

**THE RICHLAND COUNTY FOUNDATION**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2014 AND 2013**

# **RL&B** RIESTER, LUMP & BURTON CPA'S, INC.

John R. Lump, CPA  
Bradley L. Hostettler, CPA  
Helen K. Brown, CPA  
Brian S. Nikolaus, CPA

1600 Lexington Avenue ■ Mansfield, Ohio 44907  
Telephone: 419-756-3400 ■ Fax: 419-756-7198  
www.rlbcpa.com

Thomas N. Riestler, CPA  
Retired  
Robert A. Burton, CPA  
1950-1998

## INDEPENDENT AUDITOR'S REPORT

To the Audit Committee  
The Richland County Foundation  
181 South Main Street  
Mansfield, OH 44902

We have audited the accompanying financial statements of **The Richland County Foundation** (a nonprofit organization), which comprise the statements of assets, liabilities, and net assets—modified cash basis as of December 31, 2014 and 2013, and the related statements of revenue collected, expenditures paid and other changes in net assets – modified cash basis for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of **The Richland County Foundation** as of December 31, 2014 and 2013, and its support, revenue, and expenses for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

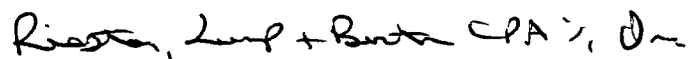
***Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

***Other Matter***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of administrative expenses paid – modified cash basis is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully,



RIESTER, LUMP & BURTON CPA's, INC.

Mansfield, Ohio

April 6, 2015

**THE RICHLAND COUNTY FOUNDATION**

**STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS  
MODIFIED CASH BASIS**

**DECEMBER 31, 2014 AND 2013**

**ASSETS**

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
Cash	\$ 970,880	\$ 1,100,854
Investments	138,150,596	135,001,079
Property and Equipment, Net	134,111	95,901
Construction in Progress	1,083,916	402,399
Intangible Asset	<u>7,431</u>	<u>0</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 140,346,934</u></b>	<b><u>\$ 136,600,233</u></b>

**LIABILITIES AND NET ASSETS**

<b>Liabilities</b>		
Payroll Taxes Withheld	\$ 1,313	\$ 1,420
Annuity Contracts Payable	59,955	58,853
Funds Held as Agency Endowments	<u>6,088,424</u>	<u>6,027,554</u>
Total Liabilities	<u>6,149,692</u>	<u>6,087,827</u>
<b>Net Assets</b>		
Unrestricted	71,571,721	71,269,714
Temporarily Restricted	41,574,222	40,138,468
Permanently Restricted	<u>21,051,299</u>	<u>19,104,224</u>
Total Net Assets	<u>134,197,242</u>	<u>130,512,406</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 140,346,934</u></b>	<b><u>\$ 136,600,233</u></b>

See Notes to Financial Statements.

**THE RICHLAND COUNTY FOUNDATION**

**STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID  
AND OTHER CHANGES IN NET ASSETS  
MODIFIED CASH BASIS**

**YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014			2013	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>Revenue and Support</b>					
Contributions	\$ 952,116	\$ 675,216	\$ 1,943,903	\$ 3,571,235	\$ 13,432,629
Investment Income					
Interest and Dividends	1,377,011	1,315,796	0	2,692,807	2,339,753
Net Realized Gains on Investments	1,554,157	1,712,926	0	3,267,083	4,262,078
Net Unrealized (Losses) Gains on Investments	(682,689)	(86,499)	0	(769,188)	14,650,788
Less Investment and Custody Fees	(198,893)	0	0	(198,893)	(161,895)
Net Investment Income	2,049,586	2,942,223	0	4,991,809	21,090,724
Change in Gift Annuity Value	0	(11,331)	0	(11,331)	(1,447)
Net Assets Released From Restrictions	1,940,234	(1,940,234)	0	0	0
Reclassification of Net Assets	166,078	(169,883)	3,805	0	0
Total Revenue and Support	5,108,014	1,495,991	1,947,708	8,551,713	34,521,906
<b>Expenses and Other Deductions</b>					
Net Grants Paid	4,207,717	0	0	4,207,717	3,271,731
Administrative Expenses (Schedule I)	598,290	0	0	598,290	550,912
Total Expenses and Other Deductions	4,806,007	0	0	4,806,007	3,822,643
Increase in Net Assets Before Current Year Change in Agency Liability	302,007	1,495,991	1,947,708	3,745,706	30,699,263
Current Year Change in Agency Liability	0	(60,237)	(633)	(60,870)	(703,661)
<b>Increase in Net Assets</b>	302,007	1,435,754	1,947,075	3,684,836	29,995,602
<b>Net Assets at Beginning of Year</b>	71,269,714	40,138,468	19,104,224	130,512,406	100,516,804
<b>Net Assets at End of Year</b>	\$ 71,571,721	\$ 41,574,222	\$ 21,051,299	\$ 134,197,242	\$ 130,512,406

See Notes to Financial Statements.

THE RICHLAND COUNTY FOUNDATION

SCHEDULE I

SCHEDULE OF ADMINISTRATIVE EXPENSES PAID  
MODIFIED CASH BASIS

YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<b>Personnel</b>		
Salaries	\$ 348,020	\$ 329,085
Employee Insurance	28,583	25,129
Payroll Taxes	26,825	25,115
Employee Pension	14,147	16,135
Retirement Compensation	7,656	7,656
Total Personnel	<u>425,231</u>	<u>403,120</u>
<b>Occupancy</b>		
Rent	15,576	15,576
Utilities and Telephone	12,977	9,429
Cleaning	1,862	1,689
Security	727	0
Total Occupancy	<u>31,142</u>	<u>26,694</u>
<b>Operating Expenses</b>		
Professional Fees	24,758	18,502
Annual Report	10,871	10,837
Asset Development, Marketing and Technology	5,599	4,140
Community Relations	12,683	10,627
Computer Support and License Fees	21,512	18,400
Depreciation	5,656	5,956
Donor and Volunteer Recognition	673	6,036
Equipment Maintenance and Repair	35	334
Office Supplies and Expense	9,032	8,657
Travel	3,018	2,014
Professional Dues	18,760	17,481
Publications and Subscriptions	448	607
Staff and Board Development and Training	7,136	3,208
Printing	1,398	4,214
Insurance	6,279	5,765
Special Events	1,898	1,772
Miscellaneous	2,161	2,548
Loss on Insurance Settlement	10,000	0
Total Operating Expenses	<u>141,917</u>	<u>121,098</u>
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<u><u>\$ 598,290</u></u>	<u><u>\$ 550,912</u></u>

See Notes to Financial Statements.



THE RICHLAND COUNTY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Organization**

The Richland County Foundation is a Community Foundation with a mission to improve the quality of life in Richland County through organized philanthropy. The Foundation's primary source of revenue is contributions and bequests from individuals and organizations in the Richland County area.

**Basis of Presentation**

The financial statements of the Foundation (a nonprofit organization) have been prepared on a modified basis of cash collected and paid. Accordingly, the financial statements do not reflect unrealized pledges receivable, undistributed grants and commitments, and other revenue earned but not yet collected and expenditures incurred but not yet paid.

**Income Taxes**

The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income tax has been provided.

**Contributions and Bequests**

Contributions and bequests are recorded at fair value at the date of the donation. Subsequent gains or losses on the sale and reinvestment of assets received are recognized as they occur.

**Estimates and Assumptions**

The Foundation uses estimates and assumptions in the preparation of the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

**Classification of Net Assets**

Unrestricted net assets are comprised of amounts upon which donors have placed no restrictions on expenditure of the assets themselves or their investment income.

Temporarily restricted net assets and investment income generated by these assets comprise those amounts the expenditure of which has been restricted by donors for use during a specific time period or for a particular purpose. When such a restriction expires; that is, when a stipulated time restriction ends or a program restriction is accomplished, temporarily restricted net assets are released to unrestricted net assets and are reported in the statement of revenue collected, expenditures paid and other changes in net assets.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Classification of Net Assets (Continued)**

Permanently restricted net assets comprise those assets contributed to the Foundation by donors who have indicated an intention that the assets are to remain in perpetuity as permanent endowments of the Foundation. Investment income, including realized and unrealized gains and losses, generated by these assets is reported as unrestricted or temporarily restricted, depending upon whether the donors have limited the expenditure of income to a particular purpose or purposes or have indicated that such income is to be available for the general purposes of the Foundation.

**NOTE 2. PROPERTY AND EQUIPMENT**

The major classes of property and equipment at cost, or estimated fair value if donated, and accumulated depreciation at December 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Land	\$ 117,984	\$ 74,118
Building	3,839	3,839
Furniture and fixtures	48,132	48,132
Office equipment	19,439	19,439
Computer equipment	60,416	60,416
Leasehold improvements	<u>25,513</u>	<u>25,513</u>
Total	275,323	231,457
Less accumulated depreciation	<u>141,212</u>	<u>135,556</u>
<b>Property and equipment, net</b>	<b><u>\$ 134,111</u></b>	<b><u>\$ 95,901</u></b>

Depreciation of furniture and equipment is provided over the estimated useful lives of the respective assets on the straight-line basis. Depreciation expense was \$5,656 and \$5,956 for the years ended December 31, 2014 and 2013, respectively.

Land and building were donated to the Foundation during the years ended December 31, 2012 and 2013 by an individual donor. The building is near completion of extensive renovation prior to being occupied by the Foundation in January 2015. The Foundation estimates that the total estimated project costs remaining are approximately \$155,000. Included on the Statement of Assets, Liabilities and Net Assets – Modified Cash Basis at December 31, 2014 and 2013 as construction in progress are building renovation costs of \$912,902 and \$402,399, land improvement costs of \$87,383 and \$0 and furniture and fixtures totaling \$83,631 and \$0, respectively.

Routine maintenance, repairs and renewals are charged to administrative expenses as incurred. Property and equipment additions and expenditures which materially increase values or extend useful lives are capitalized.



**NOTE 3. RETIREMENT PLAN**

The Foundation maintains a simplified employee pension plan covering all full-time employees who meet certain requirements. Contributions to the plan are based upon specified percentages of salary. Retirement plan expense was \$14,147 and \$16,135 for the years ended December 31, 2014 and 2013, respectively.

**NOTE 4. FUNDS HELD AS AGENCY ENDOWMENTS**

The Foundation has adopted Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-605-25, Transfers of Assets to a Not-for-Profit Entity or Charitable Trust that Raises or Holds Contributions for Others. This statement establishes standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets or both to another entity that is specified by the donor. The ASC specifically requires that if a Not-for-Profit Organization (NPO) establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as agency endowments.

The Foundation maintains variance power and legal ownership of agency endowment funds and as such continues to report the funds as assets of the Foundation. However, in accordance with the ASC, a liability has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be made to the NPOs.

At December 31, 2014 and 2013, the Foundation was the owner of twenty-eight agency endowment funds with a combined value of \$6,088,424 and \$6,027,554, respectively. The following table summarizes activity in such funds for the years ended December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Agency endowment fund		
balances, beginning of year	\$ 6,027,554	\$ 5,323,894
Contributions and bequests	2,781	12,380
Interest and dividends	124,459	109,752
Net realized investment gains	161,218	190,018
Net unrealized (depreciation) appreciation		
of investments	(8,984)	549,258
Grants paid	(186,891)	(128,125)
Investment and custodial fees	(9,789)	(8,595)
Administrative expenses		
allocated to agency		
endowment funds	(21,924)	(21,028)
Agency endowment fund		
balances, end of year	<u>\$ 6,088,424</u>	<u>\$ 6,027,554</u>

**NOTE 5. INVESTMENTS**

Investment purchases are initially recorded at cost, or, when contributed to the Foundation, at the fair market values of the investment assets received at the date of contribution.

In accordance with the requirements of the FASB ASC 958-320, Not for Profit Entities, Investments – Debt and Equity Securities, investments in all marketable equity securities with readily determinable fair values and all investments in debt securities are stated at their fair values in the statement of assets, liabilities and net assets – modified cash basis. The market values for alternative investments represent the Foundation's pro-rata interest in the net assets of each investment and are based on financial information determined and reported by the investment managers. Unrealized gains and losses are included in the change in net assets in the statement of revenue collected, expenditures paid and other changes in net assets – modified cash basis.

Alternative investments not publicly traded on national security exchanges are generally illiquid, and their fair values have been estimated by investment managers in the absence of readily ascertainable market values. Because of inherent uncertainties in the valuation of alternative investments, those estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

Investments at December 31, 2014 consist of the following:

	<u>Cost</u>	<u>Fair Value</u>
At published quoted values:		
Cash and equivalents	\$ 2,715,444	\$ 2,715,444
Equity securities	49,729,075	80,593,308
Fixed income	32,760,394	32,513,877
Alternative investments	14,514,263	14,050,298
At estimated market value:		
Alternative investments	<u>6,949,681</u>	<u>8,277,669</u>
<b>Totals</b>	<b><u>\$ 106,668,857</u></b>	<b><u>\$ 138,150,596</u></b>

Investments at December 31, 2013 consist of the following:

	<u>Cost</u>	<u>Fair Value</u>
At published quoted values:		
Cash and equivalents	\$ 2,191,612	\$ 2,191,612
Equity securities	50,732,528	82,028,983
Fixed income	31,135,267	30,660,178
Alternative investments	12,057,352	12,162,681
At estimated market value:		
Alternative investments	<u>6,633,393</u>	<u>7,957,625</u>
<b>Totals</b>	<b><u>\$ 102,750,152</u></b>	<b><u>\$ 135,001,079</u></b>

The majority of the funds included in the cash and equivalents is invested in money market funds which are not federally insured.

**NOTE 6. INTANGIBLE ASSET**

Included on the statement of assets, liabilities and net assets – modified cash basis as intangible asset at December 31, 2014 is the cost of website development. The website is not yet operational and therefore is not being amortized at December 31, 2014.

**NOTE 7. POOLED INCOME FUND**

**The Richland County Foundation** is the income and principal beneficiary of various remainder interest gifts, which have been combined into a pooled income fund held by Richland Bank. No income or principal will be received by the Foundation until the deaths of the donors or their beneficiaries. The carrying value of the pooled income fund at December 31, 2014 and 2013 is \$373,203 and \$373,624, respectively and the fair value is \$381,778 and \$383,321, respectively.

**NOTE 8. GRANTS AND COMMITMENTS**

Grants and commitments approved by the Foundation but not yet paid at December 31, 2014 and 2013 are payable as follows:

	<u>2014</u>	<u>2013</u>
2014	\$ N/A	\$ 742,024
2015	270,084	215,084
2016	31,250	31,250
2017	0	0
2018	0	0
	<u>\$ 301,334</u>	<u>\$ 988,358</u>

**NOTE 9. CONCENTRATIONS**

The Foundation maintains its cash in bank deposit accounts which may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. Management believes the Foundation is not exposed to any significant credit risk related to cash. As of December 31, 2014 and 2013, there were deposits of \$592,777 and \$703,724, respectively, in excess of the federally insured limits.

During the year ended December 31, 2014, the Foundation received one gift which totaled more than 10% of the total contributions for the year. The gift was for \$1,687,703.

During the year ended December 31, 2013, the Foundation received two gifts which each totaled more than 10% of the total contributions for the year. The gifts were for \$8,883,225 and \$1,664,072.

**NOTE 10. RECLASSIFICATION OF NET ASSETS**

Net assets classified as temporarily restricted were reclassified as unrestricted net assets due to an allocation of administrative expenses and investment and custodial fees. Also included under reclassification of net assets are interfund grants and other changes in net assets due to income transfers.

**NOTE 11. SPLIT-INTEREST AGREEMENTS**

At December 31, 2014 and 2013, the Foundation has recorded approximately \$95,479 and \$102,046, respectively, in fair value of split-interest agreements as an asset in its statement of assets, liabilities and net assets – modified cash basis. Assets received under these agreements are recorded at fair value and in the appropriate net asset category based on donor stipulation. Related contributions per the agreements are recognized as contributions revenue and are equal to the present value of future benefits to be received by the Foundation over the term of the agreements. No contributions were received under these agreements in 2014 and 2013. A liability has been established for the split-interest agreements as the Foundation is obligated to the annuitants under charitable gift annuities. The liability totaled approximately \$59,955 at December 31, 2014 and \$58,853 at December 31, 2013. During the term of these agreements, changes in the value of the split-interest agreements are recognized in the statements of revenue collected, expenditures paid and other changes in net assets – modified cash basis based on accretion of the discounted amount of the contribution, and reevaluations of the expected future payments to be paid by the Foundation based on changes in life expectancy and other assumptions. Annuity rates of 6.0% to 11.0% were used in the calculations at the dates of the contributions.

**NOTE 12. FAIR VALUE**

The Foundation has adopted FASB ASC 820, Fair Value Measurements and Disclosures. This statement defines fair value and establishes a framework for measuring fair value. Fair value is defined as the price that would be received between market participants at the measurement date.

To increase consistency and comparability in fair value measurements and related disclosures the fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted prices in active markets for identical assets that the Foundation has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 and include assets that have a specified (contractual) term. Level 3 inputs are unobservable inputs where there is little, if any, market activity for the asset at the measurement date.

Fair values, of affected assets, at December 31, 2014 consist of the following:

<b>Description</b>	<b>12/31/14</b>	<b>Fair Value Measurements at Reporting Date Using</b>		
		<b>Quoted Prices In Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Equity securities	\$ 80,593,308	\$ 80,593,308	\$ 0	\$ 0
Fixed income	32,513,877	32,513,877	0	0
Alternative investments	22,327,967	14,050,298	8,277,669	0
<b>Total</b>	<b>\$ 135,435,152</b>	<b>\$ 127,157,483</b>	<b>\$ 8,277,669</b>	<b>\$ 0</b>



**NOTE 12. FAIR VALUE (CONTINUED)**

Fair values, of affected assets, at December 31, 2013 consist of the following:

<b>Description</b>	<b>12/31/13</b>	<b>Fair Value Measurements at Reporting Date Using</b>		
		<b>Quoted Prices In Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Equity securities	\$ 82,028,983	\$ 82,028,983	\$ 0	\$ 0
Fixed income	30,660,178	30,660,178	0	0
Alternative investments	20,120,306	12,162,681	7,957,625	0
<b>Total</b>	<b>\$ 132,809,467</b>	<b>\$ 124,851,842</b>	<b>\$ 7,957,625</b>	<b>\$ 0</b>

All assets have been valued using a market approach. Fair values for assets in Level 2 are calculated using the market value of underlying funds as determined by the managers of the hedge funds. There were no changes in the valuation techniques during the year.

**NOTE 13. ENDOWMENT FUNDS**

In August 2008, the Financial Accounting Standards Board issued FAS ASC 958-205-45, Not for Profit Entities, Presentation of Financial Statements, Reporting Endowment Funds. The ASC provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The ASC also improves disclosures about an organization's endowment funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA. The State of Ohio adopted its version of UPMIFA effective June 1, 2009. The Foundation adopted the ASC for the year ended December 31, 2008 as it applied to all endowment funds and for the year ended December 31, 2009 as it applied to endowments subject to UPMIFA.

The Foundation's endowment includes both donor-restricted endowment 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's endowment consists of approximately 148 individual funds established for a variety of purposes. Its 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.



**NOTE 13. ENDOWMENT FUNDS (CONTINUED)**

The Board of Trustees of the Foundation has interpreted the Ohio Uniform Prudent Management of Institutional Funds Act (UPMIFA), which became effective June 1, 2009, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

**Classification of Net Assets**

The Foundation is required to report financial 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. As disclosed in Note 1 to the financial statements, the classes of net assets are determined by restrictions, if any, imposed by the donor.

**Endowment Investment and Spending Policies**

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to charitable organizations in the community that are supported by its endowment funds, while seeking to maintain the purchasing power of the endowment assets. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term objective is to return 7% net of investment fees. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk parameters.

The spending policy is used to annually calculate the amount of money available to be distributed from the Foundation's various endowment funds for grantmaking and operations. The spending policy is to distribute a maximum amount equal to 4% for the years beginning January 1, 2014 and 2013, for all funds of a moving three-year average market value.

**NOTE 13. ENDOWMENT FUNDS (CONTINUED)**

Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment assets to grow at an average rate of 3% annually. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment return.

**Reconciliation of Changes in Endowment Net Assets**

The endowment net asset composition by type of fund as of December 31, 2014 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor designated				
endowment funds				
Designated	\$	\$ 3,116,757	\$ 6,861,191	\$ 9,977,948
Agency		1,084,145	1,858,665	2,942,810
Field of interest		624,948	1,619,264	2,244,212
Individual assistance		759,193	431,066	1,190,259
Scholarship		1,797,166	7,672,778	9,469,944
Donor advised	40,536	8,046	103,340	151,922
Undesignated	37,722	1,426,976	1,784,912	3,249,610
Other endowment funds				
Field of interest		99,513	386,843	486,356
Undesignated	45	141,905	333,240	475,190
<b>Total endowment</b>				
<b>  funds</b>	<u>\$ 78,303</u>	<u>\$ 9,058,649</u>	<u>\$ 21,051,299</u>	<u>\$ 30,188,251</u>

The endowment net asset composition by type of fund as of December 31, 2013 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor designated				
endowment funds				
Designated	\$	\$ 2,971,241	\$ 6,815,876	\$ 9,787,117
Agency		1,042,654	1,845,932	2,888,586
Field of interest		615,281	1,938,670	2,553,951
Individual assistance		760,466	61,613	822,079
Scholarship		1,588,997	5,905,531	7,494,528
Donor advised	38,974	5,398	102,525	146,897
Undesignated	74,328	1,397,718	1,753,226	3,225,272
Other endowment funds				
Field of interest		100,292	369,453	469,745
Undesignated	17,621	136,664	311,398	465,683
<b>Total endowment</b>				
<b>  funds</b>	<u>\$ 130,923</u>	<u>\$ 8,618,711</u>	<u>\$ 19,104,224</u>	<u>\$ 27,853,858</u>

**NOTE 13. ENDOWMENT FUNDS (CONTINUED)**

Changes in endowment net assets for the year ended December 31, 2014 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 130,923	\$ 8,618,711	\$ 19,104,224	\$ 27,853,858
Interest and dividends		647,210		647,210
Investment expenses		(50,326)		(50,326)
Net appreciation		781,920		781,920
Contributions	2,600	1,958	1,938,712	1,943,270
Amounts appropriated for expenditure	(143,858)	(940,996)		(1,084,854)
Interfund transfers	88,638	172	8,363	97,173
<b>Endowment net assets, end of year</b>	<b><u>\$ 78,303</u></b>	<b><u>\$ 9,058,649</u></b>	<b><u>\$ 21,051,299</u></b>	<b><u>\$ 30,188,251</u></b>

Changes in endowment net assets for the year ended December 31, 2013 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 73,656	\$ 6,083,125	\$ 18,440,651	\$ 24,597,432
Interest and dividends		512,679		512,679
Investment expenses		(39,979)		(39,979)
Net appreciation		3,446,868		3,446,868
Contributions	31,600	2,000	650,857	684,457
Amounts appropriated for expenditure	(57,678)	(685,354)		(743,032)
Interfund transfers	83,345	(700,628)	12,716	(604,567)
<b>Endowment net assets, end of year</b>	<b><u>\$ 130,923</u></b>	<b><u>\$ 8,618,711</u></b>	<b><u>\$ 19,104,224</u></b>	<b><u>\$ 27,853,858</u></b>

**NOTE 14. INCOME TAXES**

The Foundation's evaluation on December 31, 2014 revealed no tax positions that would have a material impact on the financial statements. The 2011 through 2014 tax years remain subject to examination by the IRS. The Foundation does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

**NOTE 15. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through April 6, 2015, the date the financial statements were available to be issued. No material subsequent events were noted.