

**COMMUNITY FOUNDATION  
OF UNION COUNTY, INC.**  
FINANCIAL STATEMENTS  
DECEMBER 31, 2005 and 2004

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Community Foundation of Union County, Inc.  
Marysville, Ohio

We have audited the accompanying statements of financial position of the Community Foundation of Union County, Inc. (a nonprofit organization) as of December 31, 2005 and 2004, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Foundation of Union County, Inc. as of December 31, 2005 and 2004 and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Holbrook & Manter*

Certified Public Accountants

June 9, 2006

**COMMUNITY FOUNDATION OF UNION COUNTY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2005 and 2004**

	<b>2005</b>	<b>2004</b>
<b>ASSETS:-</b>		
Cash and cash equivalents	\$ 484,689	\$ 384,824
Certificates of deposit	1,057,532	722,628
Investments	1,537,673	1,501,300
Pledges receivable	21,392	24,918
Note receivable	37,362	37,362
Property held for investment	48,000	46,000
Cash surrender value of life insurance after policy loans of \$33,453 for 2005 and 2004	90,220	90,215
Prepays	2,247	0
Deposits	800	800
<b>Total assets</b>	<b>\$ 3,279,915</b>	<b>\$ 2,808,047</b>
 <b>LIABILITIES:-</b>		
Accounts payable	\$ 67	\$ 0
Charitable remainder unitrust liability	116,063	0
Charitable gift annuity liability	23,244	37,116
<b>Total liabilities</b>	<b>139,374</b>	<b>37,116</b>
 <b>NET ASSETS:-</b>		
Unrestricted	1,524,121	1,346,161
Temporarily restricted	895,710	779,060
Permanently restricted	720,710	645,710
<b>Total net assets</b>	<b>3,140,541</b>	<b>2,770,931</b>
 <b>Total liabilities and net assets</b>	 <b>\$ 3,279,915</b>	 <b>\$ 2,808,047</b>

See accompanying notes to financial statements

**COMMUNITY FOUNDATION OF UNION COUNTY, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2005**

	Unrestricted	Temporarily Restricted By Donor	Permanently Restricted	Total
<b>REVENUES AND OTHER SUPPORT:-</b>				
Contributions	\$ 476,222	\$ 124,457	\$ 0	\$ 600,679
Contributions from split interest agreement	0	25,000	75,000	100,000
Net assets released from restrictions	10,527	( 10,527)	0	0
Interest income	22,322	23,836	0	46,158
Dividend income	15,641	16,701	0	32,342
Realized/Unrealized gain on investments	31,016	33,120	0	64,136
Change in value of split interest agreements	8,385	6,039	0	14,424
Other income	27,396	0	0	27,396
 Total revenues and other support	 591,508	 218,627	 75,000	 885,135
<b>EXPENSES:-</b>				
Program Services - Grants	320,368	82,493	0	402,861
Management and General:-				
Advertising and development	2,919	0	0	2,919
Administrative fee	10,388	17,008	0	27,396
Employee payroll	44,772	0	0	44,772
Payroll taxes	3,425	0	0	3,425
Rent	10,080	0	0	10,080
Office supplies	935	0	0	935
Insurance	6,238	0	0	6,238
Meals and entertainment	216	0	0	216
Interest expense	0	2,476	0	2,476
Postage	736	0	0	736
Professional fees	5,760	0	0	5,760
Dues and subscriptions	758	0	0	758
Bureau of workers compensation	184	0	0	184
Meetings	249	0	0	249
Repairs and maintenance	378	0	0	378
Telephone and internet	1,754	0	0	1,754
Utilities	1,962	0	0	1,962
Real estate taxes	869	0	0	869
Miscellaneous	1,557	0	0	1,557
 Total expenses	 413,548	 101,977	 0	 515,525
 Change in net assets	 177,960	 116,650	 75,000	 369,610
 <b>NET ASSETS AT BEGINNING OF YEAR</b>	 1,346,161	 779,060	 645,710	 2,770,931
 <b>NET ASSETS AT END OF YEAR</b>	 \$ 1,524,121	 \$ 895,710	 \$ 720,710	 \$ 3,140,541

See accompanying notes to financial statements

**COMMUNITY FOUNDATION OF UNION COUNTY, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2004**

	Unrestricted	Temporarily Restricted By Donor	Permanently Restricted	Total
<b>REVENUES AND OTHER SUPPORT:-</b>				
Contributions	\$ 337,841	\$ 118,735	\$ 17,955	\$ 474,531
Net assets released from restrictions	12,018	( 12,018)	0	0
Interest income	18,759	19,866	0	38,625
Dividend income	13,170	13,946	0	27,116
Realized/Unrealized gain on investments	92,338	97,786	0	190,124
Other income	13,435	0	0	13,435
Total revenues and other support	487,561	238,315	17,955	743,831
<b>EXPENSES:-</b>				
Program Services - Grants	301,812	80,842	0	382,654
Management and General:-				
Change in value of split interest agreements	3,122	0	0	3,122
Advertising and development	1,769	0	0	1,769
Administrative fee	2,265	2,991	0	5,256
Employee payroll	39,765	0	0	39,765
Payroll taxes	3,042	0	0	3,042
Rent	9,720	0	0	9,720
Office supplies	1,006	0	0	1,006
Insurance	7,275	9,543	0	16,818
Meals and entertainment	201	0	0	201
Interest expense	0	2,476	0	2,476
Postage	529	0	0	529
Professional fees	8,850	0	0	8,850
Dues and subscriptions	758	0	0	758
Bureau of workers compensation	158	0	0	158
Meetings	155	0	0	155
Repairs and maintenance	421	0	0	421
Training	860	0	0	860
Telephone and internet	1,650	0	0	1,650
Utilities	1,841	0	0	1,841
Real estate taxes	837	0	0	837
Miscellaneous	645	0	0	645
Total expenses	386,681	95,852	0	482,533
Change in net assets	100,880	142,463	17,955	261,298
<b>NET ASSETS AT BEGINNING OF YEAR, RESTATE</b>	<u>1,245,281</u>	<u>636,597</u>	<u>627,755</u>	<u>2,509,633</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 1,346,161</u>	<u>\$ 779,060</u>	<u>\$ 645,710</u>	<u>\$ 2,770,931</u>

See accompanying notes to financial statements

**COMMUNITY FOUNDATION OF UNION COUNTY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2005 and 2004**

	<b>2005</b>	<b>2004</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:-</b>		
Increase in net assets	\$ 369,610	\$ 261,298
Adjustments to reconcile increase in net assets to net cash provided by operating activities:-		
Net realized and unrealized gain on investments	( 78,560)	( 190,124)
Net increase in certificates of deposit	( 334,904)	( 55,251)
Decrease in pledges receivables	3,526	12,020
Increase in note receivable	0	( 1,099)
Increase in other assets	( 2,252)	( 24,461)
(Decrease) increase in other liabilities	( 13,805)	23,623
Increase in charitable remainder unitrust liability	116,063	0
	59,678	26,006
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:-</b>		
Proceeds from investments	334,751	265,630
Purchases of investments	( 294,564)	( 459,581)
	40,187	( 193,951)
Net cash provided (used) by investing activities	40,187	( 193,951)
Net increase (decrease) in cash and cash equivalents	99,865	( 167,945)
 <b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>384,824</b>	<b>552,769</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 484,689</b>	<b>\$ 384,824</b>
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:-</b>		
Interest expense	\$ -	\$ 2,476

See accompanying notes to financial statements

**COMMUNITY FOUNDATION OF UNION COUNTY, INC.**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005 and 2004

**NOTE 1 - PURPOSE OF FOUNDATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-**

**Organization** - Community Foundation of Union County, Inc. (the Foundation) is a nonprofit corporation classified by the Internal Revenue Service as tax-exempt under Section 501(c) (3) and as a nonprivate foundation under Section 509(a)(1) of the Internal Revenue Code of 1986. The Foundation is responsible for charitable funds and the income generated by funds of many donors. The Foundation is committed to promoting the well being of mankind and to serving the general charitable, educational and scientific needs of the inhabitants of Union County, Ohio through charitable grants at the discretion of the Board of Trustees.

**Basis of Presentation** - The financial statements are presented on an accrual basis in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-For-Profit Organizations". Under SFAS 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Foundation is required to present a statement of cash flows.

**Cash and Cash Equivalents** - Cash equivalents consist of highly liquid investments with an original maturity of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

**Investments** - The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

**Property Held for Investment** - Land is held for investment purposes and is recorded at estimated fair market value each year based upon the county treasurer's valuation for real estate taxes.

**Contributions** - The Organization recognizes contributions received and contributions made in accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made". Under SFAS No. 116, a contribution received by the Organization is recognized when the donor makes an unconditional promise to give to the Organization. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor imposed restrictions. The Foundation reports gifts of cash and other assets as temporarily restricted contributions when they are received with donor stipulations that limit the use of the donated assets. When the intent of the donor is that the assets are to remain in perpetuity and the Foundation does not have the right to invade the original principal, the assets are reported as permanently restricted. When a donor restriction expires (such as when a stipulated time restriction ends), temporarily restricted net assets are released to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Net assets are primarily released from donor restrictions when time restrictions are satisfied. Contributions received with donor imposed restrictions that are met in the same reporting period are reported as unrestricted contributions.

**Operating Activities** - Operating revenues of the Foundation relate to the activities of the Foundation (primarily investment income and advisory fees, unrestricted grants and contributions).

**Grants** - Grants are recorded as expenses when they are approved by the Board of Trustees for payment and when grant conditions are satisfied.

**Reclassification** - Certain amounts of net assets were reclassified in the prior year based upon current year presentation. The reclassifications have no effect on changes in net assets for the years ended December 31, 2005 and 2004.

**COMMUNITY FOUNDATION OF UNION COUNTY, INC.**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005 and 2004

**NOTE 1 - PURPOSE OF FOUNDATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-**

(continued)

*Use of 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.

*Fair Values of Financial Instruments* - The fair value of financial instruments has been determined through quoted market values and discounted cash flow analysis to approximate the amounts recorded in the statement of financial position.

*Federal Income Taxes* - The Foundation has been determined, by the Internal Revenue Service, as exempt from Federal income taxes as a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and, as a result, a provision for taxes is not required.

**NOTE 2 - CONCENTRATION OF CREDIT RISK:-**

During 2005 and 2004, the Foundation maintained in a financial institution cash amounts in excess of the Federal Deposit Insurance Corporation (FDIC) maximum limit of \$100,000.

**NOTE 3 - INVESTMENTS:-**

Investments in marketable securities consist of the following at December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Investments	\$ 1,323,392	\$ 1,501,300
Investments- Charitable Remainder Unitrust	<u>214,281</u>	<u>0</u>
	<u>\$ 1,537,673</u>	<u>\$ 1,501,300</u>
	<u>2005</u>	<u>2004</u>
	<u>Fair</u>	<u>Fair</u>
	<u>Market Value</u>	<u>Market Value</u>
Equity	\$ 1,427,951	\$ 1,295,564
Bonds	<u>109,722</u>	<u>205,736</u>
	<u>\$ 1,537,673</u>	<u>\$ 1,501,300</u>

**COMMUNITY FOUNDATION OF UNION COUNTY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005 and 2004**

**NOTE 4 – INVESTMENTS – CHARITABLE REMAINDER UNITRUST:-**

In 2005 donors established charitable remainder trusts, naming the Foundation as the trustee. Charitable remainder trusts provide for the payment of distributions to designated beneficiaries over the trusts' terms. At the end of the trusts' terms, the remaining assets are to be available for the Foundation's use, subject to donor-imposed restrictions. Assets held in charitable remainder trusts at December 31, 2005 totaled \$214,281 and are reported at fair value in the Foundation's statement of financial position. Changes in fair value of charitable remainder trusts are reflected as changes in temporarily restricted net assets in the Foundation's statement of activities. On an annual basis, the Foundation reviews the need to revalue the liability to make distributions to the designated beneficiaries based on actuarial assumptions. There are no significant changes in actuarial assumptions resulting in revaluations during 2005. The present value of the estimated future payments (\$116,063 at December 31, 2005) is calculated using a discount rate of 5% and applicable mortality tables.

**NOTE 5 - CERTIFICATES OF DEPOSIT:-**

<b>Financial Institution</b>	<b>Interest Rate(s)</b>	<b>2005</b>	<b>2004</b>
Huntington National Bank	4.88% - 5.35%	\$ 354,249	\$ 341,170
The Ohio State Bank	3.00% - 5.25%	192,642	186,456
Richwood Banking Company	3.00% - 5.35%	286,655	185,002
Sky Bank	4.00% - 4.50%	213,617	0
Fifth Third Bank	3.96%	10,369	10,000
Total Certificates of Deposit		<u>\$ 1,057,532</u>	<u>\$ 722,628</u>

The certificates mature at various times from May 20, 2005 thru February 29, 2008.

**NOTE 6 - PROPERTY HELD FOR INVESTMENT:-**

Property held for investment included the following at December 31, 2005 and 2004:

	<b>2005</b>	<b>2004</b>
Land	\$ 48,000	\$ 46,000

The land was donated to the Foundation and is held for investment purposes.

**COMMUNITY FOUNDATION OF UNION COUNTY, INC.**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005 and 2004

**NOTE 7 - OPERATING LEASES:-**

The Foundation leases office space from an unrelated party. The term of the lease is for one year with an option to renew for an additional year at mutually agreed terms. Terms of the lease require monthly rent payments of \$840. Rent expense for the year ended 2005 and 2004 totaled \$10,080 and \$9,720, respectively.

The annual minimum lease payments of the Organization's operating leases as of December 31, 2005 and 2004 are as follows:

	<u>2005</u>
2006	\$ 8,400
2007 and thereafter	0

**NOTE 8 - PLEDGE RECEIVABLES:-**

Pledge receivables consist of unconditional promises to give from trustee's of the Foundation. As of December 31, 2005, pledge receivables are comprised of the following:

	<u>2005</u>	<u>2004</u>
Current	\$ 11,892	\$ 12,918
2 year to 5 years	<u>9,500</u>	<u>12,000</u>
Total pledge receivables	<u>\$ 21,392</u>	<u>\$ 24,918</u>

**NOTE 9 - NOTE RECEIVABLE:-**

On March 19, 2002 a \$310,000 note was donated to the Foundation by Marysville Housing, Inc. Management has valued the note using a discounted cash flow method based on a 15.75% return over a 14 year period of time. The discounted value at December 31, 2005 and 2004 was \$37,362 and \$37,362, respectively, based on anticipated cash flow.

	<u>2005</u>	<u>2004</u>
Note receivable	\$ 310,000	\$ 310,000
Less: reserve	<u>( 272,638)</u>	<u>( 272,638)</u>
Net note receivable	<u>\$ 37,362</u>	<u>\$ 37,362</u>

**COMMUNITY FOUNDATION OF UNION COUNTY, INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 and 2004

**NOTE 10 - NET ASSETS:-**

Included in unrestricted net assets is approximately \$810,550 of donor-advised funds as of December 31, 2005 and \$628,600 as of December 31, 2004. Although grant recommendations are accepted from the donors or other advisors of these funds, the Foundation has variance power; that is, the ultimate discretion of the use of these funds lies with the Board of Trustees. Thus, such funds represent unrestricted net assets to the Foundation.

Temporarily restricted net assets represent donor- restricted and time-restricted donations. The restrictions are for the donated assets to remain in the fund until the restrictions are met. Once the time or donor restrictions are met, the funds can be expended and released to unrestricted net assets. See summary of temporarily restricted net assets in Note #11.

Permanently restricted net assets represent donor-restricted donations. The restrictions are for the donated assets to remain in perpetuity, and the Foundation does not have the right to invade the original principal. Only the earnings from these donations may be expended for grant distributions. See summary of permanently restricted net assets in Note #12.

**NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS:-**

At December 31, 2005 and 2004, temporarily restricted net assets consist of the following:

<b><u>Temporarily Restricted Net Assets</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
Georgeann Vollrath Memorial Fund	\$ 34,801	\$ 34,778
Veteran's Memorial of Union County Capital Fund	15,163	14,364
Veteran's Memorial of Union County Program Fund	16,157	15,871
Memorial Hospital Development Fund	14,770	14,133
McElheny Family Fund	79,936	76,090
Marysville Housing Fund	246,981	239,365
Peace Officers Memorial Fund	0	8,523
Dan B Kyle Scholarship Fund	72,461	73,189
Marysville Kiwanis Club Chamberlain Scholarship Fund	20,502	20,573
Marysville Kiwanis Club Mills Scholarship Fund	20,502	20,573
Keckley Park Development Fund	5,859	5,756
Hildreth Endowment Fund	7,401	6,948
Charles W. Green Family Scholarship Fund	7,528	6,311
Sara Mae Burnside Scholarship Fund	26,181	27,646
The Pat Conlon Scholarship Fund	29,516	24,834
Jack Scott Gift Annuity	0	10,135
Walter Herd Gift Annuity	24,220	25,163
MacIvor Fund	34,569	32,444
Andrew Daum Memorial Soccer Scholarship	5,901	0
Artbox Fund	7,443	7,227
Jason K. Mathewson Fund	26,278	0
Sara K. Demchak Memorial Scholarship Fund	1,000	0
J. Carl & Jeanie Theirgartner Family Fund	10,602	0
Union Rural Electric Cooperative Scholarship Fund	53,112	0
Charitable Remainder Unitrust	23,218	0
Cash surrender value of life insurance and trustee pledges	<u>111,609</u>	<u>115,135</u>
 Total Temporarily Restricted Net Assets	 <u>\$ 895,710</u>	 <u>\$ 779,060</u>

**COMMUNITY FOUNDATION OF UNION COUNTY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005 and 2004**

**NOTE 12 - PERMANENTLY RESTRICTED NET ASSETS:-**

At December 31, 2005 and 2004, permanently restricted net assets consist of the following:

<b><u>Permanently Restricted Net Assets</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
Charles W. Green Family Scholarship Fund	\$ 80,465	\$ 80,465
Sara Mae Burnside Scholarship Fund	347,290	347,290
MacIvor Fund	217,955	217,955
Charitable Remainder Unitrust	<u>75,000</u>	<u>0</u>
Total Permanently Restricted Net Assets	<u>\$ 720,710</u>	<u>\$ 645,710</u>