

The Scioto Foundation, Inc.

Financial Statements

For the Year Ended December 31, 2009



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The Scioto Foundation, Inc.
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Independent Auditor's Report

Board of Governors
The Scioto Foundation, Inc.
P.O. Box 911
Portsmouth, Ohio 45662

We have audited the accompanying statement of net assets of The Scioto Foundation, Inc. (a nonprofit organization) as of December 31, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the organization'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 Scioto Foundation, Inc. as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

October 14, 2010

THE SCIOTO FOUNDATION, INC.
Statement of Net Assets
December 31, 2009

ASSETS

Cash and cash equivalents	\$ 1,494,619
Investments	19,186,833
Cash surrender value of life insurance	52,021
Income receivable	27,090
Furniture, fixtures and leasehold improvements, net	<u>151,191</u>

Total assets \$ 20,911,754

LIABILITIES

Accounts payable	\$ 2,666
Grants payable	65,112
Deposits held and due to other not-for-profits	2,245,798
Accrued liabilities	<u>1,689</u>

Total liabilities 2,315,265

NET ASSETS

Unrestricted	4,641,623
Temporarily restricted	10,263,307
Permanently restricted	<u>3,691,559</u>

Total net assets 18,596,489

Total Liabilities and Net Assets \$ 20,911,754

The notes to the financial statements are an integral part of these statements.

THE SCIOTO FOUNDATION, INC.
Statement of Activities
For the Year Ended December 31, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 128,651	\$ 704,512	\$ 851,337	\$ 1,684,500
Less amounts received for agency endowments	-	(195,535)	-	(195,535)
Net contributions	<u>128,651</u>	<u>508,977</u>	<u>851,337</u>	<u>1,488,965</u>
Investment income	75,938	270,929	-	346,867
Less investment income for agency endowments	-	(27,180)	-	(27,180)
Net investment income, net of fees	<u>75,938</u>	<u>243,749</u>	<u>-</u>	<u>319,687</u>
Realized and unrealized gains (losses)	727,249	2,536,999	-	3,264,248
Less (gains) losses on agency endowments	-	(373,296)	-	(373,296)
Net realized and unrealized gains (losses)	<u>727,249</u>	<u>2,163,703</u>	<u>-</u>	<u>2,890,952</u>
Other income	23,622	-	-	23,622
Government grants	-	26,000	-	26,000
Net assets released from restrictions	<u>905,960</u>	<u>(905,960)</u>	<u>-</u>	<u>-</u>
Total revenues	1,861,420	2,036,469	851,337	4,749,226
EXPENSES				
Program services				
Grants paid	749,343	-	-	749,343
Other program services	145,610	-	-	145,610
Less grants made from agency endowments	(31,560)	-	-	(31,560)
Net program services	<u>863,393</u>	<u>-</u>	<u>-</u>	<u>863,393</u>
Management and general	46,475	-	-	46,475
Development and communications	<u>75,253</u>	<u>-</u>	<u>-</u>	<u>75,253</u>
Total expenses	985,121	-	-	985,121
INCREASE IN NET ASSETS	876,299	2,036,469	851,337	3,764,105
NET ASSETS - BEGINNING OF YEAR, AS RESTATED	<u>3,765,324</u>	<u>8,226,838</u>	<u>2,840,222</u>	<u>14,832,384</u>
NET ASSETS - END OF YEAR	<u>\$ 4,641,623</u>	<u>\$ 10,263,307</u>	<u>\$ 3,691,559</u>	<u>\$ 18,596,489</u>

The notes to the financial statements are an integral part of these statements.

THE SCIOTO FOUNDATION, INC.
Statement of Cash Flows
For the Year Ended December 31, 2009

Cash flows from operating activities:	
Increase in net assets	\$ 3,764,105
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	14,127
Non-cash contributions	(357,708)
Gain on investments	(2,890,952)
Changes in assets and liabilities	
Increase in cash surrender values of life insurance	(4,217)
Decrease in beneficial interest in trust	19,345
Increase in income receivable	(1,018)
Increase in accrued liabilities	178
Increase in accounts payable	1,958
Increase in deposits held and due to others	569,170
Decrease in grants payable	(99,686)
	<hr/>
Net cash provided by operating activities	1,015,302
Cash flows from investing activities:	
Proceeds from sale of investments	3,883,781
Purchase of investments	(7,206,807)
	<hr/>
Net cash used for investing activities	(3,323,026)
	<hr/>
Net decrease in cash and cash equivalents	(2,307,724)
Cash and cash equivalents, beginning of year	3,802,343
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Cash and cash equivalents, end of year	\$ 1,494,619
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The notes to the financial statements are an integral part of these statements.

THE SCIOTO FOUNDATION, INC.
Notes to the Financial Statements
For the Year Ended December 31, 2009

NOTE 1 – Significant Accounting and Reporting Policies

Organization

The Scioto Area Community Foundation (the “Foundation”) was incorporated as a not-for-profit organization in the State of Ohio in October 1974. The Foundation was formed for the exclusive benefit of the southern Ohio and northern Kentucky community. The Foundation helps people, businesses, and organizations support their charitable interests to improve our community today and in the future. By making grants to local nonprofit organizations and providing scholarships to benefit local students, the Foundation responds to the changing needs of the community and builds on local strengths in the areas of arts, civic affairs, education, health, and social services. The primary source of revenues for the Foundation is donor contributions.

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Financial Accounting Standards Board Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 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.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. The Foundation, from time to time, maintains cash accounts in financial institutions which exceed federal depository insurance limits.

Investments

Investments are carried at fair value in accordance with Statement of Financial Accounting Standards (SFAS) No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Investments received as gifts are recorded at fair value at the date of gift. Realized investment gains and losses represent the difference between the proceeds on sales of investments and their cost when acquired. Investment return includes interest, dividends, and both realized and unrealized gains and losses. All realized and unrealized gains and losses on investments are reported as increases or decreases, respectively, to net assets.

Contributions

Contributions to the Foundation are recognized and reported as revenue at fair value upon the earlier of the period in which a pledge becomes unconditional or the period in which the contribution is received.

THE SCIOTO FOUNDATION, INC.
Notes to the Financial Statements
For the Year Ended December 31, 2009

The Foundation reports gifts of cash and other assets as 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.

The Foundation has adopted Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. SFAS 116 provides that contributions be recognized as revenue in the period in which the pledge (promise to give) is received.

The Foundation has also adopted Statement of Financial Accounting Standards (SFAS) No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. SFAS 136 provides that when a donor transfers assets to the Foundation and the transfer is revocable, repayable or reciprocal, the transfer does not constitute a contribution to the Foundation. Such transactions and subsequent activity relating to these funds are separately identified as "Deposits held and due to other not-for-profits" in the Foundation's financial statements.

Net Assets

Unrestricted Net Assets represent funds which can be used by the Foundation for any purpose authorized by the Board of Governors.

Temporarily Restricted Net Assets represent funds that are restricted for a specific purpose determined by the donor. A donor-imposed restriction permits the Foundation to expend the donated assets as specified and is satisfied either by the passage of time or by actions of the Foundation. The Foundation maintains separate balances in its accounting records to account for the amounts available for such restricted purposes.

Permanently Restricted Net Assets represent contributions in which the donor has stipulated, as a condition of the gift, that the principal be maintained intact and only the earnings of the fund be expended as the donor has specified.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

THE SCIOTO FOUNDATION, INC.
Notes to the Financial Statements
For the Year Ended December 31, 2009

Furniture, Fixtures and Leasehold Improvements

These assets are stated at historical cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs of property and equipment are charged to expense when incurred and additions exceeding \$500 are capitalized.

Depreciation expense for the year ended December 31, 2009 is \$14,127.

Grants

Grants are recorded as expenses when they are approved by the Board of Governors for payment.

Grants Payable

Grants payable at December 31, 2009, represent unconditional promises to give to other organizations.

NOTE 2 - Investments

The fair value of investments at December 31, 2009, by classification, is as follows:

U.S. Treasury and agency obligations	\$ 656,805
Corporate debt	2,560,374
Mutual funds	9,028,642
Domestic and foreign stocks	<u>6,941,012</u>
Total	<u>\$ 19,186,833</u>

The composition of investment return for the years ended December 31, 2009 is as follows:

Interest and dividends, net of fees	\$ 319,687
Net realized (losses)	(693,083)
Net unrealized gains	<u>3,584,035</u>
Total	<u>\$ 3,210,639</u>

NOTE 3 – Other Receivables

As of December 31, 2009, the Foundation had cash surrender value of insurance policies of \$52,021.

Income receivable at December 31, 2009 is \$27,090 which consists of interest and dividends receivable.

THE SCIOTO FOUNDATION, INC.
Notes to the Financial Statements
For the Year Ended December 31, 2009

NOTE 4 – Beneficial Interest In Trusts Held By Others

The Foundation has been named charitable remainder beneficiary in various charitable remainder trusts administered by an outside trustee. These trusts provide, among other matters, that the trustee shall pay to beneficiaries periodic payments until either the assets of the trust have been exhausted or death of the beneficiaries. Upon death of the beneficiaries, the Foundation’s designated share of all property in the trust will be transferred to the Foundation in accordance with the agreements. The Foundation received \$19,345 in 2009.

NOTE 5 – Federal Income Tax

The Internal Revenue Service has ruled that the Foundation is exempt from federal income taxes under Section 401(a) of the Internal Revenue Code as a public charity described in Section 501(c)(3).

NOTE 6 – Furniture, Fixtures, and Leasehold Improvements

Furniture, fixtures and leasehold improvements included the following at December 31, 2009:

Furniture and fixtures	\$ 50,708
Leasehold improvements	<u>181,212</u>
	231,920
Less: accumulated depreciation	<u>(80,729)</u>
Net furniture, fixtures, and leasehold improvements	<u><u>\$ 151,191</u></u>

NOTE 7 – Operating Lease

The Foundation has a real estate lease agreement with Portsmouth Housing Partners, Ltd. for property located at 303 Chillicothe Street, Portsmouth, Ohio. Rent payments for 2009 were \$563 per month with an incremental increase of 3% per year through December 31, 2024.

The following is a schedule by year of future minimum rental payments required under the operating lease:

	Year Ended December 31,
2010	\$ 6,956
2011	7,164
2012	7,379
2013	7,600
2014	7,828
2015-2024	<u>92,431</u>
	<u><u>\$ 129,358</u></u>

THE SCIOTO FOUNDATION, INC.
Notes to the Financial Statements
For the Year Ended December 31, 2009

NOTE 8 – Concentration of Credit Risk

Financial instruments which potentially subject the Foundation to a concentration of credit risk consist primarily of investments.

The Foundation maintains a custodial account with financial institutions which maintain insurance coverage against major losses. Policies currently in place include an errors and omission policy, employee fidelity bond, blanket lost original instruments bond and master trust property policy. Coverage is provided by insurance companies which management believes to be financially sound, and is maintained at levels which management considers reasonable given the size and scope of its operations.

NOTE 9 – Grants Payable

Grants authorized but unpaid at year end are measured at fair value and reported as liabilities in accordance with SFAS No. 116 *Accounting for Contributions Received and Contributions Made*. The following is a summary of grants authorized and payable at December 31, 2009.

To be paid in less than one year	\$ 45,112
To be paid in one to five years	<u>20,000</u>
	<u>\$ 65,112</u>

NOTE 10 – Employee Benefit Plans

The Foundation sponsors a defined contribution plan (the Plan) covering all employees which earn at least \$5,000 annually who agree to make contributions to the Plan. The Organization matches a contribution to the Plan each year up to 3% of all participants' compensation. Total expense for the year ended December 31, 2009 was approximately \$3,244.

The Foundation sponsors a plan which matches employees' contributions to the Ohio Tuition Trust. Total expense for the year ended December 31, 2009, was approximately \$1,150.

NOTE 11 – Fair Value Measurements

SFAS No. 157, *Fair Value Measurements*, defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Foundation's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measure date.

Statement 157 established a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

THE SCIOTO FOUNDATION, INC.
Notes to the Financial Statements
For the Year Ended December 31, 2009

Level 1: Quoted prices for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Fair values of assets measured on a recurring basis at December 31, 2009 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments	\$ 19,186,833	\$ 16,626,459	\$ 2,560,374	\$ -

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

NOTE 12 – Deposits Held and Due to Other Not-for-Profits

	12/31/2008 FMV <u>Net Assets</u>	12/31/2009 Net <u>Change</u>	12/31/2009 FMV <u>Net Assets</u>
Agency Endowments			
Boy Scout Trust	\$ 11,862	\$ 1,192	\$ 13,054
Southern Ohio Museum	266,700	170,965	437,665
Portsmouth Area Arts Council	14,686	2,745	17,431
Portsmouth Community Orchestra	7,380	1,382	8,762
REACH	7,720	1,783	9,503
Southern Ohio Performing Arts Association	6,803	1,122	7,925
United Way of Scioto County Endowment Fund	38,061	8,787	46,848
Community Services for the Deaf and Hard of Hearing	10,810	2,495	13,305
SOMC - Endowment Fund	1,245,390	356,986	1,602,376
SOMC - In-Patient Hospice	110	148	258
SOMC - Cancer Center	2,738	632	3,370
SOMC - Life Insurance Endowment	12,284	4,718	17,002
Community Partners of Shawnee Mental Health	46,110	14,835	60,945
Counseling Center, Inc.	5,974	1,380	7,354
Total Agency Endowments	<u>\$ 1,676,628</u>	<u>\$ 569,170</u>	<u>\$ 2,245,798</u>

THE SCIOTO FOUNDATION, INC.
Notes to the Financial Statements
For the Year Ended December 31, 2009

NOTE 13 – Change in Classification of Funds

During a review of the Foundation's funds determination was made that many of the funds did not meet the prescribed definition of permanently restricted assets. Therefore, \$8,226,838 of the beginning net assets were reclassified from permanently restricted net assets to temporarily restricted net assets.