

**FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARY**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**Years Ended December 31, 2016 and 2015**

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**FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARY  
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Jeanette R. Addington, MBA, CPA, CGFM • Brian D. Long, CPA, PFS, CFF • Keith A. Lewis, CPA

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of the Fairfield County Foundation and Subsidiary (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2016 and the related consolidated statements of activities 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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.

*Other Matter*

The consolidated financial statements of the Fairfield County Foundation as of December 31, 2015, and for the year then ended were audited by other auditors. Those auditors expressed an unmodified opinion on those financial statements in their report dated April 28, 2016.

*Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Fairfield County Foundation as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



JC & Company  
Lancaster, Ohio  
May 11, 2017

**FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
December 31, 2016 and 2015**

	2016	2015	Increase (Decrease)
<b>ASSETS</b>			
Investments cash and cash equivalents	\$ 2,378,222	\$ 1,089,144	\$ 1,289,078
Investments	38,100,958	34,546,229	3,554,729
Contribution receivable - charitable lead trust	45,931	79,492	(33,561)
Other investments	634,400	884,400	(250,000)
Fixed assets and collectibles, net	815,184	832,460	(17,276)
<b>TOTAL ASSETS</b>	<b>\$ 41,974,695</b>	<b>\$ 37,431,725</b>	<b>\$ 4,542,970</b>
<b>LIABILITIES</b>			
Accrued expenses	\$ 4,231	\$ 5,219	\$ (988)
Managed assets under agency contracts	4,689,729	4,565,719	124,010
<b>TOTAL LIABILITIES</b>	4,693,960	4,570,938	123,022
<b>NET ASSETS</b>			
Unrestricted net assets	36,430,549	31,957,025	4,473,524
Temporarily restricted net assets	850,186	903,762	(53,576)
<b>TOTAL NET ASSETS</b>	<b>37,280,735</b>	<b>32,860,787</b>	<b>4,419,948</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 41,974,695</b>	<b>\$ 37,431,725</b>	<b>\$ 4,542,970</b>

See notes to financial statements

**FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>
<b>UNRESTRICTED NET ASSETS</b>			
<b>Support:</b>			
<b>Contributions</b>	\$ 4,049,540	\$ 1,138,614	\$ 2,910,926
<b>Revenue:</b>			
<b>Investment return</b>	2,392,851	(390,478)	2,783,329
<b>Administrative fees</b>	418,269	412,917	5,352
<b>Rental and other income, net</b>	16,212	21,510	(5,298)
<b>Net assets released from restrictions</b>	37,597	39,745	(2,148)
<b>Total unrestricted support and revenue</b>	<u>6,914,469</u>	<u>1,222,308</u>	<u>5,692,161</u>
<b>Expenses:</b>			
<b>Program expenses</b>			
<b>Grants and scholarships</b>	1,564,901	1,594,959	(30,058)
<b>Foundation fees</b>	391,443	386,042	5,401
<b>Supporting services - program</b>	200,037	199,668	369
<b>Supporting services - management and general</b>	197,159	182,879	14,280
<b>Supporting services - fundraising</b>	87,405	88,409	(1,004)
<b>Total unrestricted expenses</b>	<u>2,440,945</u>	<u>2,451,957</u>	<u>(11,012)</u>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	4,473,524	(1,229,649)	5,703,173
<b>TEMPORARILY RESTRICTED NET ASSETS</b>			
<b>Change in charitable lead trust receivable</b>	(15,979)	(64,715)	48,736
<b>Net assets released from restrictions</b>	(37,597)	(39,745)	2,148
<b>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</b>	<u>(53,576)</u>	<u>(104,460)</u>	<u>50,884</u>
<b>CHANGE IN TOTAL NET ASSETS</b>	4,419,948	(1,334,109)	5,754,057
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>32,860,787</u>	<u>34,194,896</u>	<u>(1,334,109)</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 37,280,735</u>	<u>\$ 32,860,787</u>	<u>\$ 4,419,948</u>

See notes to financial statements

**FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2016 and 2015**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 4,419,948	\$ (1,334,109)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	24,767	23,943
(Gain) loss on investments	(1,757,623)	1,253,619
Unrealized (gain) loss on charitable lead trust receivable	15,979	64,715
(Increase) decrease in operating assets:		
Contribution receivable - charitable lead trust	33,561	84,445
Increase (decrease) in operating liabilities:		
Accrued expenses	(988)	(396)
Liability under gift	-	(17,963)
Managed assets under agency contracts	124,010	(758,032)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>2,859,654</b>	<b>(683,778)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(7,610)	(550)
Purchase of investments	(6,835,911)	(10,949,398)
Proceeds from sale of investments	5,272,945	11,209,683
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(1,570,576)</b>	<b>259,735</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on line of credit	-	(6,571)
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>1,289,078</b>	<b>(430,614)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>1,089,144</b>	<b>1,519,758</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 2,378,222</b>	<b>\$ 1,089,144</b>

See notes to financial statements

**FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2016 and 2015**

**1. DESCRIPTION OF THE ORGANIZATION 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, education, 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 II Company (Ohio Limited Liability Company). The accompanying consolidated financial statements include the accounts of the Fairfield County Foundation and it's Subsidiary. The Subsidiary was organized solely to engage in the business activities upon which the sole member agrees.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

**Principles of Consolidation**

The consolidated financial statements include the accounts of the Foundation and the Fairfield Foundation Real Estate II, its wholly owned subsidiary. All material intercompany accounts and transactions have been eliminated.

**Financial Statement Presentation**

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 revenue. 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 restrictions.

*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 restrictions that may be maintained permanently by the Foundation.

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 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 temporarily 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 the statements of cash flows, cash and cash equivalents include all highly liquid debt instruments with original maturity of three months or less.



**FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2016 and 2015**

**2. 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.

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

**Fair Value of Financial Instruments**

Investments in common stock, government and corporate bonds, mutual funds and cash equivalent 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 \$22,638 and \$26,301 for the years ended December 31, 2016 and 2015, respectively.

**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.

**FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2016 and 2015**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Income Taxes – Continued**

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability (or asset) if the Foundation has taken an uncertain position that more likely than not would be sustained upon examination by the Internal Revenue Service. The Foundation's management has analyzed the tax positions taken by the Foundation, and has concluded that as of December 31, 2016, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2013.

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 accounting principles generally accepted in the United States of America 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 this 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

**FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2016 and 2015**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Recent Accounting Pronouncements - Continued**

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 this pronouncement.

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 fiscal years beginning after December 15, 2017, including periods within those fiscal years. The Foundation has not adopted this pronouncement.

In August 2016, the FASB issued Presentation of Financial Statements of Not-for-Profit Entities. (Topic 958) (ASU 2016-14) to improve the consistency of financial statement reporting for all nonprofits. This update is effective for years beginning after December 15, 2018. Early adoption is allowed, but the Foundation has not adopted this pronouncement.

**3. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31, 2016 and 2015 consist of the following:

	2016	2015
Net land, building and collectibles	\$ 804,255	\$ 824,270
Contribution receivable - charitable lead trust	45,931	79,492
	\$ 850,186	\$ 903,762

**4. 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, 2016 and 2015 are stated at fair market value and consist of the following:

	2016	2015
Certificates of deposit	\$ 11,227	\$ 11,165
Government agencies	619,919	1,067,099
Corporate bonds and note	5,405,594	4,876,765
Equities and partnerships	6,931,160	6,443,742
Marketable certificates of deposit	-	25,242
Mutual funds	25,133,058	22,122,216
	\$ 38,100,958	\$ 34,546,229
<b>Total</b>		

**FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2016 and 2015**

**4. INVESTMENTS - Continued**

Investment return, as stated in the statement of activities for years ended December 31, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Interest and dividends on investments	\$ 635,228	\$ 798,426
Realized gain (loss) on investments	727,381	849,012
Unrealized gain (loss) on investments	<u>1,030,242</u>	<u>(2,037,916)</u>
<b>Total investment return</b>	<b><u>\$ 2,392,851</u></b>	<b><u>\$ (390,478)</u></b>

Investment fees totaled \$91,418 and \$94,368 for the years ended December 31, 2016 and 2015, respectively, and are included in supporting services.

**5. FAIR VALUE MEASUREMENT**

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

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

**Level 1** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

**Level 2** Inputs to the valuation methodology include

- 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.

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.

The 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, 2016 or 2015.

*Common Stock*, 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.

**FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**5. FAIR VALUE MEASUREMENT – Continued**

*Mutual funds:* Valued at the net asset value (NAV) of shares held by the Foundation 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, 2016 and 2015.

Description	Fair Value Measurements on a Recurring Basis As of December 31, 2016			
	Level 1	Level 2	Level 3	Total
Money market funds - cash and cash equivalents	\$ 2,378,222	\$ -	\$ -	\$ 2,378,222
Investments:				
Equities	27,511,518	2,220	-	27,513,738
Fixed income	10,587,220	-	-	10,587,220
Total investments	38,098,738	2,220	-	38,100,958
Charitable lead trust	-	-	45,931	45,931
Total	\$ 40,476,960	\$ 2,220	\$ 45,931	\$ 40,525,111

Description	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	24,717,839	23,883	-	24,741,722
Fixed income	9,804,507	-	-	9,804,507
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

**FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2016 and 2015**

**5. 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 years ended December 31, 2016 and 2015.

	Level 3 Assets			
	December 31, 2016		December 31, 2015	
	Charitable Lead Trust	Liability Under Gift	Charitable Lead Trust	Liability Under Gift
Balance, beginning of year	\$ 79,492	\$ -	\$ 163,937	\$ (17,963)
Realized gains	(662)	41	1,514	2
Unrealized gains	(15,711)	(41)	(6,095)	(4)
Interest credited	1,053	-	1,388	2
Correction for PV calculation	(18,241)	-	(81,252)	-
Settlements	-	-	-	17,963
Balance, end of year	<u>\$ 45,931</u>	<u>\$ -</u>	<u>\$ 79,492</u>	<u>\$ -</u>

**6. 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 20 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.

**7. OTHER INVESTMENTS**

Other investments as of December 31, 2016 and 2015 consist of the following:

	2016	2015
Artwork and coins	\$ 6,900	\$ 6,900
Investment land	627,500	877,500
Total other assets	<u>\$ 634,400</u>	<u>\$ 884,400</u>

Other investments are valued at appraised value when donated.

**8. 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 SUBSIDIARY  
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December 31, 2016 and 2015**

**9. FIXED ASSETS AND COLLECTIBLES**

Fixed assets and collectibles, net, at December 31, 2016 and 2015 consist of the following:

	2016	2015
Building	\$ 273,199	\$ 273,199
Building addition	527,387	527,387
Office furniture and equipment	84,045	80,028
Accumulated depreciation	(267,907)	(246,614)
Total depreciable fixed assets, net	616,724	634,000
Collectibles	105,950	105,950
Land	92,510	92,510
Total non-depreciable fixed assets and collectibles	198,460	198,460
Total fixed assets and collectibles, net	\$ 815,184	\$ 832,460

Depreciation totaled \$24,767 and \$23,943 for the years ended December 31, 2016 and 2015, 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.

**10. 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 from there 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.

**11. 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. Grants and scholarships totaled \$1,564,901 and \$1,594,959 for the years ended December 31, 2016 and 2015, respectively.

**12. RELATED PARTY TRANSACTIONS**

The Foundation has a volunteer Board of Trustees and received contributions of approximately \$13,130 and \$4,275 from participating members during the years ended December 31, 2016 and 2015, respectively. A board member is also a principle of a law firm that has provided legal services in the amount of \$38,121 and \$7,879 to the Foundation during the years ended December 31, 2016 and 2015, respectively.

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**13. LEASES**

Fairfield Foundation Real Estate II LTD holds donated farm land in which it receives a percentage of the crops harvested and sold. The net income for the years ended December 31, 2016 and 2015 was \$15,443 and \$20,460. This income is recorded as rental and other income on the consolidated statements of activities, net of related expense. The real estate held by Fairfield Foundation Real Estate LTD was sold June 30, 2016.

**14. 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 expense on their respective financial statements.

As of December 31, 2016 and 2015, agency funds are comprised of the following:

	<u>2016</u>	<u>2015</u>
4-H Fairfield County Foundation Fund	\$ 116,835	\$ 83,238
Afterschool Programs Funds	6,145	-
BigBrother Big Sisters of FC Agency Fund	32,346	34,988
Big Brothers Big Sisters of FC Endowment	13,047	12,377
Bremen Area Historical Society	12,620	12,032
Decorative Arts Center of Ohio Endowment Fund	1,250,904	1,216,683
Fairfield Heritage - Kindler Piano Fund	4,234	4,037
Fairfield Heritage Assn - Crist Trust Fund	15,662	14,932
Fairfield Heritage Assn Operating Endow. Fund	631,049	630,891
Family Y Endowment Fund	46,793	44,389
Family Y Unrestricted Fund	142,021	135,401
New Horizons Mental Health Services Endowment Fund	9,801	9,298
Kiwanis club of Lancaster Endowment Fund	150,010	143,018
Lancaster Public Education Foundation	34,359	24,643
Live United Program Fund	223,544	212,060
Pickerington Public Library Fund	277,427	278,061
Pickerington - Violet Township Historical Society Fund	26,788	22,100
Pickerington - Violet Township Historical Society Endowment Fund	10,346	9,624
Refreshing 90.9 FM Fund	685	-
St. John's Episcopal Church Exterior Fund	37,561	35,810
St. John's Episcopal Church Mithoff Fund	17,126	16,328
St. John's Episcopal Church Stradman-Meenach	9,321	8,887
St. Peter's Lutheran Church Fund	1,170,260	1,209,260
Trinity United Church of Christ Bohr Fund	10,932	16,340
Trinity United Church of Christ Capital Campaign Fund	52,646	30,689
Trinity United Church of Christ Equity Housing Fund	13,676	11,047
Trinity United Church of Christ Fundraising Fund	5,074	-
Trinity United Church of Christ Memorial Fund	17,111	16,232
United Way of Fairfield County Endowment Fund	351,406	333,354
Total managed assets under agency contracts	<u>\$ 4,689,729</u>	<u>\$ 4,565,719</u>



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**15. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through and including May 11, 2017, which is the date the financial statements were available to be issued. No subsequent events after this date have been evaluated.