

**COMMUNITY FOUNDATION
OF UNION COUNTY, INC.**
FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3
FINANCIAL STATEMENTS:	
Statements of Financial Position	4
Statements of Activities and Changes in Net Assets for the Year Ended December 31, 2010.....	5
Statements of Activities and Changes in Net Assets for the Year Ended December 31, 2009.....	6
Statements of Cash Flows	7
NOTES TO FINANCIAL STATEMENTS	8-17



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of the Community Foundation of Union County, Inc. (the Foundation) (a nonprofit organization) as of December 31, 2010, and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 audit provides 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, 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The 2009 financial statements were reviewed by us, and our report thereon, dated April 1, 2010, stated we were not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements taken as a whole.

Holbrook & Manter

Certified Public Accountants

May 4, 2011

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COMMUNITY FOUNDATION OF UNION COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009

ASSETS

	(Audited)	(Reviewed)
	2010	2009
	<hr/>	<hr/>
CURRENT ASSETS:-		
Cash and cash equivalents	\$ 725,147	\$ 424,466
Certificates of deposit	1,014,576	902,171
Investments	4,211,175	3,104,281
Pledges receivable	17,018	12,173
Note receivable	42,335	31,751
Cash surrender value of life insurance after policy loans of \$58,515 and \$54,185 for 2010 and 2009	173,296	172,446
Prepaid expenses	<hr/> 1,028	<hr/> 1,804
 Total current assets	 6,184,575	 4,649,092
FIXED ASSETS:-		
Property held for investment	62,400	62,400
OTHER ASSETS:-		
Pledges receivable	28,000	60,000
Interest in life estate	104,897	104,897
Deposits	<hr/> 800	<hr/> 800
 Total other assets	 <hr/> 133,697	 <hr/> 165,697
 Total assets	 \$ <hr/><hr/>6,380,672	 \$ <hr/><hr/>4,877,189

See Accompanying Notes to Financial Statements

LIABILITIES AND NET ASSETS

	(Audited) 2010	(Reviewed) 2009
CURRENT LIABILITIES:-		
Accounts payable	\$ 4,270	\$ 6,917
Charitable remainder unitrust liability	130,523	114,293
Charitable gift annuity liability	<u>122,786</u>	<u>95,077</u>
Total current liabilities	257,579	216,287
NET ASSETS:-		
Unrestricted	1,494,730	1,396,613
Temporarily restricted	2,233,539	1,492,286
Permanently restricted	<u>2,394,824</u>	<u>1,772,003</u>
Total net assets	<u>6,123,093</u>	<u>4,660,902</u>
Total liabilities and net assets	<u>\$ 6,380,672</u>	<u>\$ 4,877,189</u>

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Audited			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES AND OTHER SUPPORT:-				
Contributions	\$ 180,099	\$ 529,275	\$ 586,618	\$ 1,295,992
Interest	13,943	20,835	0	34,778
Dividends	23,572	35,226	0	58,798
Realized/unrealized gain on investments	89,163	325,352	36,203	450,718
Other income	41,460	0	0	41,460
Net assets released from restrictions	<u>155,400</u>	<u>(155,400)</u>	<u>0</u>	<u>0</u>
 Total revenues and other support	 503,637	 755,288	 622,821	 1,881,746
OPERATING EXPENSES:-				
Program Services - Grants	<u>238,689</u>	<u>0</u>	<u>0</u>	<u>238,689</u>
 Total program services - grants	 238,689	 0	 0	 238,689
Management and General:-				
Change in value of split interest agreements	0	14,035	0	14,035
Fundraising	4,423	0	0	4,423
Administrative fee	41,458	0	0	41,458
Salaries and wages	67,280	0	0	67,280
Payroll taxes	5,193	0	0	5,193
Rent	10,500	0	0	10,500
Office equipment	750	0	0	750
Office supplies	900	0	0	900
Insurance	10,855	0	0	10,855
Interest	4,330	0	0	4,330
Meals and entertainment	120	0	0	120
Postage	653	0	0	653
Professional fees	5,656	0	0	5,656
Dues and subscriptions	886	0	0	886
Meetings	163	0	0	163
Repairs and maintenance	374	0	0	374
FIMS Hostnet fee	6,444	0	0	6,444
Training	28	0	0	28
Telephone and internet	2,210	0	0	2,210
Utilities	2,280	0	0	2,280
Real estate taxes	1,409	0	0	1,409
Miscellaneous	<u>919</u>	<u>0</u>	<u>0</u>	<u>919</u>
 Total management and general	 <u>166,831</u>	 <u>14,035</u>	 <u>0</u>	 <u>180,866</u>
 Total expenses	 <u>405,520</u>	 <u>14,035</u>	 <u>0</u>	 <u>419,555</u>
 Increase in net assets	 98,117	 741,253	 622,821	 1,462,191
Net assets at beginning of year	<u>1,396,613</u>	<u>1,492,286</u>	<u>1,772,003</u>	<u>4,660,902</u>
Net assets at end of year	<u><u>\$ 1,494,730</u></u>	<u><u>\$ 2,233,539</u></u>	<u><u>\$ 2,394,824</u></u>	<u><u>\$ 6,123,093</u></u>

See Accompanying Notes to Financial Statements

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2009

	(Reviewed)			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES AND OTHER SUPPORT:-				
Contributions	\$ 216,554	\$ 337,257	\$ 0	\$ 553,811
Interest	32,036	29,596	0	61,632
Dividends	27,609	25,505	0	53,114
Realized/unrealized gain on investments	166,302	154,705	215,307	536,314
Other income	34,262	0	0	34,262
Net assets released from restrictions	322,934	(322,934)	0	0
Total revenues and other support	799,697	224,129	215,307	1,239,133
OPERATING EXPENSES:-				
Program Services - Grants	470,010	0	0	470,010
Total program services - grants	470,010	0	0	470,010
Management and General:-				
Change in value of split interest agreements	0	(5,059)	0	(5,059)
Fundraising	3,965	0	0	3,965
Administrative fee	34,262	0	0	34,262
Salaries and wages	66,268	0	0	66,268
Payroll taxes	5,172	0	0	5,172
Rent	7,500	0	0	7,500
Office supplies	723	0	0	723
Insurance	10,060	0	0	10,060
Interest	4,010	0	0	4,010
Meals and entertainment	105	0	0	105
Investment fees	199	0	0	199
Postage	486	0	0	486
Professional fees	5,581	0	0	5,581
Dues and subscriptions	810	0	0	810
Meetings	352	0	0	352
Repairs and maintenance	135	0	0	135
FIMS Hostnet fee	5,677	0	0	5,677
Training	35	0	0	35
Telephone and internet	2,187	0	0	2,187
Utilities	2,210	0	0	2,210
Real estate taxes	1,389	0	0	1,389
Change in value - charitable remainder unitrust	10,377	0	0	10,377
Life estate	314	0	0	314
Miscellaneous	616	0	0	616
Total management and general	162,433	(5,059)	0	157,374
Total expenses	632,443	(5,059)	0	627,384
Increase in net assets	167,254	229,188	215,307	611,749
Net assets at beginning of year	1,229,359	1,263,098	1,556,696	4,049,153
Net assets at end of year	\$ 1,396,613	\$ 1,492,286	\$ 1,772,003	\$ 4,660,902

See Accompanying Notes to Financial Statements

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	(Audited) 2010	(Reviewed) 2009
CASH FLOWS FROM OPERATING ACTIVITIES:-		
Increase in net assets	\$ 1,462,191	\$ 611,749
Adjustments to reconcile increase in net assets to net cash provided by operating activities:-		
Net realized and unrealized (gain) loss on investments	464,753	(541,373)
(Increase) decrease in pledges receivables	27,155	(6,837)
(Increase) decrease in note receivable	(10,584)	1,764
(Increase) decrease in other assets	(74)	35,807
(Increase) decrease in interest in life estate	0	(104,897)
Increase (decrease) in accounts payable	(2,647)	1,850
Increase (decrease) in charitable remainder unitrust liability	16,230	32,349
Increase (decrease) in charitable gift annuity liability	27,709	(24,960)
Net cash provided by operating activities	1,984,733	5,452
CASH FLOWS FROM INVESTING ACTIVITIES:-		
Proceeds from investments	727,752	496,180
Purchases of investments	(2,299,399)	(1,165,736)
Net proceeds (purchases) from certificates of deposit	(112,405)	984,714
Net cash provided (used) by investing activities	(1,684,052)	315,158
Net increase in cash and cash equivalents	300,681	320,610
Cash and cash equivalents - beginning of year	424,466	103,856
Cash and cash equivalents - end of year	\$ 725,147	\$ 424,466
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:-		
Cash paid for:		
Interest	\$ 4,330	\$ 4,010
Income taxes	\$ 0	\$ 0

See Accompanying Notes to Financial Statements

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

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 non-private 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 Foundation has adopted the Accounting Standard Codification (ASC) No. 958-205-45, "Financial Statements of Not-For-Profit Organizations". Under ASC 958-205-45, 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 and cash equivalents include all 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 has adopted ASC No. 958-320-45, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under ASC No. 958-320-45, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

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 Foundation recognizes contributions received and contributions made in accordance with ASC 958-605-25, "Accounting for Contributions Received and Contributions Made". Under ASC 958-605-25, a contribution received by the Foundation is recognized when the donor makes an unconditional promise to give to the Foundation. 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 include investment income, 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.

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 classified by the Internal Revenue Services as other than a private foundation and, as a result, a provision for taxes is not required. The Foundation has adopted ASC No. 740-10 "Accounting for Uncertainty in Income Taxes", which became effective for years beginning after December 15, 2008 with early implementation permitted. The Foundation's tax returns for the year 2003-2009 are subject to examination by

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2010 AND 2009

NOTE 1 - PURPOSE OF FOUNDATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

tax authorities. The Foundation records interest and penalties, if any, in interest expense and other expense, respectively, in operating expenses. The Foundation did not have any interest or penalties related to taxes during the year. Management believes that the application of the accounting standard does not have a material effect on its financial statements.

Use of Estimates - The preparation of financial statements in conformity with U.S. 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.

Reclassifications - Certain amounts from the prior year have been reclassified to conform to the current year presentation.

NOTE 2 - FAIR VALUE MEASUREMENTS:-

During the year, the Foundation adopted the Accounting Standards Codification (ASC) No. 820, Fair Value Measurements. ASC No. 820 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC No. 820 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan 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's 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.

Investments at Fair Value as of December 31, 2010				
	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 3,314,454	\$ 0	\$ 0	\$ 3,314,454
Common Stock	772,498	124,223	0	896,721
Land	<u>0</u>	<u>0</u>	<u>62,400</u>	<u>62,400</u>
Total Investments	<u>\$ 4,086,952</u>	<u>\$ 124,223</u>	<u>\$ 62,400</u>	<u>\$ 4,273,575</u>

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 2 - FAIR VALUE MEASUREMENTS:- (continued)

Management believes that the carrying amounts of the Foundation's financial instruments, which included cash, receivables, and payables, approximate fair value.

NOTE 3 - CONCENTRATION OF CREDIT RISK:-

During 2010 and 2009, the Foundation maintained in a financial institution cash amounts in excess of the Federal Deposit Insurance Corporation (FDIC) maximum limits.

NOTE 4 - INVESTMENTS:-

Investments in marketable securities consist of the following at December 31, 2010 and 2009:

	2010	2009
	Fair Market Value	Fair Market Value
Investments	\$ 3,958,560	\$ 2,866,946
Investments- Charitable Remainder Trusts	252,615	237,335
	\$ 4,211,175	\$ 3,104,281
	2010	2009
	Fair Market Value	Fair Market Value
Equity - Mutual Funds	\$ 3,314,454	\$ 2,994,708
Equity - Stock	896,721	109,573
	\$ 4,211,175	\$ 3,104,281

NOTE 5 - CHARITABLE REMAINDER UNITRUST:-

In 2005 and 2007, 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, 2010 and 2009 totaled \$252,615 and \$237,335, respectively, 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 liabilities to make distributions to the designated beneficiaries based on actuarial assumptions. There are no significant changes in actuarial assumptions resulting in revaluations during 2010 and 2009. The present value of the estimated future payments (\$130,523 at December 31, 2010 and \$114,293 in 2009) is calculated using a discount rate of 5% to 6% and applicable mortality tables. During 2010 and 2009, there were no contributions to the charitable remainder trusts. During 2009, a distribution to the designated beneficiaries took place in the amount of \$127,770 and closed one of the charitable remainder trusts.

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 6 - CERTIFICATES OF DEPOSIT:-

<u>Financial Institution</u>	<u>Interest Rate(s)</u>	<u>2010</u>	<u>2009</u>
Huntington National Bank	3.30% - 5.12%	\$ 105,500	\$ 0
Fifth Third Bank	2.32%	0	65,875
Richwood Banking Company	3.25% - 5.15%	249,621	239,062
Delaware County Bank*	4.9% - 5.0%	101,075	597,234
Discover Bank	2.28%	203,580	0
First Federal Bank	1.95%	101,280	0
Liberty National Bank	2.13%	<u>253,520</u>	<u>0</u>
Total Certificates of Deposit		<u>\$ 1,014,576</u>	<u>\$ 902,171</u>

* CD's held at Delaware County Bank are invested in their Certificate of Deposit Account Registry Service (CDARS) program which insures 100% FDIC coverage.

NOTE 7 - PROPERTY HELD FOR INVESTMENT:-

Property held for investment included the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Land	<u>\$ 62,400</u>	<u>\$ 62,400</u>

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

NOTE 8 - OPERATING LEASES:-

In May 2008, the Foundation entered into a one year lease agreement for office space from an unrelated party. Under the terms of the lease, the Foundation must make monthly lease payments of \$900 for the life of the lease. In May 2009, a new ten month lease agreement was signed. Under the terms of the new lease, the Foundation must monthly lease payments to \$600 over the life of the lease. This lease expired on February 28, 2010. At the end of this lease, the Foundation verbally agreed to leases the office space on a month to month basis for \$900 a month. Rent expense for the years ended 2010 and 2009 was \$10,500 and \$7,500, respectively.

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 9 - PLEDGE RECEIVABLES:-

Pledge receivables consist of unconditional promises to give from trustees of the Foundation and other third party donors. As of December 31, 2010 and 2009, pledge receivables are comprised of the following:

	2010	2009
Current	\$ 17,018	\$ 12,173
2 year to 5 years	28,000	60,000
Total pledge receivables	\$ 45,018	\$ 72,173

NOTE 10 - NOTE RECEIVABLE:-

	2010	2009
Marysville housing note receivable	\$ 310,000	\$ 310,000
Less reserve	(270,665)	(278,249)
Net Marysville housing note receivable	39,335	31,751
Other notes receivable	3,000	0
Total notes receivable	\$ 42,335	\$ 31,751

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, 2010 and 2009 was \$39,335 and \$31,751, respectively, based on anticipated cash flow.

During 2010, the Jack C. Foust Memorial Fund granted interest-free loans to 3 individuals to be used for production costs associated with the projects described in each loan application. The applicant promises to repay the loan, in full, by the dates listed in each application.

NOTE 11- INTEREST IN LIFE ESTATE:-

In 2009, a donor established a life estate giving a remainder interest in his primary residence to the Foundation, while retaining life interest in the property. A life estate agreement is an arrangement whereby the donor transfers property to a charity while retaining the right to occupy and otherwise enjoy the full use of the property for the donor's choice of a term of years or the lifetime of the donor. The present commitment value of the property is based on the individual's life expectancy, which provides for a contribution value based upon the fact the donor is making a present commitment to a future charitable gift. The present value of the property is based upon a third party appraisal value, at the date of transfer, of \$140,000 and is calculated using government tables that takes into consideration the fair market value of the property, assumptions regarding depreciation of improvements, and the actuarial life expectancy of the life tenant. Assets held in life estates at December 31, 2010 and 2009 totaled \$104,897 and \$104,897, respectively, and are reported at the present value calculation within the Foundation's statement of financial position. Changes in the present value of the life estate will be reflected as changes in temporarily restricted net assets in the Foundation's statement of activities. During 2010 and 2009, contributions to the life estate amounted to \$0 and \$104,897, respectively.

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 12 - NET ASSETS:-

Included in unrestricted net assets is approximately \$639,622 of donor-advised funds as of December 31, 2010 and \$576,011 as of December 31, 2009. 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 15.

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 15.

At December 31, 2010 and 2009, the following permanently restricted funds had deficiencies, whereas the fair value of the assets at the reporting date is less than the level required by the donor stipulations or law due to the loss in investment earnings.

<u>December 31, 2009</u>	<u>Permanently Restricted Balance</u>	<u>Permanently Restricted Amount Per Donor</u>	<u>Deficiency</u>
LaVerne & Juanita Yoder Charitable Fund	\$ 551,298	\$ 587,501	\$ (36,203)

The deficiency in the LaVerne & Juanita Yoder Charitable Fund as of December 31, 2009 was repaid with investment earnings as of December 31, 2010.

NOTE 13 - BOARD DESIGNATED INVESTMENTS:-

As of December 31, 2010 and 2009, the Board of Trustees had designated \$699,319 and \$718,680, respectively, of unrestricted net assets as an office endowment fund, an office operating fund, and an uncommitted grant fund, consisting of cash and cash equivalents, investments for operations, and a land investment, to support the mission of the Foundation. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets within the Statement of Financial Position.

The Foundation has a spending policy of appropriating for distribution approximately 17% of its board-designated endowment funds each year, accordingly over the long term, the objective is to provide growth through the investment return to the office endowment and office operating fund. To achieve this objective, the Foundation has adopted an investment policy that attempts to maximize the total return consistent with an acceptable level of risk by rebalancing the asset mix to remain within Board approved limitations. The Foundation anticipates that the rebalancing will result in an average rate of return of approximately 8% to 10% per investment objectives, which combined with contributions / trustee pledges and administration fee income is anticipated to have sufficient liquidity to make an annual distribution of approximately 17%. Actual return in any given year may vary from this amount.

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 13 - BOARD DESIGNATED INVESTMENTS:- (continued)

Composition of changes in the endowment in net assets for the year ended December 31, 2010 and 2009 were as follows:

	2010	2009
Board-designated endowment net assets, beginning	\$ 718,680	\$ 607,508
Contributions and administrative fee income	55,055	119,072
Investment income (loss)	66,107	118,976
Amounts appropriated for expenditure	(140,523)	(126,876)
Board-designated endowment net assets, ending	\$ 699,319	\$ 718,680

NOTE 14 - DONOR DESIGNATED INVESTMENTS:-

The Foundation's endowment consists of approximately 60 individual funds established for a variety of purposes. This endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

The Foundation classifies permanently restricted net assets by the original value of gifts contributed to the permanent endowment, plus any additional contributions to the permanent endowment in future periods. Accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift that is not classified in permanently restricted net assets are classified as temporarily restricted net assets, until those amounts are appropriated for expenditure by the Foundation.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of approximately 5%, while growing the funds if possible. Therefore, the Organization expects its endowment assets, over time, to produce an average rate of return of approximately 8% to 10% annually. The investment policy establishes an achievable return objective through diversification of asset classes by the Foundation rebalancing the asset mix to remain within an acceptable level of risk as determined by the Board of Trustees. The Foundation anticipates that the rebalancing will result in an average rate of return of approximately 8% to 10%, which is anticipated to have sufficient liquidity to make an annual distribution of approximately 5%. Actual return in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risks.

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 14 - DONOR DESIGNATED INVESTMENTS:- (continued)

Endowment net assets composition by type of fund as of December 31, 2010 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Donor-restricted endowment funds	\$ 0	\$ 2,201,701	\$ 1,808,206
Unrestricted donor-advised funds	<u>639,622</u>	<u>0</u>	<u>0</u>
Total funds	<u>\$ 639,622</u>	<u>\$ 2,201,701</u>	<u>\$ 1,808,206</u>

Changes in endowment net assets as of December 31, 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning	\$ 576,011	\$ 1,492,286	\$ 1,772,003
Contributions	101,722	502,396	0
Investment income (loss)	55,363	376,454	0
Reclassification based upon restriction	0	(155,400)	36,203
Amounts appropriated for expenditure	<u>(93,474)</u>	<u>(14,035)</u>	<u>0</u>
Endowment net assets, ending	<u>\$ 639,622</u>	<u>\$ 2,201,701</u>	<u>\$ 1,808,206</u>

Endowment net assets composition by type of fund as of December 31, 2009 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Donor-restricted endowment funds	\$ 0	\$ 1,492,286	\$ 1,772,003
Unrestricted donor-advised funds	<u>576,011</u>	<u>0</u>	<u>0</u>
Total funds	<u>\$ 576,011</u>	<u>\$ 1,492,286</u>	<u>\$ 1,772,003</u>

Changes in endowment net assets as of December 31, 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning	\$ 530,795	\$ 1,263,098	\$ 1,556,696
Contributions	123,192	251,012	86,245
Investment income (loss)	89,441	430,172	0
Reclassification based upon restriction	0	(129,062)	129,062
Amounts appropriated for expenditure	<u>(167,417)</u>	<u>(322,934)</u>	<u>0</u>
Endowment net assets, ending	<u>\$ 576,011</u>	<u>\$ 1,492,286</u>	<u>\$ 1,772,003</u>

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 15 - TEMPORARILY RESTRICTED NET ASSETS:-

At December 31, 2010 and 2009, temporarily restricted net assets consist of the following:

<u>Temporarily Restricted Net Assets</u>	<u>2010</u>	<u>2009</u>
Aaron Humble Memorial Scholarship Fund	\$ 675	\$ 825
American Legion Post #79 Legacy Fund	7,535	6,249
Andrew Daum Memorial Soccer Scholarship Fund	8,886	9,166
Artbox Fund	5,993	6,479
Ashley Campbell Family Art Scholarship Fund	1,104	1,254
Charles W. Green Family Scholarship Fund	15,701	6,072
Corey Hoehn Memorial Scholarship Fund	8,378	7,461
Dan B Kyle Scholarship Fund	68,228	69,486
Dr. C.B. Mills Memorial Kiwanis College Scholarship Fund	19,379	18,427
Dr. Malcolm & Barbara MacIvor Scholarship Fund	33,200	17,232
Fairbanks Education Fund	47,822	0
Georgeann Vollrath Memorial Fund	35,428	33,080
Gift Annuity - Bump	26,631	0
Gift Annuity - Perry	34,801	33,042
Gift Annuity - Perry 2	17,543	16,844
Hildreth Endowment Fund	66,786	37,661
J. Carl & Jeanie Thiergartner Family Fund	71,765	45,917
Jack C. Foust Memorial Fund	3,157	2,767
Jason K. Mathewson Memorial Scholarship Fund	25,620	24,592
Keckley Park Development Fund	6,574	6,001
LaVerne & Juanita Yoder Charitable Fund	13,797	0
Lee Family Fund	79,489	71,531
Marysville Housing Fund	301,600	264,886
Marysville Moose Family Center Scholarship Fund	22,303	26,109
McElheny Foundation Fund	100,363	99,339
Memorial Hospital Development Fund	17,847	16,060
MHS Alumni Scholarship Foundation Fund	142,605	83,071
Mintier Veteran's Scholarship Fund	4,427	4,018
Neighbor Aid Fund	2,223	2,309
Next Generations Initiative	31,838	0
Pat Conlon Scholarship Fund	44,213	45,447
Perry Family Charitable Fund	400,954	4,424
Perry Life Trust	104,897	104,897
Roy A Wallace BIF Memorial Fund	57,852	54,557
Robert M. Fox Scholarship Fund	15,588	0
Sara Mae Burnside Scholarship Fund	15,178	13,913
Sarah K. Demchak Memorial Scholarship Fund	0	1,552
Sargent V. Chamberlain Kiwanis College Scholarship Fund	19,393	18,423
Stolte Excellence in Leadership Scholarship Fund	10,294	10,202
Tonya Stevens Memorial Fund	1,312	1,963
Union Rural Electric Cooperative Scholarship Fund	55,671	51,095
Veteran's Memorial Capital Fund	7,026	7,004
Veteran's Memorial Program Fund	5,274	5,294
Walter and Doris Herd Scholarship Fund	51,630	40,829
Weis Family Eagle Scout and Youth Leadership Fund	2,171	2,321
Charitable Remainder Unitrust- Youngkin	26,917	27,367
Charitable Remainder Unitrust- Bump	20,175	20,675
Cash surrender value of life insurance	173,296	172,445
	<u>173,296</u>	<u>172,445</u>
Total Temporarily Restricted Net Assets	<u>\$ 2,233,539</u>	<u>\$ 1,492,286</u>

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 16 - PERMANENTLY RESTRICTED NET ASSETS:-

At December 31, 2010 and 2009, permanently restricted net assets consist of the following:

<u>Permanently Restricted Net Assets</u>	<u>2010</u>	<u>2009</u>
Charles W. Green Family Scholarship Fund	\$ 80,465	\$ 80,465
Sara Mae Burnside Scholarship Fund	347,290	347,290
Dr. Malcolm & Barbara MacIvor Scholarship Fund	217,955	217,955
Hildreth Endowment Fund	403,750	403,750
LaVerne & Juanita Yoder Charitable Fund	587,501	551,298
Mintier Veteran's Scholarship Fund	10,000	10,000
Next Generations Initiative	586,618	0
Walter and Doris Herd Scholarship Fund	86,245	86,245
Charitable Remainder Unitrust	<u>75,000</u>	<u>75,000</u>
Total permanently restricted net assets	<u>\$ 2,394,824</u>	<u>\$ 1,772,003</u>

NOTE 17 - SUBSEQUENT EVENTS:-

Management has evaluated subsequent events through May 4, 2011, the date which the financial statements were available to be issued.