fair Value Measurements on a Recurring Basis As of December 31, 2021				
	Level 1	Level 2	Level 3	Total
Money market funds – cash and equivalents	\$ 3,900,714	\$ -	\$ -	\$ 3,900,714
Investments:				
Certificates of deposit	11,982	-	-	11,982
Corporate bonds and notes	3,418,164	-	-	3,418,164
Equity securities	11,168,646	-	-	11,168,646
Mutual funds	48,013,642	-	-	48,013,642
Closely-held stocks – real estate	-	-	266,164	266,164
Total Investments	62,612,434	-	266,164	62,878,598
Collectibles	-	-	194,625	194,625
Total	\$ 66,513,148	\$ -	\$ 460,789	\$ 66,973,937

Fair Value Measurements on a Recurring Basis As of December 31, 2020				
	Level 1	Level 2	Level 3	Total
Money market funds – cash and equivalents	\$ 2,822,436	\$ -	\$ -	\$ 2,822,436
Investments:				
Certificates of deposit	11,871	-	-	11,871
Corporate bonds and notes	3,691,976	-	-	3,691,976
Equity securities	9,650,958	-	-	9,650,958
Mutual funds	41,629,351	-	-	41,629,351
Closely-held stocks – real estate	-	-	276,458	276,458
Total Investments	54,984,156	-	276,458	55,260,614
Collectibles	-	-	194,625	194,625
Total	\$ 57,806,592	\$ -	\$ 471,083	\$ 58,277,675

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 years ended December 31, 2021 and 2020.

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

FAIR VALUE MEASUREMENT - Continued

Level 3 Gains and Losses - Continued

	<u>2021</u>		<u>2020</u>	
	Closely-held Stock	Collectibles	Closely-held Stock	Collectibles
Balance, beginning of year	\$ 276,458	\$ 194,625	\$ 271,950	\$ 105,950
Unrealized gains	-	-	-	88,675
Net rental income	21,944	-	32,141	-
Distributions	<u>(32,238)</u>	<u>-</u>	<u>(27,633)</u>	<u>-</u>
Balance, end of year	<u>\$ 266,164</u>	<u>\$ 194,625</u>	<u>\$ 276,458</u>	<u>\$ 194,625</u>

OTHER INVESTMENTS

Other investments as of December 31, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Artwork and coins	\$ 2,400	\$ 2,400
Vehicles	49,500	74,500
Investment land	<u>627,500</u>	<u>627,500</u>
Total other assets	<u>\$ 679,400</u>	<u>\$ 704,400</u>

Other investments are valued at appraised value when donated.

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 or 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.

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

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

FIXED ASSETS AND COLLECTIBLES

Fixed assets and collectibles, at December 31, 2021 and 2020 are comprised of the following:

	<u>2021</u>	<u>2020</u>
Building	\$ 346,021	\$ 346,021
Building addition	541,141	541,141
Office furniture and equipment	<u>100,644</u>	<u>93,159</u>
Total depreciable fixed assets	987,806	980,321
Less: Accumulated depreciation	<u>(382,574)</u>	<u>(355,656)</u>
Net depreciable fixed assets	605,232	624,665
Collectibles	194,625	194,625
Land	<u>92,510</u>	<u>92,510</u>
Net fixed assets and collectibles	<u>\$ 892,367</u>	<u>\$ 911,800</u>

Depreciation totaled \$26,917 and \$26,546 for 2021 and 2020, respectively.

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 \$2,327,897 and \$1,824,115 for the years 2021 and 2020, respectively.

LEASES

Fairfield Foundation Real Estate II LTD holds donated farm land in which it receives a percentage of the income from crops harvested and sold. The income for the years ended December 31, 2021 and 2020 was \$26,655 and \$21,548, 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 \$21,944 and \$32,141 for the years ended December 31, 2021 and 2020, 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.

RELATED PARTY TRANSACTIONS

The Foundation has a volunteer Board of Trustees and received contributions of approximately \$26,514 and \$15,802 from participating members during December 31, 2021 and 2020, respectively.

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

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 included on the Foundation's balance sheet with an offsetting liability to the respective entities. Any resulting revenues or expenses affiliated with these funds are in the Foundation's financial statements as an adjustment to the related liability. The entities report the investments and related revenues and expenses on their respective financial statements. As of December 31, 2021 and 2020, agency funds are comprised of the following:

	2021	2020
4-H Fairfield County Foundation Fund	\$ 336,446	\$ 279,109
Afterschool Programs Funds	27,371	23,566
Big Brothers Big Sisters of FC Agency Fund	91,758	91,159
Big Brothers Big Sisters of FC Endowment	24,069	21,680
Bremen Area Historical Society	25,412	22,819
Decorative Arts Center of Ohio Endowment Fund	1,828,782	1,600,914
Fairfield Community Health Center Service Fund	28,774	25,313
Fairfield County Park District Fund	149,854	132,166
Fairfield Heritage – Kindler Piano Fund	6,324	5,725
Fairfield Heritage Assn – Crist Trust Fund	10,352	9,371
Fairfield Heritage Assn Operating Endow. Fund	853,543	790,376
Family Y Endowment Fund	75,622	68,016
Family Y Unrestricted Fund	193,022	184,717
Unrestricted Festival Fund	187,216	169,077
The Harcum House Endowment Fund	22,688	19,214
New Horizons Youth and Family Center Endowment Fund	16,217	14,454
Kiwanis Club of Lancaster Endowment Fund	161,478	154,445
Lancaster Public Education Foundation	28,751	24,247
Lithopolis United Methodist Church Endowment Fund	62,843	55,464
Meals on Wheels Fairfield County Fund	142,220	17,073
Pickerington Public Library Fund	359,990	337,256
Pickerington-Violet Township Historical Society Fund	54,960	47,925
Pickerington-Violet Township Historical Society Endowment Fund	17,531	15,395
St. John's Episcopal Church Mithoff Fund	8,560	29,859
The Wagnalls Memorial Library Fund	31,714	17,696
The Lighthouse Fund	18,242	14,870
AHA! A Hands-On-Adventure Program Fund	6,600	5,510
Trinity United Church of Christ Capital Campaign Fund	84,870	76,445
Trinity United Church of Christ Equity Housing Fund	-	28,637
Trinity United Church of Christ Fundraising Fund	8,179	7,367
Trinity United Church of Christ Memorial Fund	63,939	24,847
United Way of Fairfield County – Sherry Orlando Endowment Fund	20,560	13,550
Total managed assets under agency contracts	\$ 4,947,887	\$ 4,328,262

SUBSEQUENT EVENTS

The consolidated financial statements and related disclosures include evaluation of the events up through and including May 10, 2022, which is the date the statements were available for issue.