

**COMMUNITY FOUNDATION
OF UNION COUNTY, INC.**
FINANCIAL STATEMENTS
DECEMBER 31, 2006 and 2005

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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, 2006 and 2005, 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, 2006 and 2005 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.

A handwritten signature in black ink that reads 'Holbrook & Manter' in a cursive script.

Certified Public Accountants

June 29, 2007

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
ASSETS:-		
Cash and cash equivalents	\$ 720,175	\$ 484,689
Certificates of deposit	1,620,588	1,057,532
Investments	2,264,107	1,537,673
Pledges receivable	30,707	21,392
Note receivable	34,871	37,362
Property held for investment	50,000	48,000
Cash surrender value of life insurance after policy loans of \$46,432 and \$33,453 for 2006 and 2005	97,624	90,220
Prepays	1,087	2,247
Deposits	800	800
	<u> </u>	<u> </u>
Total assets	\$ 4,819,960	\$ 3,279,915
	<u> </u>	<u> </u>
LIABILITIES:-		
Accounts payable	\$ 3,000	\$ 67
Charitable remainder unitrust liability	131,797	116,063
Charitable gift annuity liability	22,044	23,244
	<u> </u>	<u> </u>
Total liabilities	156,841	139,374
NET ASSETS:-		
Unrestricted	1,829,877	1,524,121
Temporarily restricted	1,228,782	895,710
Permanently restricted	1,604,460	720,710
	<u> </u>	<u> </u>
Total net assets	4,663,119	3,140,541
	<u> </u>	<u> </u>
Total liabilities and net assets	\$ 4,819,960	\$ 3,279,915
	<u> </u>	<u> </u>

See accompanying notes to financial statements

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Unrestricted</u>	Temporarily Restricted <u>By Donor</u>	Permanently <u>Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT:-				
Contributions	\$ 586,598	\$ 192,304	\$ 883,750	\$ 1,662,652
Net assets released from restrictions	10,892	(10,892)	0	0
Interest income	42,273	44,834	0	87,107
Dividend income	15,595	16,539	0	32,134
Realized/Unrealized gain on investments	121,248	156,913	0	278,161
Other income	29,304	0	0	29,304
	<u>805,910</u>	<u>399,698</u>	<u>883,750</u>	<u>2,089,358</u>
EXPENSES:-				
Program Services - Grants	388,444	44,643	0	433,087
Management and General:-				
Change in value of split interest agreements	3,250	0	0	3,250
Advertising and development	1,959	0	0	1,959
Administrative fee	10,550	18,546	0	29,096
Employee payroll	46,106	0	0	46,106
Payroll taxes	3,555	0	0	3,555
Rent	10,080	0	0	10,080
Office supplies	1,180	0	0	1,180
Insurance	19,636	0	0	19,636
Meals and entertainment	61	0	0	61
Interest expense	0	3,436	0	3,436
Postage	802	0	0	802
Professional fees	7,289	0	0	7,289
Dues and subscriptions	997	0	0	997
Bureau of workers compensation	182	0	0	182
Meetings	179	0	0	179
Repairs and maintenance	457	0	0	457
Training	83	0	0	83
Telephone and internet	1,689	0	0	1,689
Utilities	2,169	0	0	2,169
Real estate taxes	986	0	0	986
Miscellaneous	500	0	0	500
	<u>500,154</u>	<u>66,625</u>	<u>0</u>	<u>566,779</u>
Change in net assets	305,756	333,073	883,750	1,522,578
NET ASSETS AT BEGINNING OF YEAR	<u>1,524,121</u>	<u>895,710</u>	<u>720,710</u>	<u>3,140,541</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,829,877</u>	<u>\$ 1,228,782</u>	<u>\$ 1,604,460</u>	<u>\$ 4,663,119</u>

See accompanying notes to financial statements

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

	Unrestricted	Temporarily Restricted By Donor	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT:-				
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
	<u>591,508</u>	<u>218,627</u>	<u>75,000</u>	<u>885,135</u>
EXPENSES:-				
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
	<u>413,548</u>	<u>101,977</u>	<u>0</u>	<u>515,525</u>
Change in net assets	177,960	116,650	75,000	369,610
NET ASSETS AT BEGINNING OF YEAR	<u>1,346,161</u>	<u>779,060</u>	<u>645,710</u>	<u>2,770,931</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,524,121</u>	<u>\$ 895,710</u>	<u>\$ 720,710</u>	<u>\$ 3,140,541</u>

See accompanying notes to financial statements

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2006 and 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:-		
Increase in net assets	\$ 1,522,578	\$ 369,610
Adjustments to reconcile increase in net assets to net cash provided by operating activities:-		
Net realized and unrealized gain on investments	(267,507)	(78,560)
(Increase) decrease in pledges receivables	(9,315)	3,526
(Increase) decrease in note receivable	2,491	0
(Increase) decrease in other assets	(6,244)	(2,252)
Increase (decrease) increase in other liabilities	1,733	(13,805)
Increase (decrease) in charitable remainder unitrust liability	15,734	116,063
	1,259,470	394,582
 CASH FLOWS FROM INVESTING ACTIVITIES:-		
Proceeds from investments	168,551	334,751
Purchases of investments	(629,479)	(294,564)
Purchase of certificates of deposit	(563,056)	(334,904)
	(1,023,984)	(294,717)
Net cash used by investing activities	(1,023,984)	(294,717)
Net increase in cash and cash equivalents	235,486	99,865
 CASH AND CASH EQUIVALENTS, beginning of year	484,689	384,824
CASH AND CASH EQUIVALENTS, end of year	\$ 720,175	\$ 484,689
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:-		
Interest expense	\$ 3,436	\$ 2,476

See accompanying notes to financial statements

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 and 2005

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.

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 and 2005

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 2006 and 2005, 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, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Investments	\$ 2,034,712	\$ 1,323,392
Investments- Charitable Remainder Unitrust	<u>229,395</u>	<u>214,281</u>
	<u>\$ 2,264,107</u>	<u>\$ 1,537,673</u>
	<u>2006</u>	<u>2005</u>
	<u>Fair</u>	<u>Fair</u>
	<u>Market Value</u>	<u>Market Value</u>
Equity	\$ 2,264,107	\$ 1,427,951
Bonds	<u>0</u>	<u>109,722</u>
	<u>\$ 2,264,107</u>	<u>\$ 1,537,673</u>

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 and 2005

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, 2006 and 2005 totaled \$229,395 and \$214,281, 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 liability to make distributions to the designated beneficiaries based on actuarial assumptions. There are no significant changes in actuarial assumptions resulting in revaluations during 2006. The present value of the estimated future payments (\$131,797 at December 31, 2006 and \$116,063 in 2005) is calculated using a discount rate of 5% and applicable mortality tables.

NOTE 5 - CERTIFICATES OF DEPOSIT:-

Financial Institution	Interest Rate(s)	2006	2005
Huntington National Bank	4.88% - 5.35%	\$ 191,509	\$ 354,249
The Ohio State Bank	3.00%	124,160	192,642
Richwood Banking Company	3.25% - 5.35%	229,401	286,655
Sky Bank	3.93% - 4.41%	0	213,617
Delaware County Bank	4.95% - 5.15%	598,194	0
Fifth Third Bank	3.96%	477,324	10,369
		<u>1,620,588</u>	<u>1,057,532</u>
Total Certificates of Deposit		\$ 1,620,588	\$ 1,057,532

NOTE 6 - PROPERTY HELD FOR INVESTMENT:-

Property held for investment included the following at December 31, 2006 and 2005:

	2006	2005
Land	\$ 50,000	\$ 48,000

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, 2006 and 2005

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 years ended 2006 and 2005 totaled \$10,080 and \$10,080, respectively.

The annual minimum lease payments of the Organization's operating leases as of December 31, 2006 is as follows:

2007	\$ <u><u>10,080</u></u>
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NOTE 8 - PLEDGE RECEIVABLES:-

Pledge receivables consist of unconditional promises to give from trustees of the Foundation. As of December 31, 2006 and 2005, pledge receivables are comprised of the following:

	<u>2006</u>	<u>2005</u>
Current	\$ 12,207	\$ 11,892
2 year to 5 years	<u>18,500</u>	<u>9,500</u>
Total pledge receivables	<u>\$ 30,707</u>	<u>\$ 21,392</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, 2006 and 2005 was \$34,871 and \$37,362, respectively, based on anticipated cash flow.

	<u>2006</u>	<u>2005</u>
Note receivable	\$ 310,000	\$ 310,000
Less: reserve	<u>(275,129)</u>	<u>(272,638)</u>
Net note receivable	<u>\$ 34,871</u>	<u>\$ 37,362</u>

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 and 2005

NOTE 10 - NET ASSETS:-

Included in unrestricted net assets is approximately \$1,085,966 of donor-advised funds as of December 31, 2006 and \$810,550 as of December 31, 2005. 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, 2006 and 2005, temporarily restricted net assets consist of the following:

<u>Temporarily Restricted Net Assets</u>	<u>2006</u>	<u>2005</u>
Georgeann Vollrath Memorial Fund	\$ 38,809	\$ 34,801
Veteran's Memorial of Union County Capital Fund	15,743	15,163
Veteran's Memorial of Union County Program Fund	16,775	16,157
Memorial Hospital Development Fund	16,471	14,770
McElheny Family Fund	110,684	79,936
Marysville Housing Fund	262,501	246,981
Marysville Moose Lodge Fund	20,220	0
LaVerne & Juanita Yoder Fund	26,484	0
Dan B Kyle Scholarship Fund	73,570	72,461
Marysville Kiwanis Club Chamberlain Scholarship Fund	21,788	20,502
Marysville Kiwanis Club Mills Scholarship Fund	21,788	20,502
Keckley Park Development Fund	6,441	5,859
Hildreth Endowment Fund	132,120	7,401
Charles W. Green Family Scholarship Fund	17,672	7,528
Sara Mae Burnside Scholarship Fund	29,231	26,181
The Pat Conlon Scholarship Fund	34,237	29,516
Walter Herd Gift Annuity	24,340	24,220
MacIvor Fund	52,863	34,569
Andrew Daum Memorial Soccer Scholarship	8,471	5,901
Artbox Fund	7,132	7,443
Jason K. Mathewson Fund	27,887	26,278
Sara K. Demchak Memorial Scholarship Fund	4,588	1,000
J. Carl & Jeanie Theirgartner Family Fund	41,865	10,602
Corey Hoehn Memorial Scholarship Fund	9,711	0
Union Rural Electric Cooperative Scholarship Fund	56,668	53,112
Charitable Remainder Unitrust	22,598	23,218
Cash surrender value of life insurance and trustee pledges	128,125	111,609
	<hr/>	<hr/>
Total Temporarily Restricted Net Assets	<u>\$ 1,228,782</u>	<u>\$ 895,710</u>

COMMUNITY FOUNDATION OF UNION COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 and 2005

NOTE 12 - PERMANENTLY RESTRICTED NET ASSETS:-

At December 31, 2006 and 2005, permanently restricted net assets consist of the following:

<u>Permanently Restricted Net Assets</u>	<u>2006</u>	<u>2005</u>
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
Hildreth Endowment Fund	403,750	0
LaVerne & Juanita Yoder Fund	480,000	0
Charitable Remainder Unitrust	<u>75,000</u>	<u>75,000</u>
Total Permanently Restricted Net Assets	<u>\$ 1,604,460</u>	<u>\$ 720,710</u>