

**FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES**

**Consolidated Financial Statements**

**Years Ended December 31, 2017 and 2016**

**FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES**

**C O N T E N T S**

Page 1	Independent Auditors' Report.
Page 2	Consolidated Statements of Financial Position as of December 31, 2017 and 2016.
Page 3	Consolidated Statements of Activities for the years ended December 31, 2017 and 2016.
Page 4	Consolidated Statements of Cash Flows for the years ended December 31, 2017 and 2016.
Page 5	Notes to the Consolidated Financial Statements. (9 pages)



**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, 2017 and 2016, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Fairfield County Foundation and Subsidiaries as of December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Fairfield County Foundation and Subsidiaries as of December 31, 2016, were audited by other auditors whose report dated May 11, 2017, expressed an unmodified opinion on those statements.

*McLain, Hill, Rugg & Associates, Inc.*

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

April 17, 2018

**FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES**

**Consolidated Statements of Financial Position  
As of December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,447,461	\$ 2,378,222	\$ 69,239
Investments	44,121,273	38,100,958	6,020,315
Contribution receivable - charitable lead trust	33,000	45,931	(12,931)
Other investments	634,400	634,400	-
Fixed assets and collectibles, net	<u>791,124</u>	<u>815,184</u>	<u>(24,060)</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 48,027,258</u></b>	<b><u>\$ 41,974,695</u></b>	<b><u>\$ 6,052,563</u></b>
<b>LIABILITIES</b>			
Accrued expenses	\$ 3,891	\$ 4,231	\$ (340)
Managed assets under agency contracts	<u>4,764,120</u>	<u>4,689,729</u>	<u>74,391</u>
<b>TOTAL LIABILITIES</b>	<b>4,768,011</b>	<b>4,693,960</b>	<b>74,051</b>
<b>NET ASSETS</b>			
Unrestricted net assets	42,442,006	36,430,549	6,011,457
Temporarily restricted net assets	<u>817,241</u>	<u>850,186</u>	<u>(32,945)</u>
<b>TOTAL NET ASSETS</b>	<b><u>43,259,247</u></b>	<b><u>37,280,735</u></b>	<b><u>5,978,512</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 48,027,258</u></b>	<b><u>\$ 41,974,695</u></b>	<b><u>\$ 6,052,563</u></b>

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

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES

Consolidated Statements of Activities  
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
<b>UNRESTRICTED NET ASSETS</b>			
<b>Support:</b>			
Contributions	\$ 2,914,323	\$ 4,049,540	\$ (1,135,217)
<b>Revenue:</b>			
Investment return	5,194,269	2,392,851	2,801,418
Administrative fees	482,710	418,269	64,441
Rental and other income, net	6,211	16,212	(10,001)
Net assets released from restrictions	36,892	37,597	(705)
<b>Total unrestricted support and revenue</b>	<u>8,634,405</u>	<u>6,914,469</u>	<u>1,719,936</u>
<b>Expenses</b>			
Program expenses			
Grants and scholarships	1,600,926	1,564,901	36,025
Foundation fees	453,652	391,443	62,209
Supporting services - program	262,986	200,037	62,949
Supporting services - management and general	219,378	197,159	22,219
Supporting services - fundraising	86,005	87,405	(1,400)
<b>Total unrestricted expenses</b>	<u>2,622,947</u>	<u>2,440,945</u>	<u>182,002</u>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	6,011,458	4,473,524	1,537,934
<b>TEMPORARILY RESTRICTED NET ASSETS</b>			
Change in charitable lead trust receivable	3,946	(15,979)	19,925
Net assets added to/released from restrictions	(36,892)	(37,597)	705
<b>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</b>	<u>(32,946)</u>	<u>(53,576)</u>	<u>20,630</u>
<b>CHANGE IN TOTAL NET ASSETS</b>	5,978,512	4,419,948	1,558,564
<b>NET ASSETS - Beginning of year</b>	<u>37,280,735</u>	<u>32,860,787</u>	<u>4,419,948</u>
<b>NET ASSETS - End of year</b>	<u>\$ 43,259,247</u>	<u>\$ 37,280,735</u>	<u>\$ 5,978,512</u>

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

FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows  
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in total net assets	\$ 5,978,512	\$ 4,419,948
Adjustments to reconcile change in total net assets to net cash from operating activities:		
Depreciation	24,060	24,767
Net realized and unrealized (gain) loss on investments	(4,501,367)	(1,757,623)
Unrealized (gain) loss on charitable lead trust receivable	(3,946)	15,979
Non-cash contributions of closely-held stock	(250,000)	-
(Increase) decrease in operating assets:		
Contribution receivable - charitable lead trust	12,931	33,561
Increase (decrease) in operating liabilities:		
Accrued expenses	(340)	(988)
Managed assets under agency contracts	74,391	124,010
<b>Net cash provided (used) by operating activities</b>	<u>1,334,241</u>	<u>2,859,654</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	-	(7,610)
Purchase of investments	(6,685,135)	(6,835,911)
Sale of investments	5,420,133	5,272,945
<b>Net cash provided (used) by investing activities</b>	<u>(1,265,002)</u>	<u>(1,570,576)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	69,239	1,289,078
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>2,378,222</u>	<u>1,089,144</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>\$ 2,447,461</u>	<u>\$ 2,378,222</u>
<b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Contribution of closely-held shares for real estate	<u>\$ 250,000</u>	<u>\$ -</u>

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

**FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2017 and 2016**

**NOTE A - NATURE OF ACTIVITIES AND BASIS OF CONSOLIDATION**

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

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

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting and Financial Statement Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. The Foundation presents its financial position and activities based on the existence or absence of donor-imposed restrictions.

The Bylaws of the Foundation include a Variance Provision and Powers of Modification giving the Board of Directors the power to vary the use of funds if a restriction expressed by the donor would result in use contrary to the intent presumed, becomes unnecessary, incapable of fulfillment, or inconsistent with its charitable and educational mission or the need of its constituents. Based on these provisions, most contributions received by the Foundation are reported as unrestricted support, except for pledges and bequests that have not yet been received or settled and the net assets held under charitable trust and gift annuity agreements, which are classified as 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. Property held for investment purposes is recorded at estimated fair market value at date of contribution.

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



**FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2017 and 2016**

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

Revenue Recognition

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

Administrative Fees

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

Functional Expenses

The costs of 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 \$26,360 and \$22,638 for the years ended December 31, 2017 and 2016.

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 Accounting Standards Codification (ASC) 740, *Accounting for Income Taxes*, related to uncertainties in income taxes, which prescribes a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. There are no such uncertain tax positions for the Foundation for the years ended December 31, 2017 and 2016.

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 2014 – 2016 and the return to be filed in 2018 is the 2017 informational return.

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

**FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2017 and 2016**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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. During 2017, the Foundation adopted the pronouncement effective beginning January 1, 2019.

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. During 2017, the Foundation adopted the pronouncement effective beginning January 1, 2020.

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. During 2017, the Foundation adopted the pronouncement effective beginning January 1, 2020.

**FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2017 and 2016**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Recent Accounting Pronouncements (continued)

In August 2016, the FASB issued Not-for-Profit Entities (Topic 958, ASU 2016-14). The main provisions of this Update, amend the requirement for financial statements and notes in Topic 958, Not-for-Profit Entities (NFP). These provisions include but are not limited to presenting two classes of net assets at the end of the period, rather than presenting three classes on the statement of financial position and changes in each of the two classes of net assets on the statement of activities; operating cash flows can present using either the direct or indirect method but no longer requires presentation or disclosure on indirect method, if using the direct method; and enhanced disclosures, consisting of, but not limited to: governing board designations of unrestricted assets, composition of donor restrictions, how an NFP manages its liquid resources to meet cash needs, availability of financial assets at balance sheet date to meet cash needs for general expenditures, amounts of expenses by both natural classifications and functional classification and methods used to allocate those costs, and underwater endowment funds; report investment return net of investment expenses and no longer require disclosure of netted expenses; and use the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct long-lived assets and reclassify amounts from restrictions to without restrictions when placed in service, in absence of donor stipulations. The amendments in this update are effective for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. Early application is permitted and should be applied on a retrospective basis in the year that the Update is first applied, with exceptions for comparative financial statements. During 2017, the Foundation adopted the pronouncement effective beginning January 1, 2018.

**NOTE C - TEMPORARILY RESTRICTED ASSETS**

Temporarily restricted net assets as of December 31, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Net land, building and collectibles	\$ 784,241	\$ 804,255
Contribution receivable - charitable lead trust	<u>33,000</u>	<u>45,931</u>
Total temporarily restricted assets	<u>\$ 817,241</u>	<u>\$ 850,186</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, 2017 and 2016 are stated at fair market value and consist of the following:

	<u>2017</u>	<u>2016</u>
Certificates of deposit	\$ 11,289	\$ 11,227
Government agencies	642,146	619,919
Corporate bonds and note	5,705,398	5,405,594
Equities and partnerships	8,138,331	6,931,160
Mutual funds	29,374,109	25,133,058
Closely-held stocks - real estate	<u>250,000</u>	<u>-</u>
Total	<u>\$ 44,121,273</u>	<u>\$ 38,100,958</u>

Investment return, as stated in the statement of revenues, expenses, and change in net assets for the years ended December 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Interest and dividends on investments	\$ 692,902	\$ 635,228
Realized gain (loss) on investments	1,156,499	727,381
Unrealized gain (loss) on investments	<u>3,344,868</u>	<u>1,030,242</u>
Total investment return	<u>\$ 5,194,269</u>	<u>\$ 2,392,851</u>

Investment fees totaled \$105,759 and \$91,418 for 2017 and 2016, respectively, and are included in supporting services.

**FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2017 and 2016**

**NOTE E – FAIR VALUE MEASUREMENT**

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

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

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
Level 2	<p>Inputs to the valuation methodology include</p> <ul style="list-style-type: none"> <li>• quoted prices for similar assets or liabilities in active markets;</li> <li>• quoted prices for identical or similar assets or liabilities in inactive markets;</li> <li>• inputs other than quoted prices that are observable market data for the asset or liability;</li> <li>• inputs that are derived principally from or corroborated by observable market data.</li> </ul> <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, 2017 and 2016.

*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.

*Closely-held stock for real estate property:* Valued at appraisal value at donor's date of death which is the estimated value at date of donation.

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.

**FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2017 and 2016**

**NOTE E – FAIR VALUE MEASUREMENT (Continued)**

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, 2017 and 2016:

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

Fair Value Measurements on a Recurring Basis as of December 31, 2016				
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents–				
Money market funds	\$ 2,378,222	\$ -	\$ -	\$ 2,378,222
Investments:				
Equities:				
Large cap growth funds	3,803,335	-	-	3,803,335
Large cap value funds	3,745	-	-	3,745
Large cap core funds	4,086,025	-	-	4,086,025
Large cap equities	5,912,165	-	-	5,912,165
Mid cap growth funds	963,742	-	-	963,742
Mid cap core funds	1,638,000	-	-	1,638,000
Mid cap equities	483,798	-	-	483,798
Small cap core funds	1,359,771	-	-	1,359,771
Small cap equities	-	2,220	-	2,220
International	8,359,627	-	-	8,359,627
European	163,205	-	-	163,205
Pacific	171,746	-	-	171,746
Financial Services funds	403,338	-	-	403,338
REIT's	112,653	-	-	112,653
Common stock	50,368	-	-	50,368
Fixed Income:				
Municipal bonds	257,300	-	-	257,300
Taxable bonds	10,318,693	-	-	10,318,693
Certificates of deposit	11,227	-	-	11,227
Total Investments	38,098,738	2,220	-	38,100,958
Charitable lead trust	-	-	45,931	45,931
Total	<u>\$ 40,476,960</u>	<u>\$ 2,220</u>	<u>\$ 45,931</u>	<u>\$ 40,525,111</u>

**FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2017 and 2016**

**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, 2017 and 2016.

	<i>Level 3 Assets</i>				
	<u>December 31, 2017</u>			<u>December 31, 2016</u>	
	Closely-Held Stock Real Estate	Charitable lead trust	Liability under gift	Charitable lead trust	Liability under gift
Balance, beginning of year	\$ -	\$ 45,931	\$ -	\$ 79,492	\$ -
Donated property	250,000	-	-	-	-
Realized gains	-	2,293	-	(662)	41
Unrealized gains	-	(16,346)	-	(15,711)	(41)
Interest credited	-	1,122	-	1,053	-
Correction for PV calculation	-	-	-	(18,241)	-
Settlements	-	-	-	-	-
Balance, end of year	<u>\$ 250,000</u>	<u>\$ 33,000</u>	<u>\$ -</u>	<u>\$ 45,931</u>	<u>\$ -</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, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Artwork and coins	\$ 6,900	\$ 6,900
Investment land	627,500	627,500
Total other assets	<u>\$ 634,400</u>	<u>\$ 634,400</u>

Other investments are valued at appraised value when donated.

**NOTE H - FIXED ASSETS AND COLLECTIBLES**

Fixed assets and collectibles, net at December 31, 2017 and 2016 are comprised of the following:

	<u>2017</u>	<u>2016</u>
Building	\$ 273,199	\$ 273,199
Building addition	527,387	527,387
Office furniture and equipment	84,045	84,045
Total depreciable fixed assets	884,631	884,631
Less: Accumulated depreciation	(291,967)	(267,907)
Net depreciable fixed assets	592,664	616,724
Collectibles	105,950	105,950
Land	92,510	92,510
Net fixed assets and collectibles	<u>\$ 791,124</u>	<u>\$ 815,184</u>

Depreciation totaled \$24,060 and \$24,767 for 2017 and 2016, respectively.

**FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2017 and 2016**

**NOTE H - FIXED ASSETS AND COLLECTIBLES (continued)**

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 I – CONFLICT OF INTEREST STATEMENT**

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

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

**NOTE J – GRANTS AND SCHOLARSHIPS**

Grants and Scholarships are approved by the Board of Directors and are awarded for the following purposes: youth services, parks and recreation, health, education, disaster relief, community improvement, arts and culture, and scholarships. Grants and Scholarships totaled \$ 1,600,926 and \$1,564,901 for the years 2017 and 2016, respectively.

**NOTE K – RELATED PARTY TRANSACTIONS**

The Foundation has a volunteer Board of Directors and received contributions of approximately \$3,772 and \$13,130 from participating members during December 31, 2017 and 2016, respectively. A board member is also a principle of a law firm that provided legal services in the amount of \$32,334 and \$38,121 to the Foundation for years ended December 31, 2017 and 2016, respectively.

**NOTE L – LEASES**

Fairfield Foundation Real Estate LTD leased donated residential property for the year ended December 31, 2016 in the amount of \$12,437 and was sold June 30, 2016.

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, 2017 and 2016 was \$15,452 and \$15,443, respectively. The abovementioned leases are recorded as Rental and other income on the consolidated statements of activities, net of related expense.

**NOTE M – 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.

**FAIRFIELD COUNTY FOUNDATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2017 and 2016**

**NOTE M – AGENCY FUNDS (continued)**

As of December 31, 2017 and 2016, agency funds are comprised of the following:

	<u>2017</u>	<u>2016</u>
4-H Fairfield County Foundation Fund	\$ 162,516	\$ 116,835
Afterschool Programs Funds	10,120	6,145
Big Brothers Big Sisters of FC Agency Fund	54,288	32,346
Big Brothers Big Sisters of FC Endowment	15,692	13,047
Bremen Area Historical Society	14,388	12,620
Decorative Arts Center of Ohio Endowment Fund	1,268,129	1,250,904
Fairfield Heritage – Kindler Piano Fund	4,701	4,234
Fairfield Heritage Assn – Crist Trust Fund	17,856	15,662
Fairfield Heritage Assn Operating Endow. Fund	698,322	631,049
Family Y Endowment Fund	53,618	46,793
Family Y Unrestricted Fund	161,934	142,021
The Harcum House Endowment Fund	5,225	-
New Horizons Youth and Family Center Endowment Fund	11,379	9,801
Kiwanis Club of Lancaster Endowment Fund	168,482	150,010
Lancaster Public Education Foundation	38,006	34,359
Live United Program Fund	256,150	223,544
Meals on Wheels Fairfield County Fund	2,435	-
Pickerington Public Library Fund	295,645	277,427
Pickerington-Violet Township Historical Society Fund	32,119	26,788
Pickerington-Violet Township Historical Society Endowment Fund	11,855	10,346
Refreshing 90.9 FM Fund	818	685
St. John's Episcopal Church Exterior Fund	42,825	37,561
St. John's Episcopal Church Mithoff Fund	19,526	17,126
St. John's Episcopal Church Stradman-Meenach	10,628	9,321
St. Peter's Lutheran Church Fund	888,582	1,170,260
Trinity United Church of Christ Bohr Fund	12,527	10,932
Trinity United Church of Christ Capital Campaign Fund	60,325	52,646
Trinity United Church of Christ Equity Housing Fund	17,760	13,676
Trinity United Church of Christ Fundraising Fund	5,814	5,074
Trinity United Church of Christ Memorial Fund	19,607	17,111
United Way of Fairfield County Endowment Fund	402,848	351,406
Total managed assets under agency contracts	<u>\$ 4,764,120</u>	<u>\$ 4,689,729</u>

**NOTE N – SUBSEQUENT EVENTS**

The consolidated financial statements and related disclosures include evaluation of the events up through and including April 17, 2018, which is the date the statements were available for issue.