

**COMMUNITY FOUNDATION  
OF UNION COUNTY, INC.  
FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**CONTENTS**

	Page
<b>INDEPENDENT ACCOUNTANTS' REPORT .....</b>	<b>3</b>
<b>FINANCIAL STATEMENTS:</b>	
Statements of Financial Position .....	4
Statements of Activities and Changes in Net Assets .....	5-6
Statements of Cash Flows .....	7
<b>NOTES TO FINANCIAL STATEMENTS .....</b>	<b>8-16</b>



## INDEPENDENT ACCOUNTANTS' REPORT

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

We have reviewed the accompanying statements of financial position of the Community Foundation of Union County, Inc. (a nonprofit organization) as of December 31, 2009 and 2008, and the related statements of activities and changes in net assets and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Community Foundation of Union County, Inc.

A review consists principally of inquiries of Organization's personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with general accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

A handwritten signature in black ink that reads 'Holbrook &amp; Manter'.

Certified Public Accountants

April 1, 2010

MEMBERS  
AMERICAN INSTITUTE OF  
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**COMMUNITY FOUNDATION OF UNION COUNTY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2009 AND 2008**

	<b>2009</b>	<b>2008</b>
<b>ASSETS:-</b>		
Cash and cash equivalents	\$ 424,466	\$ 103,856
Certificates of deposit	902,171	1,886,885
Investments	3,104,281	1,893,352
Pledges receivable	12,173	8,672
Note receivable	31,751	33,515
Cash surrender value of life insurance after policy loans of \$54,185 and \$50,176 for 2009 and 2008	172,446	207,336
Prepays	1,804	2,721
 Total current assets	 4,649,092	 4,136,337
<b>PROPERTY AND EQUIPMENT:-</b>		
Property held for investment	62,400	62,400
<b>OTHER ASSETS:-</b>		
Pledges receivable	60,000	56,664
Interest in life estate	104,897	0
Deposits	800	800
 Total other assets	 165,697	 57,464
 <b>Total assets</b>	 \$ 4,877,189	 \$ 4,256,201
<b>LIABILITIES:-</b>		
Accounts payable	\$ 6,917	\$ 5,067
Charitable remainder unitrust liability	114,293	81,944
Charitable gift annuity liability	95,077	120,037
 Total current liabilities	 216,287	 207,048
<b>NET ASSETS:-</b>		
Unrestricted	1,396,613	1,229,359
Temporarily restricted	1,492,286	1,263,098
Permanently restricted	1,772,003	1,556,696
 Total net assets	 4,660,902	 4,049,153
 <b>Total liabilities and net assets</b>	 \$ 4,877,189	 \$ 4,256,201

See accountants' report and notes to financial statements

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

	Temporarily Restricted		Permanently Restricted	Total
	Unrestricted	By Donor		
<b>REVENUES AND OTHER SUPPORT:-</b>				
Contributions	\$ 216,554	\$ 337,257	\$ 0	\$ 553,811
Net assets released from restrictions	322,934	( 322,934)	0	0
Interest income	32,036	29,596	0	61,632
Dividend income	27,609	25,505	0	53,114
Realized/unrealized gain (loss) on investments	166,302	154,705	215,307	536,314
Other income	34,262	0	0	34,262
	<u>799,697</u>	<u>224,129</u>	<u>215,307</u>	<u>1,239,133</u>
Total revenues and other support				
<b>EXPENSES:-</b>				
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
Employee payroll	66,268	0	0	66,268
Payroll taxes	4,922	0	0	4,922
Rent	7,500	0	0	7,500
Office supplies	723	0	0	723
Insurance	10,060	0	0	10,060
Interest expense	4,010	0	0	4,010
Meals and entertainment	105	0	0	105
Investment fees	199	0	0	199
Postage	486	0	0	486
Accounting fees	5,581	0	0	5,581
Dues and subscriptions	810	0	0	810
Bureau of workers compensation	250	0	0	250
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 expense	314	0	0	314
Miscellaneous	616	0	0	616
	<u>632,443</u>	<u>( 5,059)</u>	<u>0</u>	<u>627,384</u>
Total expenses				
Change in net assets	167,254	229,188	215,307	611,749
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>1,229,359</u>	<u>1,263,098</u>	<u>1,556,696</u>	<u>4,049,153</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 1,396,613</u>	<u>\$ 1,492,286</u>	<u>\$ 1,772,003</u>	<u>\$ 4,660,902</u>

See accountants' report and notes to financial statements

**COMMUNITY FOUNDATION OF UNION COUNTY, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Unrestricted</b>	<b>Temporarily Restricted By Donor</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>REVENUES AND OTHER SUPPORT:-</b>				
Contributions	\$ 327,729	\$ 246,743	\$ 10,000	\$ 584,472
Net assets released from restrictions	197,087	( 197,087)	0	0
Interest income	40,776	45,797	0	86,573
Dividend income	21,742	24,420	0	46,162
Realized/unrealized gain on investments	( 324,524)	( 431,903)	( 165,265)	( 921,692)
Other income	33,623	0	0	33,623
	296,433	( 312,030)	( 155,265)	( 170,862)
<b>EXPENSES:-</b>				
Program Services - Grants	393,652	0	0	393,652
Management and General:-				
Change in value of split interest agreements	0	15,237	0	15,237
Fundraising	4,006	0	0	4,006
Administrative fee	34,217	0	0	34,217
Commission	31	0	0	31
Employee payroll	62,609	0	0	62,609
Payroll taxes	4,829	0	0	4,829
Rent	10,740	0	0	10,740
Office supplies	717	0	0	717
Insurance	8,451	0	0	8,451
Interest expense	3,743	0	0	3,743
Meals and entertainment	105	0	0	105
Investment fees	115	0	0	115
Postage	595	0	0	595
Accounting fees	9,761	0	0	9,761
Dues and subscriptions	836	0	0	836
Bureau of workers compensation	243	0	0	243
Meetings	292	0	0	292
Repairs and maintenance	261	0	0	261
Software	3,330	0	0	3,330
FIMS Hostnet fee	6,470	0	0	6,470
Training	90	0	0	90
Telephone and internet	2,157	0	0	2,157
Utilities	2,465	0	0	2,465
Real estate taxes	1,331	0	0	1,331
Miscellaneous	574	0	0	574
	551,620	15,237	0	566,857
Change in net assets	( 255,187)	( 327,267)	( 155,265)	( 737,719)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>1,484,546</b>	<b>1,590,365</b>	<b>1,711,961</b>	<b>4,786,872</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 1,229,359</b>	<b>\$ 1,263,098</b>	<b>\$ 1,556,696</b>	<b>\$ 4,049,153</b>

See accountants' report and notes to financial statements

**COMMUNITY FOUNDATION OF UNION COUNTY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	<b>2009</b>	<b>2008</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:-</b>		
Increase (decrease) in net assets	\$ 611,749	\$ ( 737,719)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:-		
Net realized and unrealized (gain) loss on investments	( 541,373)	936,929
(Increase) decrease in pledges receivables	( 6,837)	( 7,209)
(Increase) decrease in note receivable	1,764	( 823)
(Increase) decrease in other assets	35,807	( 104,108)
(Increase) decrease in interest in life estate	( 104,897)	0
Increase (decrease) in accounts payable	1,850	( 9,084)
Increase (decrease) in charitable remainder unitrust liability	32,349	( 136,233)
Increase (decrease) in charitable gift annuity liability	( 24,960)	47,430
Net cash provided (used) by operating activities	5,452	( 10,817)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:-</b>		
Proceeds from investments	496,180	200,295
Purchases of investments	( 1,165,736)	( 400,344)
Net proceeds from certificates of deposit	984,714	40,072
Net cash provided (used) by investing activities	315,158	( 159,977)
Net increase (decrease) in cash and cash equivalents	320,610	( 170,794)
 <b>CASH AND CASH EQUIVALENTS, beginning of year</b>	103,856	274,650
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 424,466	\$ 103,856
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:-</b>		
Interest expense	\$ 0	\$ 0

See accountants' report and notes to financial statements

**COMMUNITY FOUNDATION OF UNION COUNTY, INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

**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 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 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 2002-2008 are subject to examination by

**COMMUNITY FOUNDATION OF UNION COUNTY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009 AND 2008**

**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.

*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.

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

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

During 2009 and 2008, the Foundation maintained in a financial institution cash amounts in excess of the Federal Deposit Insurance Corporation (FDIC) maximum limits.

**NOTE 3 - INVESTMENTS:-**

Investments in marketable securities consist of the following at December 31, 2009 and 2008:

	<b>2009</b>	<b>2008</b>
	<b>Fair Market Value</b>	<b>Fair Market Value</b>
Investments	\$ 2,866,946	\$ 1,548,628
Investments- Charitable Remainder Trusts	237,335	344,724
	\$ 3,104,281	\$ 1,893,352
	<b>2009</b>	<b>2008</b>
	<b>Fair Market Value</b>	<b>Fair Market Value</b>
Equity - Mutual Funds	\$ 2,994,708	\$ 1,780,216
Equity - Stock	109,573	113,136
	\$ 3,104,281	\$ 1,893,352

**COMMUNITY FOUNDATION OF UNION COUNTY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009 AND 2008**

**NOTE 4 - INVESTMENTS - 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, 2009 and 2008 totaled \$237,335 and \$344,724, 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 2009 and 2008. The present value of the estimated future payments (\$114,293 at December 31, 2009 and \$81,944 in 2008) is calculated using a discount rate of 5% to 6% and applicable mortality tables. During 2009 and 2008, 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.

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

<b>Financial Institution</b>	<b>Interest Rate(s)</b>	<b>2009</b>	<b>2008</b>
Huntington National Bank	3.30% - 5.12%	\$ 0	\$ 288,762
Fifth Third Bank	2.32%	65,875	0
Richwood Banking Company	3.25% - 5.15%	239,062	195,165
Delaware County Bank*	4.9% - 5.0%	597,234	1,402,958
<b>Total Certificates of Deposit</b>		<b>\$ 902,171</b>	<b>\$ 1,886,885</b>

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

Property held for investment included the following at December 31, 2009 and 2008:

	<b>2009</b>	<b>2008</b>
Land	\$ 62,400	\$ 62,400

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, 2009 AND 2008**

**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 \$880. Effective May 1, 2008, the lease agreement was extended for one year and requires monthly rent payments of \$900. At the expiration of that agreement, an additional lease agreement was signed reducing the monthly rent payments to \$600, with the term expiring on February 28, 2010. Subsequent to year end, the Foundation leased the office space on a month to month verbal agreement requiring monthly rent payments in the amount of \$900. Rent expense for the years ended 2009 and 2008 totaled \$7,500 and \$10,740, respectively.

The annual minimum lease payments of the Organization's operating leases as of December 31, 2009 are as follows:

2010	\$ <u>1,200</u>
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**NOTE 8 - PLEDGE RECEIVABLES:-**

Pledge receivables consist of unconditional promises to give from trustees of the Foundation and other third party donors. As of December 31, 2009 and 2008, pledge receivables are comprised of the following:

	<u>2009</u>	<u>2008</u>
Current	\$ 12,173	\$ 8,672
2 year to 5 years	<u>60,000</u>	<u>56,664</u>
Total pledge receivables	<u>\$ 72,173</u>	<u>\$ 65,336</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, 2009 and 2008 was \$31,751 and \$33,515, respectively, based on anticipated cash flow.

	<u>2009</u>	<u>2008</u>
Note receivable	\$ 310,000	\$ 310,000
Less reserve	<u>( 278,249)</u>	<u>( 276,485)</u>
<b>Net note receivable</b>	<u>\$ 31,751</u>	<u>\$ 33,515</u>

**NOTE 10 - OTHER ASSETS - 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

**COMMUNITY FOUNDATION OF UNION COUNTY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009 AND 2008**

**NOTE 10 - OTHER ASSETS - INTEREST IN LIFE ESTATE:-** (continued)

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, 2009 and 2008 totaled \$104,897 and \$0, 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 2009, contributions to the life estate amounted to \$104,897.

**NOTE 11 - NET ASSETS:-**

Included in unrestricted net assets is approximately \$677,933 of donor-advised funds as of December 31, 2009 and \$621,851 as of December 31, 2008. 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 14.

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, 2009 and 2008, 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)
<u>December 31, 2008</u>	<u>Permanently Restricted Balance</u>	<u>Permanently Restricted Amount Per Donor</u>	<u>Deficiency</u>
Green Scholarship Fund	\$ 72,713	\$ 80,465	\$ ( 7,752)
Hildreth Endowment Fund	382,497	403,750	( 21,253)
LaVerne & Juanita Yoder Charitable Fund	469,029	587,501	( 118,472)
Dr. Malcolm & Barbara MacIvor Fund	200,167	217,955	( 17,788)
<b>Total</b>	<u>\$ 1,124,406</u>	<u>\$ 1,289,671</u>	<u>\$ ( 165,265)</u>

The deficiency in the LaVerne & Juanita Yoder Charitable Fund as of December 31, 2009 is anticipated to be repaid with investment earnings in the near future.

**COMMUNITY FOUNDATION OF UNION COUNTY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009 AND 2008**

**NOTE 12 - INVESTMENTS - BOARD DESIGNATED:-**

As of December 31, 2009 and 2008, the Board of Trustees had designated \$718,680 and \$607,508, 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.

Composition of changes in the endowment in net assets for the year ended December 31, 2009 and 2008, were as follows:

	<b>2009</b>	<b>2008</b>
Board-designated endowment net assets, beginning	\$ 607,508	\$ 784,877
Contributions and admin fee income	119,072	94,500
Investment income (loss)	118,976	( 125,085)
Amounts appropriated for expenditure	<u>( 126,876)</u>	<u>( 146,784)</u>
<b>Board-designated endowment net assets, ending</b>	<b><u>\$ 718,680</u></b>	<b><u>\$ 607,508</u></b>

**NOTE 13 - INVESTMENTS - DONOR DESIGNATED:-**

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

**COMMUNITY FOUNDATION OF UNION COUNTY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009 AND 2008**

**NOTE 13 - INVESTMENTS – DONOR DESIGNATED:-** (continued)

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.

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	677,933	0	0
<b>Total funds</b>	<u>\$ 677,933</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	\$ 621,851	\$ 1,263,098	\$ 1,556,696
Contributions	131,746	251,012	86,245
Investment income (loss)	96,592	430,172	0
Reclassification based upon restriction	0	( 129,062)	129,062
Amounts appropriated for expenditure	(172,256)	( 322,934)	0
Endowment net assets, ending	<u>\$ 677,933</u>	<u>\$ 1,492,286</u>	<u>\$ 1,772,003</u>

Endowment net assets composition by type of fund as of December 31, 2008 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Donor-restricted endowment funds	\$ 0	\$ 1,263,098	\$ 1,556,696
Unrestricted donor-advised funds	621,851	0	0
<b>Total funds</b>	<u>\$ 621,851</u>	<u>\$ 1,263,098</u>	<u>\$ 1,556,696</u>

Changes in endowment net assets as of December 31, 2008 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning	\$ 755,329	\$ 1,534,705	\$ 1,711,961
Contributions	266,835	246,743	10,000
Investment income (loss)	( 136,902)	( 542,188)	0
Reclassification based upon restriction	0	165,265	( 165,265)
Amounts appropriated for expenditure	( 263,411)	( 141,427)	0
Endowment net assets, ending	<u>\$ 621,851</u>	<u>\$ 1,263,098</u>	<u>\$ 1,556,696</u>

**COMMUNITY FOUNDATION OF UNION COUNTY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009 AND 2008**

**NOTE 14 - TEMPORARILY RESTRICTED NET ASSETS:-**

At December 31, 2009 and 2008, temporarily restricted net assets consist of the following:

<b><u>Temporarily Restricted Net Assets</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>
Aaron Humble Memorial Scholarship Fund	\$ 825	\$ 975
American Legion Post #79 Legacy Fund	6,249	5,118
Andrew Daum Memorial Soccer Scholarship Fund	9,166	8,672
Artbox Fund	6,479	4,642
Ashley Campbell Family Art Scholarship Fund	1,254	0
Charles W. Green Family Scholarship Fund	6,072	0
Corey Hoehn Memorial Scholarship Fund	7,461	7,587
Dan B Kyle Scholarship Fund	69,486	69,957
Dr. C.B. Mills Memorial Kiwanis College Scholarship Fund	18,427	15,960
Dr. Malcolm & Barbara MacIvor Scholarship Fund	17,232	0
Georgeann Vollrath Memorial Fund	33,080	28,353
Gift Annuity - Perry	33,042	24,555
Gift Annuity - Perry 2	16,844	10,320
Hildreth Endowment Fund	37,661	0
J. Carl & Jeanie Thiergartner Family Fund	45,917	40,163
Jack C. Foust Memorial Fund	2,767	
Jason K. Mathewson Memorial Scholarship Fund	24,592	21,781
Keckley Park Development Fund	6,001	5,014
LaVerne & Juanita Yoder Charitable Fund	0	0
Lee Family Fund	71,531	0
Marysville Housing Fund	264,886	238,351
Marysville Moose Family Center Scholarship Fund	26,109	25,408
McElheny Foundation Fund	99,339	99,502
Memorial Hospital Development Fund	16,060	13,191
MHS Alumni Scholarship Foundation Fund	83,071	55,677
Mintier Veteran's Scholarship Fund	4,018	493
Neighbor Aid Fund	2,309	0
Pat Conlon Scholarship Fund	45,447	42,190
Perry Family Charitable Fund	4,424	3,732
Perry Life Trust	104,897	0
Roy A Wallace BIF Memorial Fund	54,557	38,248
Sara Mae Burnside Scholarship Fund	13,913	6,752
Sarah K. Demchak Memorial Scholarship Fund	1,552	2,634
Sargent V. Chamberlain Kiwanis College Scholarship Fund	18,423	15,956
Stolte Excellence in Leadership Scholarship Fund	10,202	10,003
Tonya Stevens Memorial Fund	1,963	2,613
Union Rural Electric Cooperative Scholarship Fund	51,095	42,824
Veteran's Memorial Capital Fund	7,004	6,905
Veteran's Memorial Program Fund	5,294	5,255
Walter & Doris Herd Gift Annuity	0	12,730
Walter and Doris Herd Scholarship Fund	40,829	
Weis Family Eagle Scout and Youth Leadership Fund	2,321	2,421
Charitable Remainder Unitrust- Herd	0	138,649
Charitable Remainder Unitrust- Youngkin	27,367	27,845
Charitable Remainder Unitrust- Bump	20,675	21,286
Cash surrender value of life insurance	172,445	207,336
	<u>172,445</u>	<u>207,336</u>
 Total Temporarily Restricted Net Assets	 <u>\$ 1,492,286</u>	 <u>\$ 1,263,098</u>

**COMMUNITY FOUNDATION OF UNION COUNTY, INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

**NOTE 15 - PERMANENTLY RESTRICTED NET ASSETS:-**

At December 31, 2009 and 2008, permanently restricted net assets consist of the following:

<b><u>Permanently Restricted Net Assets</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>
Charles W. Green Family Scholarship Fund	\$ 80,465	\$ 72,713
Sara Mae Burnside Scholarship Fund	347,290	347,290
Dr. Malcolm & Barbara MacIvor Scholarship Fund	217,955	200,167
Hildreth Endowment Fund	403,750	382,497
LaVerne & Juanita Yoder Charitable Fund	551,298	469,029
Mintier Veteran's Scholarship Fund	10,000	10,000
Walter and Doris Herd Scholarship Fund	86,245	0
Charitable Remainder Unitrust	<u>75,000</u>	<u>75,000</u>
<b>Total permanently restricted net assets</b>	<b><u><u>\$ 1,772,003</u></u></b>	<b><u><u>\$ 1,556,696</u></u></b>