

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES

Consolidated Financial Statements

Years Ended December 31, 2015 and 2014

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES

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McLain, Hill, Rugg & Associates, Inc.

Certified Public Accountants

www.mhrcpa.com



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Fairfield County Foundation (a nonprofit organization) and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of 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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

McLain, Hill, Rugg & Associates, Inc.

McLain, Hill, Rugg & Associates, Inc.
Lancaster, Ohio

April 28, 2016

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FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES

Consolidated Statements of Financial Position
As of December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
ASSETS			
Cash and cash equivalents	\$ 1,089,144	\$ 1,519,758	\$ (430,614)
Investments	34,546,229	36,124,848	(1,578,619)
Contribution receivable - charitable lead trust	79,492	163,937	(84,445)
Other investments	884,400	884,400	-
Fixed assets and collectibles, net	<u>832,460</u>	<u>855,853</u>	<u>(23,393)</u>
TOTAL ASSETS	<u>\$ 37,431,725</u>	<u>\$ 39,548,796</u>	<u>\$ (2,117,071)</u>
LIABILITIES			
Accrued expenses	\$ 5,219	\$ 5,615	\$ (396)
Liability under gift	-	17,963	(17,963)
Line of credit	-	6,571	(6,571)
Managed assets under agency contracts	<u>4,565,719</u>	<u>5,323,751</u>	<u>(758,032)</u>
TOTAL LIABILITIES	4,570,938	5,353,900	(782,962)
NET ASSETS			
Unrestricted net assets	31,957,025	33,186,674	(1,229,649)
Temporarily restricted net assets	<u>903,762</u>	<u>1,008,222</u>	<u>(104,460)</u>
TOTAL NET ASSETS	<u>32,860,787</u>	<u>34,194,896</u>	<u>(1,334,109)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 37,431,725</u>	<u>\$ 39,548,796</u>	<u>\$ (2,117,071)</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, 2015 and 2014

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
UNRESTRICTED NET ASSETS			
Support:			
Contributions	\$ 1,138,614	\$ 1,922,307	\$ (783,693)
Revenue:			
Investment return	(390,478)	1,132,467	(1,522,945)
Administrative fees	412,917	429,887	(16,970)
Rental and other income, net	21,510	29,247	(7,737)
Net assets released from restrictions	39,745	40,243	(498)
Total unrestricted support and revenue	<u>1,222,308</u>	<u>3,554,151</u>	<u>(2,331,843)</u>
Expenses			
Program expenses			
Grants and scholarships	1,594,959	1,645,522	(50,563)
Foundation fees	386,042	400,187	(14,145)
Supporting services - program	199,668	196,958	2,710
Supporting services - management and general	182,879	184,271	(1,392)
Supporting services - fundraising	88,409	96,562	(8,153)
Total unrestricted expenses	<u>2,451,957</u>	<u>2,523,500</u>	<u>(71,543)</u>
CHANGE IN UNRESTRICTED NET ASSETS	(1,229,649)	1,030,651	(2,260,300)
TEMPORARILY RESTRICTED NET ASSETS			
Change in charitable lead trust receivable	(64,715)	29,263	(93,978)
Net assets added to/released from restrictions	(39,745)	(40,243)	498
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>(104,460)</u>	<u>(10,980)</u>	<u>(93,480)</u>
CHANGE IN TOTAL NET ASSETS	(1,334,109)	1,019,671	(2,353,780)
NET ASSETS - Beginning of year	<u>34,194,896</u>	<u>33,175,225</u>	<u>1,019,671</u>
NET ASSETS - End of year	<u>\$ 32,860,787</u>	<u>\$ 34,194,896</u>	<u>\$ (1,334,109)</u>

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

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in total net assets	\$ (1,334,109)	\$ 1,019,671
Adjustments to reconcile change in total net assets to net cash from operating activities:		
Depreciation	23,943	24,004
Net realized and unrealized (gain) loss on investments	1,253,619	(414,485)
Unrealized (gain) loss on charitable lead trust receivable	64,715	(29,265)
(Increase) decrease in operating assets:		
Contribution receivable - charitable lead trust	84,445	(9,036)
Increase (decrease) in operating liabilities:		
Accrued expenses	(396)	4,006
Liability under gift	(17,963)	-
Managed assets under agency contracts	(758,032)	1,234,743
Net cash provided (used) by operating activities	<u>(683,778)</u>	<u>1,829,638</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(550)	(980)
Disposal of fixed assets	-	633
Purchase of investments	(10,949,398)	(6,972,406)
Sale of investments	11,209,683	5,599,273
Net cash provided (used) by investing activities	<u>259,735</u>	<u>(1,373,480)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on line of credit	(6,571)	(106,800)
Net cash (used) by financing activities	<u>(6,571)</u>	<u>(106,800)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(430,614)	349,358
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>1,519,758</u>	<u>1,170,400</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 1,089,144</u>	<u>\$ 1,519,758</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	<u>\$ 59</u>	<u>\$ 3,896</u>

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

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

NOTE A - NATURE OF ACTIVITIES AND BASIS OF CONSOLIDATION

The Fairfield County Foundation (the "Foundation") was founded as a non-profit community foundation on April 20, 1989, for the purpose of the encouragement and promotion of charitable giving within Fairfield County, Ohio; to provide a means for prudent investment and the administration of gifts, bequests and devises made for charitable, educational and public purposes; and to provide for distribution of funds in such a manner as to permit the benefits of the trust to continue to meet the needs of Fairfield County, Ohio, as such needs may change with time and circumstances.

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Financial Statement Presentation

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

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

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

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

The Bylaws of the Foundation include a Variance Provision and Powers of Modification giving the Board of Directors the power to vary the use of funds if a restriction expressed by the donor would result in use contrary to the intent presumed, becomes unnecessary, incapable of fulfillment, or inconsistent with its charitable and educational mission or the need of its constituents. Based on these provisions, most contributions received by the Foundation are reported as unrestricted support, except for pledges and bequests that have not yet been received or settled and the net assets held under charitable trust and gift annuity agreements, which are classified as temporarily restricted net assets. The Foundation has no assets that are permanently restricted.

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

Cash and cash equivalents

For the purpose of these financial statements, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

Investments

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

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

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments

Investments in common stock, government and corporate bonds, mutual funds and equivalents cash management funds are recorded at fair values. The carrying amount of cash and cash equivalents, accrued expenses, and line of credit approximates fair value due to 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.

Fixed Assets

Purchased fixed assets are recorded at cost. Donated fixed assets and collectibles are recorded at estimated fair market value at the date of donation. Expenditures for replacements are capitalized, and the replaced items are retired. Depreciation is computed over the estimated useful lives of the related assets using the straight-line method.

Building	40 years
Building addition	40 years
Office furniture and equipment	3 - 10 years

Revenue Recognition

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

Administrative Fees

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 providing the various programs and activities have been summarized on a functional basis in the consolidated statements of activities. Expenses are charged to respective program and supporting services based on direct expenditures incurred. Indirect expenses have been allocated based on analysis of utilization for the related activity.

Advertising Costs

Advertising costs are expensed as incurred and totaled \$26,301 and \$31,414 for the years ended December 31, 2015 and 2014.

Income Taxes

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

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

Based on that evaluation, if it were more than 50% probable that a material amount of income tax would be imposed at the entity level upon examination by the relevant taxing authorities, a liability would be recognized in the accompanying balance sheet along with any interest and penalties that would result from that assessment. Should any such penalties and interest be incurred, the Foundation's policy would be to recognize them as operating expenses. Based on the results of management's evaluation, a liability was not recognized in the Foundation's financial statements. Further, no interest or penalties have been accrued or charged to expense as of December 31, 2015 and 2014, or for the years then ended.

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued)

The Foundation's informational return is subject to examination by taxing authorities for a period of three years from the date they are filed. The open years for the filed returns are 2012 – 2014 and the return to be filed in 2016 is the 2015 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 is permitted with limitations. The Foundation has not adopted the pronouncement.

In February 2016, the FASB issued Leases (Topic 842, ASU 2016-03). The guidance in this Update supersedes Topic 840, Leases. The amendments in this Update recognize lease assets and lease liabilities on the balance sheet and disclose key information about leasing arrangements. A lessee should recognize in the statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term, unless the term of the lease 12 months or less. The Update specifies the requirements of lessees for recognition and classification for financial statements purposes for finance leases and operating leases. For lessors, the vast majority of operating leases should remain classified as operating leases, and lessors should continue to recognize lease income for those leases on a generally straight-line basis over the lease term. For nonpublic entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early application is permitted for all entities. The Foundation has not adopted the pronouncement.

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements (Continued)

In January 2016, the FASB issued Financial Instruments – Overall (Subtopic 825-10) Recognition and measurement of financial assets and financial liabilities. The amendments in this Update address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments and affect all entities that hold financial assets or owe financial liabilities. For not-for-profit entities and employee benefit plans, the amendments in this Update are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. All entities that are not public business entities may adopt the amendments in this Update earlier as of the fiscal years beginning after December 15, 2017, including periods within those fiscal years. The Foundation has not adopted the pronouncement.

NOTE C - TEMPORARILY RESTRICTED ASSETS

Temporarily restricted net assets as of December 31, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Net land, building and collectibles	\$ 824,270	\$ 844,285
Contribution receivable - charitable lead trust	<u>79,492</u>	<u>163,937</u>
Total temporarily restricted assets	<u>\$ 903,762</u>	<u>\$ 1,008,222</u>

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, 2015 and 2014 are stated at fair market value and consist of the following:

	<u>2015</u>	<u>2014</u>
Certificates of deposit	\$ 11,165	\$ 11,104
Government agencies	1,067,099	2,245,954
Corporate bonds and note	4,876,765	3,066,929
Equities and partnerships	6,443,742	8,615,702
Marketable certificates of deposit	25,242	122,391
Mutual funds	<u>22,122,216</u>	<u>22,062,768</u>
Total	<u>\$ 34,546,229</u>	<u>\$ 36,124,848</u>

Investment return, as stated in the statement of revenues, expenses, and change in net assets for the years ended December 31, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Interest and dividends on investments	\$ 798,426	\$ 747,247
Realized gain (loss) on investments	849,012	1,020,713
Unrealized gain (loss) on investments	<u>(2,037,916)</u>	<u>(635,493)</u>
Total investment return	<u>\$ (390,478)</u>	<u>\$ 1,132,467</u>

Investment fees totaled \$94,368 and \$105,965 for 2015 and 2014, respectively, and are included in supporting services.

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

NOTE E – FAIR VALUE MEASUREMENT

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

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

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
Level 2	<p>Inputs to the valuation methodology include</p> <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 for the asset or liability • inputs that are derived principally from or corroborated by observable market data by correlation or other means. <p>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.</p>
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, 2015 and 2014.

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

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

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

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

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

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the 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, 2015 and 2014.

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

NOTE E – FAIR VALUE MEASUREMENT (Continued)

Fair Value Measurements on a Recurring Basis
As of December 31, 2015

	Level 1	Level 2	Level 3	Total
Money market funds – cash and cash equivalents	\$ 1,089,144	\$ -	\$ -	\$ 1,089,144
Investments:				
Equities:				
Large cap growth funds	3,630,147	-	-	3,630,147
Large cap value funds	9,393	-	-	9,393
Large cap core funds	2,988,279	-	-	2,988,279
Large cap equities	6,449,673	-	-	6,449,673
Mid cap core funds	1,724,418	-	-	1,724,418
Mid cap equities	410,898	-	-	410,898
Small cap core funds	1,162,165	-	-	1,162,165
Small cap equities	-	23,883	-	23,883
International	7,578,081	-	-	7,578,081
European	176,421	-	-	176,421
Pacific	175,320	-	-	175,320
Financial Service funds	364,196	-	-	364,196
REIT's	2,232	-	-	2,232
Common stock	46,616	-	-	46,616
Fixed Income:				
Municipal bonds	229,383	-	-	229,383
Taxable bonds	9,563,958	-	-	9,563,958
Certificates of deposit	11,166	-	-	11,166
Total Investments	34,522,346	23,883	-	34,546,229
Charitable lead trust	-	-	79,492	79,492
Total	\$ 35,611,490	\$ 23,883	\$ 79,492	\$ 35,714,865

Fair Value Measurements on a Recurring Basis
As of December 31, 2014

	Level 1	Level 2	Level 3	Total
Money market funds – cash and cash equivalents	\$ 1,519,758	\$ -	\$ -	\$ 1,519,758
Investments:				
Equities:				
Large cap growth funds	4,422,236	-	-	4,422,236
Large cap value funds	10,235	-	-	10,235
Large cap core funds	2,540,297	-	-	2,540,297
Large cap equities	8,928,294	24,558	-	8,952,852
Mid cap core funds	286,947	-	-	286,947
Mid cap equities	535,227	-	-	535,227
Small cap core funds	1,516,970	-	-	1,516,970
Small cap equities	60,705	-	-	60,705
International	7,621,616	-	-	7,621,616
European	202,716	-	-	202,716
Pacific	192,491	-	-	192,491
Financial Services funds	387,402	-	-	387,402
Common stock	48,576	-	-	48,576
Fixed Income:				
Municipal bonds	187,494	-	-	187,494
Taxable bonds	9,147,980	-	-	9,147,980
Certificates of deposit	11,104	-	-	11,104
Total Investments	36,100,290	24,558	-	36,124,848
Charitable lead trust	-	-	163,937	163,937
Liability under gift	-	-	(17,963)	(17,963)
Total	\$ 37,620,048	\$ 24,558	\$ 145,974	\$ 37,790,580

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

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

NOTE E – FAIR VALUE MEASUREMENT (Continued)

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, 2015 and 2014.

	<i>Level 3 Assets</i>			
	<u>December 31, 2015</u>		<u>December 31, 2014</u>	
	Charitable lead trust	Liability under gift	Charitable lead trust	Liability under gift
Balance, beginning of year	\$ 163,937	\$ (17,963)	\$ 154,901	\$ (17,963)
Realized gains	1,514	2	2,365	2
Unrealized gains	(6,095)	(4)	5,451	(3)
Interest credited	1,388	2	1,220	1
Correction for PV calculation	(81,252)	-	-	-
Settlements	-	17,963	-	-
Balance, end of year	<u>\$ 79,492</u>	<u>\$ -</u>	<u>\$ 163,937</u>	<u>\$ (17,963)</u>

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.

NOTE G - OTHER INVESTMENTS

Other investments as of December 31, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Artwork and coins	\$ 6,900	\$ 6,900
Investment land	<u>877,500</u>	<u>877,500</u>
Total other assets	<u>\$ 884,400</u>	<u>\$ 884,400</u>

Other investments are valued at appraised value when donated.

NOTE H - LIABILITY UNDER GIFT

The Foundation entered into a charitable gift annuity during 1997. Under the agreement, the Foundation pays an annual sum of \$4,625 to the annuitant during his lifetime. The annuity payment liability is recognized at the present value of future cash flows, discounted at 5.4%, expected to be paid to the annuitant. It was discovered that the annuitant was deceased and; therefore, the remaining amount was recognized as a contribution and the related liability was released during 2015.

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

NOTE I - FIXED ASSETS AND COLLECTIBLES

Fixed assets and collectibles, net at December 31, 2015 and 2014 are comprised of the following:

	<u>2015</u>	<u>2014</u>
Building	\$ 273,199	\$ 273,199
Building addition	527,387	527,387
Office furniture and equipment	80,028	79,478
Total depreciable fixed assets	<u>880,614</u>	<u>880,064</u>
Less: Accumulated depreciation	(246,614)	(222,671)
Net depreciable fixed assets	<u>634,000</u>	<u>657,393</u>
Collectibles	105,950	105,950
Land	<u>92,510</u>	<u>92,510</u>
Net fixed assets and collectibles	<u>\$ 832,460</u>	<u>\$ 855,853</u>

Depreciation totaled \$23,943 and \$24,004 for 2015 and 2014, respectively.

The land, building and various collectibles were donated to the Foundation during 2002 by the City of Lancaster, with a stipulation that the Foundation would be unable to sell the property. If the Foundation no longer has a use for the property, the ownership of all property reverts back to the City. The property (land and building) is recorded at fair market value as of the date of the donation. The donated collectibles are recorded at appraised value or a reasonable estimate of value at the time of donation. Since the collectible items are considered "inexhaustible" they are not depreciated. Land, building and collectibles are recorded as temporarily restricted net assets.

NOTE J – CONFLICT OF INTEREST STATEMENT

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

In the event that a possible conflict does arise, the board member, committee member, employee will: immediately disclose the relationship to the Foundation Board Chair; refrain from participating in any discussion, except to provide pertinent factual information; refrain from voting on any issue that would benefit the organization, business or individual.

NOTE K – GRANTS AND SCHOLARSHIPS

Grants and Scholarships are approved by the Board of Directors and are awarded for the following purposes: youth services, parks and recreation, health, education, disaster relief, community improvement, arts and culture, and scholarships. Grants and Scholarships totaled \$ 1,594,959 and \$1,645,522 for the years 2015 and 2014, respectively.

NOTE L – LINE OF CREDIT

During 2008, the Foundation established an unsecured line of credit loan totaling \$350,000 with Fairfield Federal Savings and Loan Association of Lancaster. The annual rate of interest payable is 6.5% and the maturity date was March 31, 2015. The outstanding balances were \$0 and \$6,571 at December 31, 2015 and 2014, respectively. Interest expense, included in supporting services, was \$59 and \$3,896 for years ended December 31, 2015 and 2014, respectively.

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

NOTE M – RELATED PARTY TRANSACTIONS

The Foundation has a volunteer Board of Directors and received contributions of approximately \$4,275 and \$5,180 from participating members during December 31, 2015 and 2014, respectively. The 2014 Chairman of the Foundation is the President and Director of the bank which held the line of credit which was paid off during 2015. A board member is also a principle of a law firm that has provided legal services in the amount of \$7,879 to the Foundation during the year ended 2015.

NOTE N – LEASES

Fairfield Foundation Real Estate LTD leased donated residential property for the years ended December 31, 2015 and 2014 in the amounts of \$26,034 and \$25,171, respectively. One property is rented to a family member of a Foundation employee. Future minimum lease payments are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2016	\$ 13,374
2017	-
2018	-
2019	-
2020	-
Thereafter	-
Total	<u>\$ 13,374</u>

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, 2015 and 2014 was \$15,045 and \$21,228. Amounts are not included in the above future minimum lease payments.

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

NOTE O – AGENCY FUNDS

The Foundation acts as an investment administrator for the funds specified below. These assets are not reported as contributions by the Foundation because the entities are solely using the Foundation to manage their investments. These assets are co-mingled with the Foundation assets and recorded separately on the Foundation books as a liability. These investments and any resulting revenues or expenses affiliated with these funds are reflected as a payable due to the entities. The entities report the investments and related revenues and expenses on their respective financial statements.

As of December 31, 2015 and 2014, agency funds are comprised of the following:

	<u>2015</u>	<u>2014</u>
4-H Fairfield County Foundation Fund	\$ 83,238	\$ 61,117
Big Brothers Big Sisters of FC Agency Fund	34,988	35,857
Big Brothers Big Sisters of FC Endowment	12,377	12,684
Bremen Area Historical Society	12,032	12,084
Decorative Arts Center of Ohio Endowment Fund	1,216,683	1,320,999
Fairfield Heritage – Kindler Piano Fund	4,037	4,158
Fairfield Heritage Assn – Crist Trust Fund	14,932	15,379
Fairfield Heritage Assn Operating Endow. Fund	630,891	677,231
Family Y Endowment Fund	44,389	45,492
Family Y Unrestricted Fund	135,401	139,463
New Horizons Youth and Family Center Endowment Fund	9,298	9,529
Kiwanis Club of Lancaster Endowment Fund	143,018	149,741
Lancaster Public Education Foundation	24,643	42,287
Live United Program Fund	212,060	217,329
Pickerington Public Library Fund	278,061	285,374
Pickerington-Violet Township Historical Society Fund	22,100	14,775

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
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NOTE O – AGENCY FUNDS (Continued)

Pickerington-Violet Township Historical Society Endowment Fund	9,624	9,842
St. John's Episcopal Church Exterior Fund	35,810	36,884
St. John's Episcopal Church Mithoff Fund	16,328	16,818
St. John's Episcopal Church Stradman-Meenach	8,887	9,153
St. Peter's Lutheran Church Fund	1,209,260	1,803,323
Trinity United Church of Christ Bohr Fund	16,340	20,801
Trinity United Church of Christ Capital Campaign Fund	30,689	31,452
Trinity United Church of Christ Equity Housing Fund	11,047	9,305
Trinity United Church of Christ Memorial Fund	16,232	1,038
United Way of Fairfield County Endowment Fund	333,354	341,636
	<u> </u>	<u> </u>
Total managed assets under agency contracts	\$ 4,565,719	\$ 5,323,751

NOTE P – SUBSEQUENT EVENTS

The consolidated financial statements and related disclosures include evaluation of the events up through and including April 28, 2016, which is the date the statements were available for issue.

In 2016, the investment property held by Fairfield Foundation Real Estate II LTD, subsidiary, is in contract for sale in the amount of \$550,000.