

**THE MUSKINGUM COUNTY
COMMUNITY FOUNDATION AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2007 and 2006**



Norman Jones Enlow & Co.

Certified Public Accountants
& Management Consultants

INDEPENDENT AUDITORS' REPORT

**To the Board of Trustees
The Muskingum County Community Foundation and Affiliate
534 Putnam Avenue
Zanesville, Ohio 43701**

We have audited the accompanying consolidated statements of financial position of The Muskingum County Community Foundation (the "Foundation"), a non-profit corporation, and Affiliate as of December 31, 2007 and 2006 and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated 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 an audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Muskingum County Community Foundation and Affiliate as of December 31, 2007 and 2006, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Norman Jones Enlow & Co.
Zanesville, Ohio
April 7, 2008

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2007 and 2006

	2007	2006
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 2)	\$ 1,158,247	\$ 1,453,457
Certificates of Deposit	158,430	150,601
Investments (Note 3)	15,976,669	14,785,764
Unconditional promises to give net of allowances for uncollectible accounts of \$7,800 for both years (Note 4)	342,291	488,620
Other receivables	46,493	40,440
Inventory	16,273	17,318
Prepaid expenses, current portion (Note 7)	15,692	14,898
TOTAL CURRENT ASSETS	17,714,095	16,951,098
PROPERTY AND EQUIPMENT, net (Note 8)	643,644	597,318
OTHER ASSETS		
Collections acquired since January 1, 1997	19,052	18,052
Cash surrender value - life insurance policies (Note 9)	449,337	382,654
Contributions receivable - charitable remainder trusts (Note 5)	126,163	62,906
Long-term promises to give (Note 4)	78,148	121,594
Long-term prepaid expenses (Note 7)	175,750	186,850
TOTAL OTHER ASSETS	848,450	772,056
TOTAL ASSETS	\$ 19,206,189	\$ 18,320,472
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ -	\$ 8,623
Grants payable	150	-
Payroll taxes and withholdings	153	722
Current portion of annuity liability (Note 6)	14,100	14,100
Current portion of capital lease (Note 15)	3,573	3,573
Deferred revenue - GEAR UP grant	167,348	73,263
Funds held as agency endowments (Note 17)	820,404	802,943
TOTAL CURRENT LIABILITIES	1,005,728	903,224
LONG-TERM LIABILITIES		
Capital lease, net of current portion (Note 15)	6,252	9,825
Annuity liability, net of current portion (Note 6)	76,683	83,798
TOTAL LONG-TERM LIABILITIES	82,935	93,623
TOTAL LIABILITIES	1,088,663	996,847
NET ASSETS		
Unrestricted	1,045,868	1,021,499
Temporarily restricted	1,409,443	1,279,612
Permanently restricted	15,662,215	15,022,514
TOTAL NET ASSETS	18,117,526	17,323,625
TOTAL LIABILITIES AND NET ASSETS	\$ 19,206,189	\$ 18,320,472

See notes to financial statements.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended December 31, 2007 and 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2007</u>
SUPPORT AND REVENUE				
SUPPORT				
Gifts, bequests and pledges	\$ 239,226	\$ 150,842	\$ 201,433	\$ 591,501
In-kind donations	64,147	7,383	-	71,530
	<u>303,373</u>	<u>158,225</u>	<u>201,433</u>	<u>663,031</u>
REVENUE				
Interest and dividends	151,230	366,269	1,629	519,128
Realized gains (losses) on investments	(12,070)	26,014	541,388	555,332
Unrealized gains (losses) on investments	1,390	(12,317)	128,913	117,986
Administrative fees	159,827	-	-	159,827
Auction revenue	8,310	-	-	8,310
Event revenue	25,831	19,247	-	45,078
Gain on sale of property	-	-	-	-
Miscellaneous income	5,886	3,406	-	9,292
Grants received	-	169,215	-	169,215
Annuity income	400	-	-	400
Change in value of trust agreements	-	(5,752)	-	(5,752)
Increase in cash surrender value - life insurance	(2,066)	29,870	-	27,804
	<u>338,738</u>	<u>595,952</u>	<u>671,930</u>	<u>1,606,620</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>811,198</u>	<u>(810,286)</u>	<u>(912)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	1,453,309	(56,109)	872,451	2,269,651
EXPENSES				
Functional expense	613,127	-	-	613,127
Investment and trust expense	263,859	-	-	263,859
Operating expense	543,465	-	-	543,465
Fundraising expense	55,299	-	-	55,299
	<u>1,475,750</u>	<u>-</u>	<u>-</u>	<u>1,475,750</u>
TOTAL EXPENSES	<u>1,475,750</u>	<u>-</u>	<u>-</u>	<u>1,475,750</u>
CHANGE IN NET ASSETS	(22,441)	(56,109)	872,451	793,901
NET ASSETS AT BEGINNING OF YEAR	1,021,499	1,279,612	15,022,514	17,323,625
TRANSFER	<u>46,810</u>	<u>185,940</u>	<u>(232,750)</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,045,868</u>	<u>\$ 1,409,443</u>	<u>\$ 15,662,215</u>	<u>\$ 18,117,526</u>

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2006</u>
\$ 216,741	\$ 61,583	\$ 763,564	\$ 1,041,888
67,608	4,488	-	72,096
<u>284,349</u>	<u>66,071</u>	<u>763,564</u>	<u>1,113,984</u>
120,545	327,168	1,205	448,918
56,992	16,703	613,666	687,361
22,237	21,317	325,102	368,656
141,874	-	-	141,874
7,538	-	-	7,538
14,739	16,167	-	30,906
23,625	-	-	23,625
2,072	131	-	2,203
960	172,437	-	173,397
6,703	-	-	6,703
(14,100)	6,641	-	(7,459)
(2,035)	20,949	-	18,914
<u>381,150</u>	<u>581,513</u>	<u>939,973</u>	<u>1,902,636</u>
<u>599,666</u>	<u>(479,135)</u>	<u>(120,531)</u>	<u>-</u>
1,265,165	168,449	1,583,006	3,016,620
444,470	-	-	444,470
256,075	-	-	256,075
483,561	-	-	483,561
35,651	-	-	35,651
<u>1,219,757</u>	<u>-</u>	<u>-</u>	<u>1,219,757</u>
45,408	168,449	1,583,006	1,796,863
732,162	1,188,864	13,605,736	15,526,762
243,929	(77,701)	(166,228)	-
<u>\$ 1,021,499</u>	<u>\$ 1,279,612</u>	<u>\$ 15,022,514</u>	<u>\$ 17,323,625</u>

See notes to financial statements.

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2007 and 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 793,901	\$ 1,796,863
Adjustments to reconcile increase in net assets to net cash used by operating activities		
Depreciation	22,859	25,767
Amortization of discount on unconditional promises to give	(8,816)	(15,149)
Donated securities	(71,746)	(16,117)
Donated inventory	(27,196)	(31,301)
Donated property	-	(237,000)
Donated collections	(1,000)	(488)
Donated insurance	(38,879)	(7,575)
Gifted property and equipment	-	2,610
Net realized and unrealized gain on investment securities	(673,318)	(1,056,017)
Gain on the disposal of land held as investment	-	(23,625)
Contributions restricted for permanent investment and capital improvements	(201,110)	(758,263)
(Increase) decrease in		
Unconditional promises to give	198,591	54,560
Contributions receivable - charitable remainder unitrust	(63,257)	(1,548)
Other receivables	(6,053)	(19,815)
Inventory	28,241	44,883
Prepaid expenses	10,306	12,803
Increase (decrease) in		
Accounts payable	(8,473)	8,623
Annuity liability	(7,115)	(5,093)
Payroll taxes payable	(569)	(1,165)
Deferred revenue - GEAR UP grant	94,085	73,263
Agency funds	17,461	72,580
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	57,912	(81,204)
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in CSV of life insurance	(27,804)	(18,914)
Purchase of certificates of deposit	(7,829)	(132,357)
Purchase of equipment	(69,185)	(7,618)
Purchase of investment securities	(6,262,367)	(7,898,775)
Proceeds from sale of land held as investment	-	124,625
Proceeds from redemption of investments	5,816,526	6,991,332
NET CASH USED BY INVESTING ACTIVITIES	(550,659)	(941,707)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease	(3,573)	(893)
Contributions restricted for permanent investment and capital improvements	201,110	758,263
NET CASH PROVIDED BY FINANCING ACTIVITIES	197,537	757,370
NET DECREASE IN CASH AND CASH EQUIVALENTS	(295,210)	(265,541)
CASH AND CASH EQUIVALENTS, beginning of year	1,453,457	1,718,998
CASH AND CASH EQUIVALENTS, end of year	\$ 1,158,247	\$ 1,453,457
SUPPLEMENTAL DISCLOSURES		
Cash paid during the year for		
Interest	\$ -	\$ -
Taxes	\$ -	\$ -

See notes to financial statements.

**THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Program and Supporting Services

The Muskingum County Community Foundation (the "Foundation"), formerly The Zanesville Foundation, was formed in August 1985 for the purpose of encouraging gifts from individuals, estates, corporations, and other entities and to provide the means for those gifts to be accumulated and distributed for the benefit of the community of Muskingum County. The Foundation administers the funds of MCCF Limited (a limited liability company) and MCCF II LLC (a limited liability company). The Foundation is the sole member of both entities. MCCF Limited was formed in April 2002 and MCCF II LLC was formed in November 2004 to support the Foundation and its charitable purposes.

Principles of Consolidating and Method of Accounting

The consolidated financial statements are prepared on the accrual basis to include the Foundation, MCCF II LLC, and MCCF Limited. All intercompany accounts and transactions have been eliminated.

Net assets are classified as follows:

Unrestricted

May be used by The Muskingum County Community Foundation for any purpose consistent with the mission and objectives of the Foundation.

Temporarily Restricted

Funds established for the purpose of accumulating donations and related earnings to be spent for certain specified projects. These funds include, but are not limited to: the Violet & Ralph Hennessey Educational Scholarship Fund (\$115,407 net assets), restricted for the purpose of granting money to students attending any college, university, vocational school, or technical school within the State of Ohio for the furtherance of the students' education, the Muskingum County Community Foundation Temporary Fund (\$107,344 net assets), representing funds related to the charitable remainder annuity trusts (see Note 5) which are restricted due to the passage of time, the MCCF Limited Fund (\$151,698 net assets), which is restricted for payments of a life-time annuity to the donor, and the PURE Building Fund (\$246,677 net assets), which is restricted for the purchase of property and equipment for such facility. The remaining balance of \$788,317 consists of a number of smaller funds.

Permanently Restricted

Designated Endowment Funds whereby donors may establish a named endowment for a gift of \$5,000 or more for specific charitable entities or purposes. Funds may be used for a broad or specific area of need as designated by the donor. Grants are made by the Board in the names of the donors.

All realized and unrealized gains and losses are included in the change in unrestricted net assets unless the fund is temporarily or permanently restricted by the donor.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (Continued)

Unconditional promises to give (pledges) are recorded as received and are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support that increases that net asset class. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk free interest rates applicable to the years in which the promises are received to discount the amounts. Amortization of the discount is included in contribution revenues.

Donated Materials

Donated property, marketable securities, and other non-cash donations are recorded as contributions at their fair market value at the date of transfer.

In-Kind Services

Office space, newsletter printing costs and some legal and accounting services are furnished without charge and are accounted for as revenue and expense at fair market values as determined by comparable properties and services.

Cash and Cash Equivalents

For the purpose of these financial statements, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

Investments

Marketable debt and equity securities are stated at fair market values as determined at year-end. Alternative investments consist of an investment in the PA Stable Value Fund, Ltd., a limited liability company. The fund is structured as a multi-manager hedge fund-of-funds investment vehicle. Its principal investment objective is to achieve consistent, positive returns while reducing risk and volatility. The fund's capital is managed by experienced portfolio managers employing a variety of trading styles or strategies, including, but not limited to, convertible and fixed income arbitrage, merger or risk arbitrage and other event-driven investing, distressed and other high yield debt, long/short equity, multi-strategy and other market-neutral strategies. In implementing these strategies, the portfolio managers may acquire positions in a wide variety of securities and other financial instruments, including, but not limited to, common stocks, debt securities, convertible securities, commodities, futures and options. Because alternative investments are not readily marketable, their estimated fair value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such difference could be material.

Inventory

Inventory consists of certain donated works of art or other assets, which are displayed for auction to the public. The Foundation auctions these items to interested parties for a specified minimum contribution or during an annual fundraising event. Gift income is recognized at the time of donation in the amount of the fair market value of the donated asset. Additional gift income is recognized for amounts contributed in excess of the fair market value at the time of auction and auction expense is recognized for amounts contributed, which are less than the fair market value.

**THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Collections

The Foundation capitalizes its collections, which include a stained glass work of art, 14 framed paintings by local artists, various pottery artifacts and various other items. These pieces are held for exhibition to the public and are protected and preserved by the Foundation. It is the intent of the Foundation to hold these items indefinitely.

Property and Equipment

Purchased equipment is recorded at cost. Assets acquired through capitalized leasing arrangements are recorded at the lower of fair market value or present value of minimum required lease payments. Donated equipment is recorded as support at its estimated fair value at the time of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. As of December 31, 2007 and 2006, the Foundation did not have donated property, which was restricted for a specific purpose. Expenditures for replacements are capitalized and the replaced items are retired. Maintenance and repairs are charged to operations. Gains and losses from the sale of fixed assets are included in income. Depreciation is computed using principally the straight-line method over the useful lives of the assets:

Building and renovations	39 years
Leasehold improvements	15 years
Equipment	7 years
Furniture and fixtures	5 years
Computer software	5 years

Depreciation expense at December 31, 2007 and 2006 was \$22,859 and \$25,767, respectively.

Property and equipment includes a house donated to the Foundation in 1998. Subsequent renovations have been made to the house by the Foundation, as it is intended to serve as a historic/educational museum for the PURE Center.

Provision for Federal Income Tax

The Foundation was incorporated as a non-profit entity and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31 consist of the following:

	<u>2007</u>	<u>2006</u>
Cash on hand, checking and savings accounts	\$ 76,324	\$ 147,310
Cash management funds	1,081,923	1,306,147
	<u>\$ 1,158,247</u>	<u>\$ 1,453,457</u>

**THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

3. INVESTMENTS

Investments at December 31 consist of the following:

	<u>2007</u>		<u>Unrealized Appreciation (Depreciation)</u>
	<u>Cost</u>	<u>Market</u>	
Equities	\$ 9,650,359	\$ 11,143,086	\$ 1,492,727
Fixed income	4,013,338	4,000,845	(12,493)
Alternative investments	800,000	832,738	32,738
	<u>\$ 14,463,697</u>	<u>\$ 15,976,669</u>	<u>\$ 1,512,972</u>

	<u>2006</u>		<u>Unrealized Appreciation (Depreciation)</u>
	<u>Cost</u>	<u>Market</u>	
Equities	\$ 8,557,596	\$ 9,996,699	\$ 1,439,103
Fixed income	4,843,377	4,789,065	(54,312)
	<u>\$ 13,400,973</u>	<u>\$ 14,785,764</u>	<u>\$ 1,384,791</u>

The unrealized appreciation reported on the statement of activities is net of all fees.

4. PROMISES TO GIVE

Unconditional promises to give at December 31 are as follows:

	<u>2007</u>	<u>2006</u>
Receivable in less than one year	\$ 354,678	\$ 503,919
Receivable in one to five years at face value	78,750	117,850
Receivable in over five years at face value	10,125	20,375
Total unconditional promises to give at face value	443,553	642,144
Less: discount to net present value	(15,314)	(24,130)
Total unconditional promises to give at net present value	428,239	618,014
Less: allowances for uncollectible promises to give	(7,800)	(7,800)
Net unconditional promises to give at December 31	<u>\$ 420,439</u>	<u>\$ 610,214</u>

Discount rates on long-term promises to give range from 3.22% to 6.44% depending upon the year of origination.

**THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

5. CONTRIBUTIONS RECEIVABLE - CHARITABLE REMAINDER TRUSTS

Contributions receivable - charitable remainder trusts include \$422,110 (discounted to \$126,163 using fair market value of assets donated and a market discount rate) for the year ended December 31, 2007 from a unitrust and a charitable remainder annuity trust and \$369,755 (discounted to \$62,906) for the year ended December 31, 2006 from one unitrust. The unitrust agreement is irrevocable and transfers assets upon the death of the life beneficiary. The agreement specifies that a certain percentage of the net fair market value of the trust assets be paid in quarterly installments to the donor(s) from income and, to the extent income is insufficient, from principal. Any income in excess of the unitrust amount shall be added to the principal. The Foundation was notified late in 2007 that they were a named beneficiary of a charitable remainder annuity trust held by a third party trustee. The notification was made upon death of the donor. At that time, the approximate distribution from the trust was determined and recorded as a contribution receivable. The charitable remainder annuity trust is irrevocable and remaining trust assets are to be distributed upon death of the life beneficiary.

6. ANNUITY LIABILITY

The Foundation is the beneficiary of a charitable remainder trust, which specifies that an annual annuity payment of \$14,100 is to be made to the donors during their lifetime. Upon the death of the donors, the balance remaining in the trust will pass to the Foundation. This charitable remainder trust has been recorded at the present value of the expected future payments to be made to the donors. The present value as of December 31 is as follows:

	2007	2006
Total net present value	\$ 90,783	\$ 97,898
Current portion	14,100	14,100
Long-term portion	\$ 76,683	\$ 83,798

7. PREPAID EXPENSES

During 2004, the Foundation received via donation a building valued at \$297,000. The Foundation agreed to sell the building for \$75,000 and enter into a 20-year lease of the property. The lease was valued at \$222,000 and was determined to be a prepaid expense. The Foundation recognizes \$925 as rent expense monthly.

The Foundation has thus recorded a prepaid asset for the unamortized lease expense in the amount of \$186,850 and \$197,950 as of December 31, 2007 and 2006, respectively. The Foundation also has other miscellaneous prepaid expenses recorded in the amount of \$4,592 and \$3,798 as of December 31, 2007 and 2006, respectively.

**THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

8. PROPERTY AND EQUIPMENT

These assets consist of:

	2007	2006
Buildings and renovations	\$ 293,293	\$ 482,893
Land	304,345	47,400
Leasehold improvements	110,734	110,734
Office equipment	97,954	96,114
Furniture and fixtures	40,885	40,885
	847,211	778,026
Accumulated depreciation	(203,567)	(180,708)
	\$ 643,644	\$ 597,318

9. CASH SURRENDER VALUE - LIFE INSURANCE

The Foundation is the owner and beneficiary of various insurance policies given as contributions. The Foundation, in most cases, pays the premium and the donor reimburses the Foundation. Cash surrender values are determined at the end of the statement year and revenue is adjusted accordingly. For the years ended December 31, 2007 and 2006, cash surrender values increased by \$27,804 and \$18,914, respectively. The aggregate face values of the policies assigned to the Foundation are \$3,223,811 and \$2,109,327 at December 31, 2007 and 2006, respectively.

10. ADMINISTRATION FEES

The Foundation assesses administration fees to the various funds at a rate of 0.25% of the market value of invested assets at each quarter end, unless other terms are specified in the donor agreement.

11. CONCENTRATION OF ECONOMIC RISK

The Foundation invests its funds with local financial institutions. Other than funds needed for current operations, all funds are deposited with financial institution trust departments under various trust agreements and cash management arrangements. Monies are invested by the trust departments, subject to agreements and general guidelines, in cash management accounts, mutual funds, U.S. Treasury securities, agency issues of the United States government, corporate bonds, and corporate capital stock (foreign and domestic). Depository accounts are insured by the Federal Deposit Insurance Corporation up to a maximum of \$100,000 in aggregate. As of December 31, 2007, uninsured cash and investment balances totaled \$17,098,798.

12. SEGREGATED INVESTMENTS

Certain funds are required by donor and trust agreements to be invested and maintained separately in specific financial instruments or bank trust accounts. At December 31, 2007 and 2006, segregated funds include the Josephine Sebach Educational Fund assets with market values of \$1,518,578 and \$1,456,532, respectively, the Longaberger Quality of Life Endowment Fund assets with market values of \$974,412 and \$884,553, respectively, funds established from the estate assets of Mary Vashti Funk with market values of \$1,926,873 and \$1,835,575, respectively, funds established from the estate assets of Emmett J. France with market values of \$1,048,706 and \$1,024,190, respectively, the Sarah E. Slack Prevention of Blindness Foundation with market values of \$1,248,948 and \$1,200,955, respectively, and the Cerney Charitable Remainder Trust Annuity with market values of \$242,482 and \$252,267, respectively. These funds included cash and cash equivalents of \$309,769 and \$265,606 at December 31, 2007 and 2006, respectively.

**THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

13. NON-CASH INVESTING AND FINANCING ACTIVITIES

The Foundation had the following non-cash investing and financing transactions for the years ended December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Donated securities	\$ 71,746	\$ 16,117
Donated collections	1,000	488
Donated inventory	27,196	31,301
Donated life insurance policies	38,879	7,575
Donated property	-	237,000
	<u>\$ 138,821</u>	<u>\$ 292,481</u>

During 2006, the Foundation also entered into a capital lease agreement for a copier with a value of \$14,291.

14. TAX-DEFERRED ANNUITY

The Foundation has a 403(b) tax-deferred annuity contract available to all employees. Employees may contribute any amount up to certain maximum limits allowable as specified in the Internal Revenue Code. The Foundation matches employee contributions up to 4% of eligible compensation. Amounts withheld from employees' salaries and matching employer contributions are deposited into a tax-deferred annuity account purchased by the Foundation and maintained by Northwestern Mutual Life. The Foundation contributed \$8,074 and \$6,808 to the plan at December 31, 2007 and 2006, respectively.

15. CAPITAL LEASE

The Foundation entered into a capital lease for office equipment with a term of four years, which expires in September 2010 and with no interest. The asset is being depreciated over the term of the lease and depreciation of the asset under capital lease is included in depreciation expense for 2007. The following is a summary of the property held under capital lease, which is included in property and equipment in the financial statements:

	<u>2007</u>
Office equipment	\$ 14,291
Accumulated depreciation	(3,573)
	<u>\$ 10,718</u>

Future minimum lease payments under this capital lease, including the present value of minimum lease payments, subsequent to December 31, 2007 are as follows:

2008	\$ 3,573
2009	3,573
2010	<u>2,679</u>
Total minimum lease payments	9,825
Amount representing interest	-
Present value of net minimum lease payments	<u>9,825</u>
Current portion	(3,573)
Long-term portion	<u>\$ 6,252</u>

**THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

16. OPERATING LEASES

The Foundation leases its offices from a non-profit organization. The term of the lease is 20 years and can be automatically renewed for an additional 20-year term upon notification to the lessor at least one year prior to the expiration of the primary term. The Foundation is required to set aside \$500 per month to provide for maintenance and repairs of the building. If this fund reaches \$6,000 of unneeded and uncommitted funds, the monthly set aside may cease as long as the sum of \$6,000 is maintained in the account. The Foundation recognizes the fair value of building rent in the amount of \$60,000 annually as an in-kind contribution and corresponding rental expense.

The Foundation leases a portion of their office space to two other organizations through an in-kind contribution. The contribution amounted to \$14,167 and \$15,000 for the years ended December 31, 2007 and 2006, respectively.

17. AGENCY FUNDS

During 2000, the Foundation adopted Statement of Financial Accounting Standard No. 136, Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others ("FAS 136"). 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. FAS 136 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 FAS 136, 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, 2007, the Foundation was the owner of 20 agency endowment funds with a combined value of \$820,404 and 20 agency endowment funds with a combined value of \$802,943 at December 31, 2006. The following table summarizes activity in such funds during the year then ended:

	2007	2006
Agency Endowment Fund balances at January 1	\$ 802,943	\$ 730,363
Amounts raised	14,268	24,683
Investment income, net of administrative and bank fees	10,533	9,009
Unrealized and realized investment gains	43,052	46,780
Grants	(50,392)	(7,892)
Agency Endowment Fund balances at December 31	\$ 820,404	\$ 802,943

**THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

18. NET ASSET TRANSFER

During the year ended December 31, 2007, the Foundation implemented a new spending policy to determine the amount of grantmaking dollars available each year. The spending policy related to trusts was modified to calculate the "current year's" grantmaking dollars by a formula based upon the market performance of the investments over the previous 12 quarters. The Board of Trustees now allows the Foundation to include previously restricted realized and unrealized gains in amounts available to spend as long as the historical principal portion of the restricted endowment is maintained. The Foundation transferred \$233,290 of permanently restricted net assets and \$18,296 of unrestricted net assets to temporarily restricted net assets due to the implementation of the initial spending policy. The remaining transfers of \$65,646 out of temporarily restricted net assets to permanently restricted net assets (\$540) and unrestricted net assets (\$65,106) was to comply with donor instructions and requests.

Subsequent to year-end, the Foundation was reconciling the original historical gift value of all endowed funds subject to the new spending policy and noted that five funds had a fund balance below the historical gift value. This was due to declining markets for the invested assets of these particular funds. The beneficiaries receiving grant monies from these funds were notified that, until the fund balance exceeds the historical gift value, only interest and dividends earned less expenses paid are available for distribution as in accordance with the previous spending policy of the Foundation.

During the year ended December 31, 2006, the Foundation transferred \$77,701 of temporarily restricted net assets and \$166,228 of permanently restricted net assets to unrestricted net assets, in order to comply with donor instructions and requests.

19. GEAR UP GRANT

During the year ended December 31, 2005, the Foundation was awarded a Gear Up Grant. The grant program is designed to increase the number of low-income students who are prepared to enter and succeed in postsecondary education. The grant provides six-year grants to states and partnerships to provide services at high-poverty middle and high schools. During 2007 and 2006, the Foundation received \$246,300 and \$245,700, respectively from the grant. The total expected to be received through the grant is \$1.6 million. The grant document specifies that monies remaining unspent at the end of the grant period must be repaid. As of December 31, 2007 and 2006, \$167,348 and \$73,263, respectively, of deferred revenue was recorded relating to the unspent balance.

20. FINANCIAL STATEMENT PRESENTATION

Certain amounts in the financial statements for the year ended December 31, 2006 have been reclassified to conform to the financial statements for the year ended December 31, 2007. These reclassifications had no effect on net income as previously reported.

21. SUBSEQUENT EVENT

Subsequent to year-end and prior to issuance of these financial statements, the Foundation purchased Armco Park in Muskingum County for \$475,000. Title to the property is held by MCCF II LLC. The Foundation has a signed lease agreement from the Muskingum Family YMCA to operate the park for a year for its summer programming operations.



Norman Jones Enlow & Co.

Certified Public Accountants
& Management Consultants

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

**To the Board of Trustees
The Muskingum County Community Foundation and Affiliate
534 Putnam Avenue
Zanesville, Ohio 43701**

Our report on our audits of the basic consolidated financial statements of The Muskingum County Community Foundation for 2007 and 2006 appears on page 1. The audits are made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying schedules of expenses and graphs on pages 15 through 20 are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

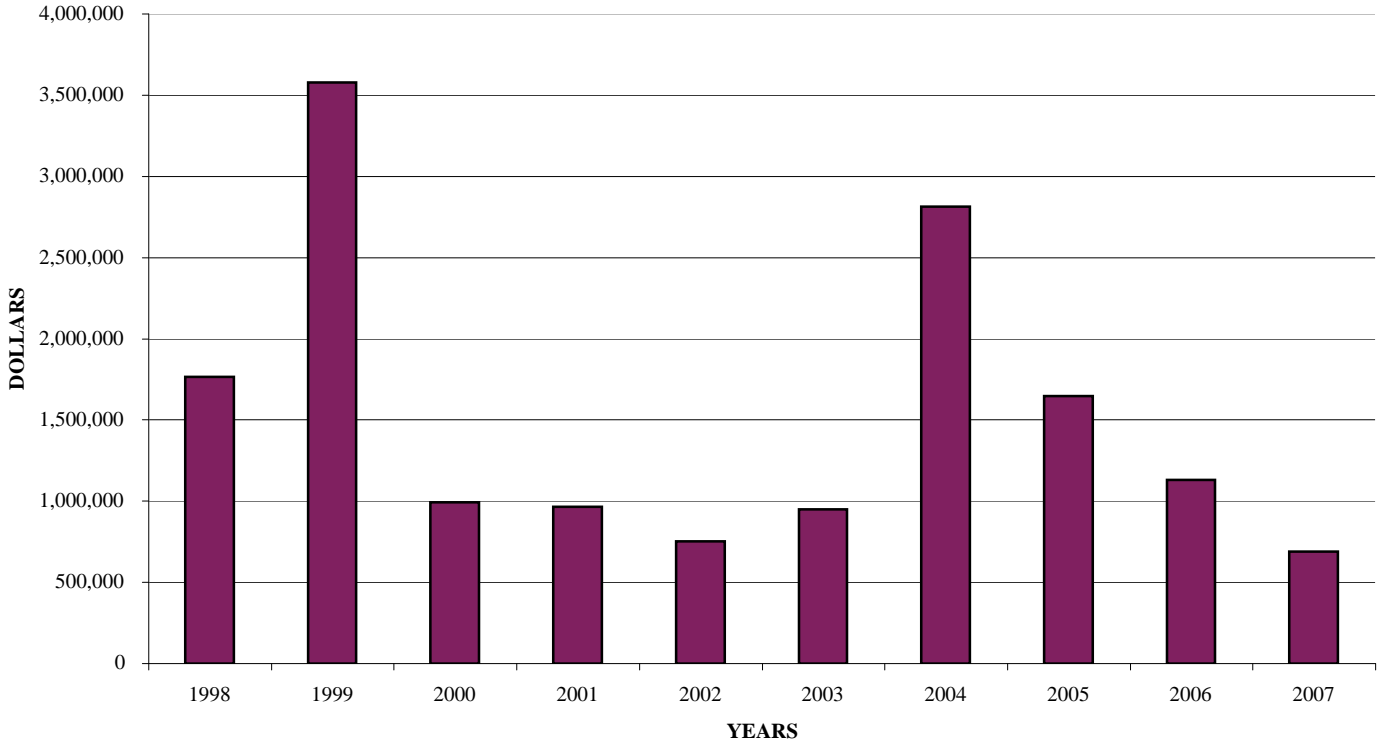
Norman Jones Enlow & Co.
Zanesville, Ohio
April 7, 2008

THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATE
CONSOLIDATED SCHEDULES OF EXPENSES
Years Ended December 31, 2007 and 2006

	2007	2006
FUNCTIONAL EXPENSE		
Grants to others	\$ 583,471	\$ 433,138
Life insurance premium expense	21,358	6,838
Miscellaneous fund expense	8,298	4,494
	613,127	444,470
INVESTMENT AND TRUST EXPENSE		
Foundation administration fees	151,643	134,224
Bank fiduciary fees	5	25
Investment management fees	112,211	121,820
Foreign tax on investments	-	6
	263,859	256,075
OPERATING EXPENSE		
Salaries and wages	241,237	226,043
Contracted services	28,430	18,147
Payroll taxes	20,042	17,492
Workers' compensation	312	332
Health insurance	5,090	4,369
Disability insurance	1,874	1,700
Life insurance - employees	1,510	1,267
403-B employer match	8,074	6,808
Employee expense reimbursement	4,737	3,598
Audit fees	15,950	14,950
State filing fees	200	200
Legal fees	815	7,683
Special project expense	55,313	41,450
Office supplies	9,101	6,482
Custodial expenses	5,948	7,758
Telephone	6,414	6,076
Utilities	4,878	4,259
Postage and shipping	2,838	2,596
Director/officer insurance	1,668	2,071
Business insurance	1,107	1,826
Commercial crime bond insurance	449	449
Dues and subscriptions	2,279	2,114
Public relations	22,239	2,515
Meetings and conferences	13,068	12,141
Printing/publications	-	698
In-kind rent (office)	45,833	45,000
Rent expense	11,100	11,100
Equipment rental and maintenance	10,068	8,555
Depreciation expense	22,859	25,767
Bad debt expense	-	12
Miscellaneous expense	32	103
	543,465	483,561
FUNDRAISING EXPENSE		
Auction expense	13,693	6,588
Event expense	33,379	22,715
Award banquet	8,227	6,348
	55,299	35,651
	\$ 1,475,750	\$ 1,219,757

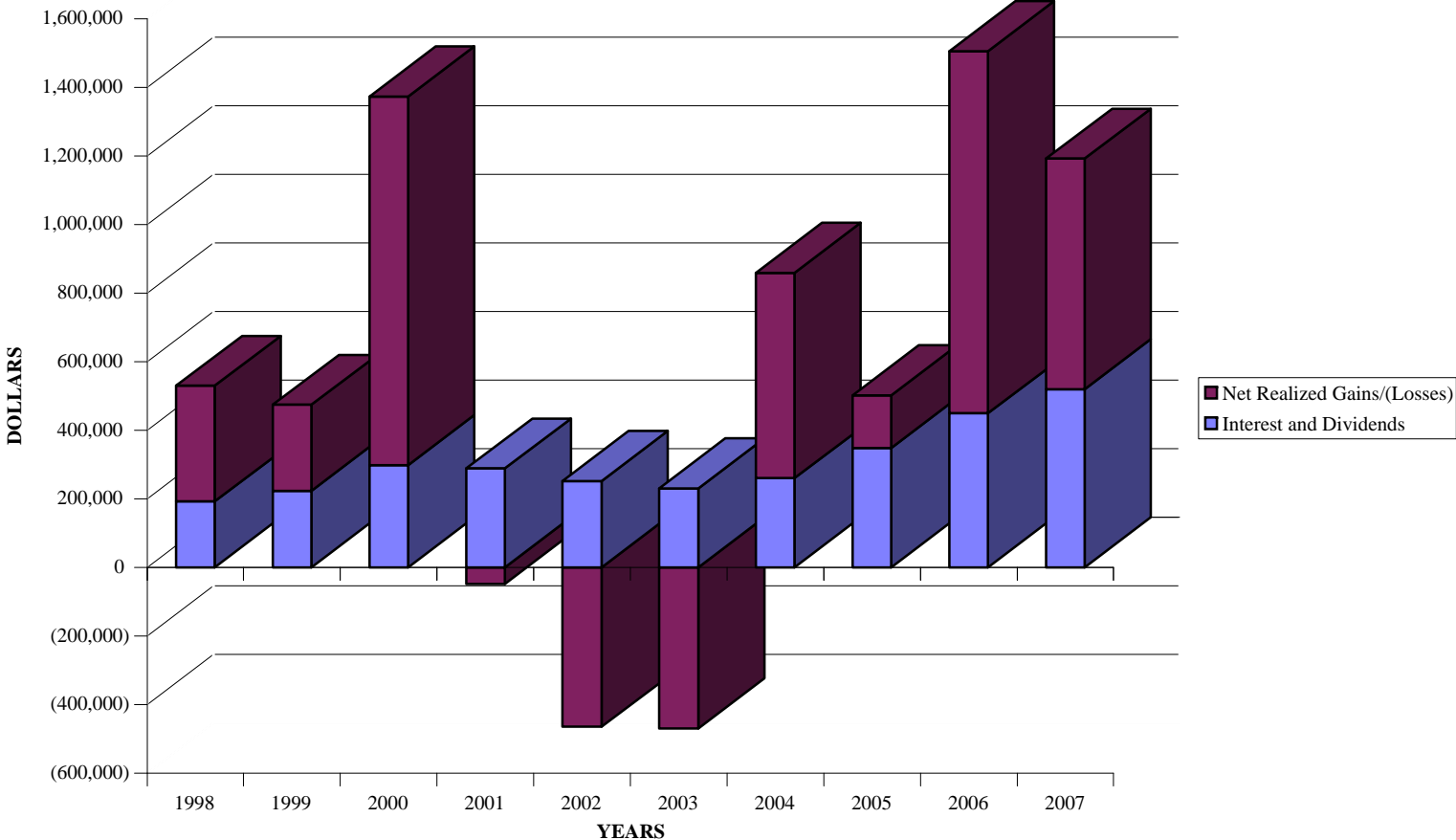
See independent auditors' report on supplementary information.

**THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATE
CONTRIBUTIONS
Years Ended December 31,**



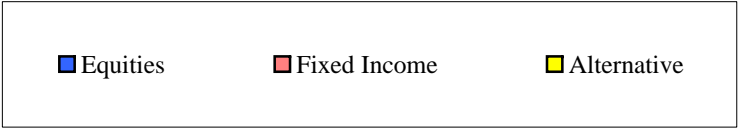
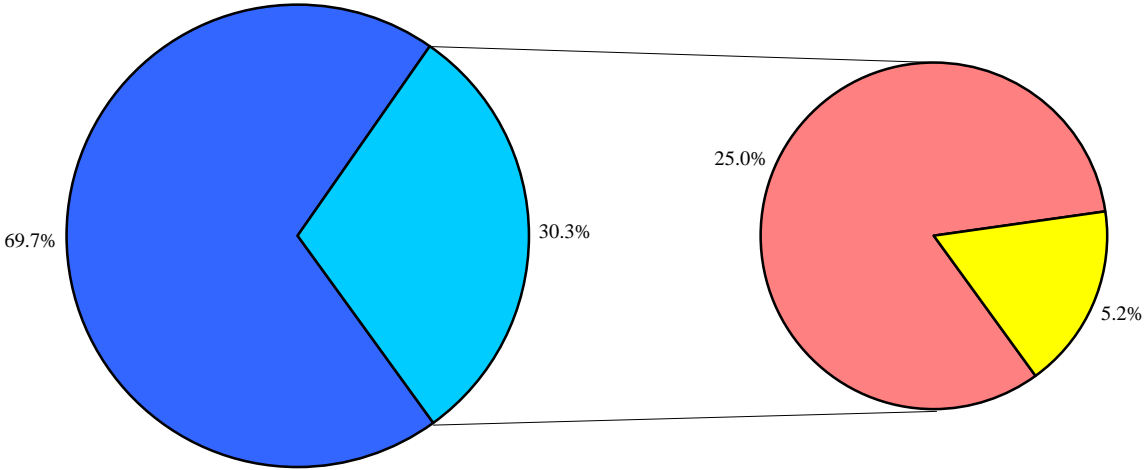
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**THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATE
INVESTMENT INCOME
Years Ended December 31,**



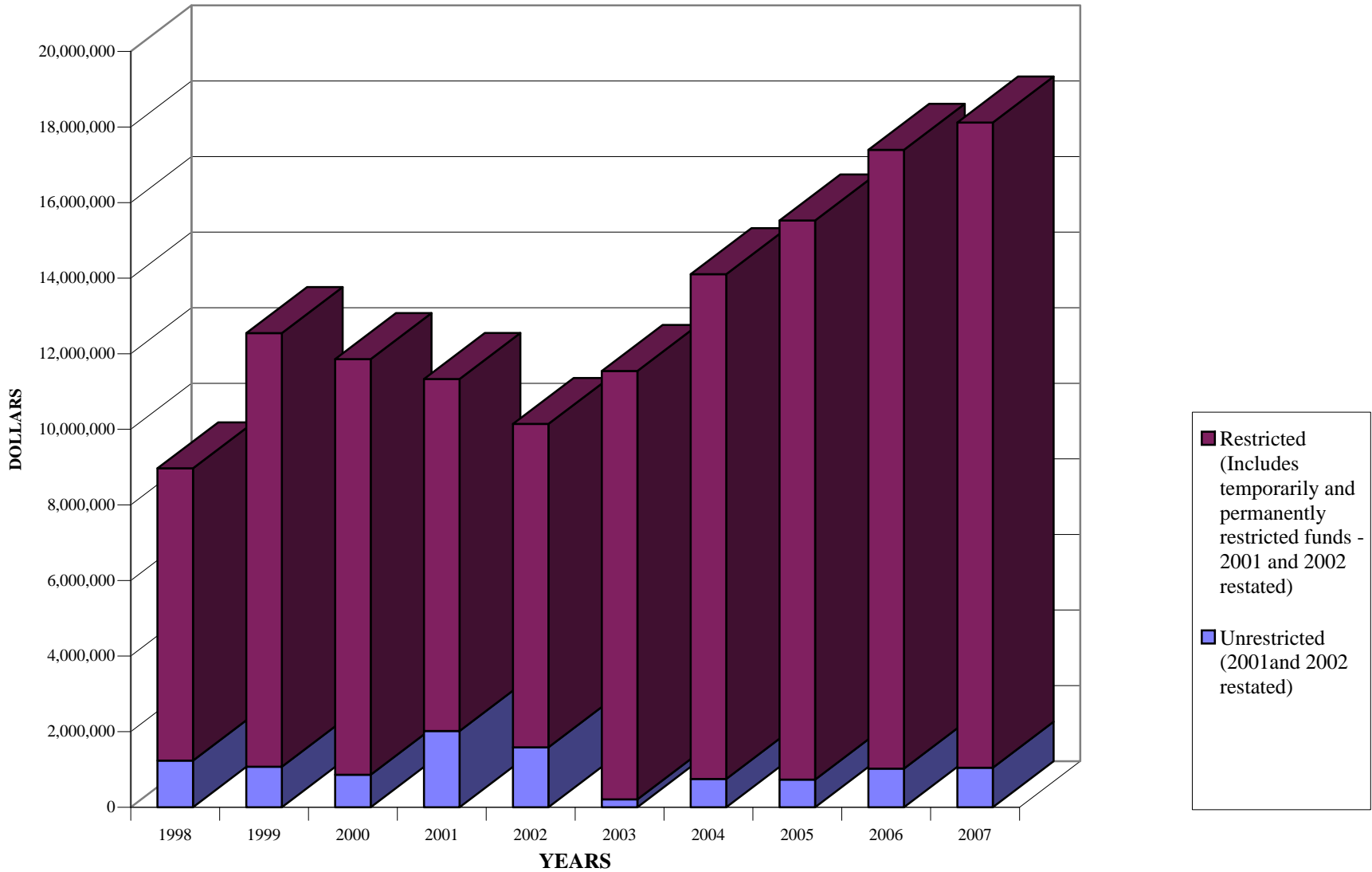
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**THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATE
INVESTMENTS (COMPOSITION - AT MARKET)
Year Ended December 31, 2007**



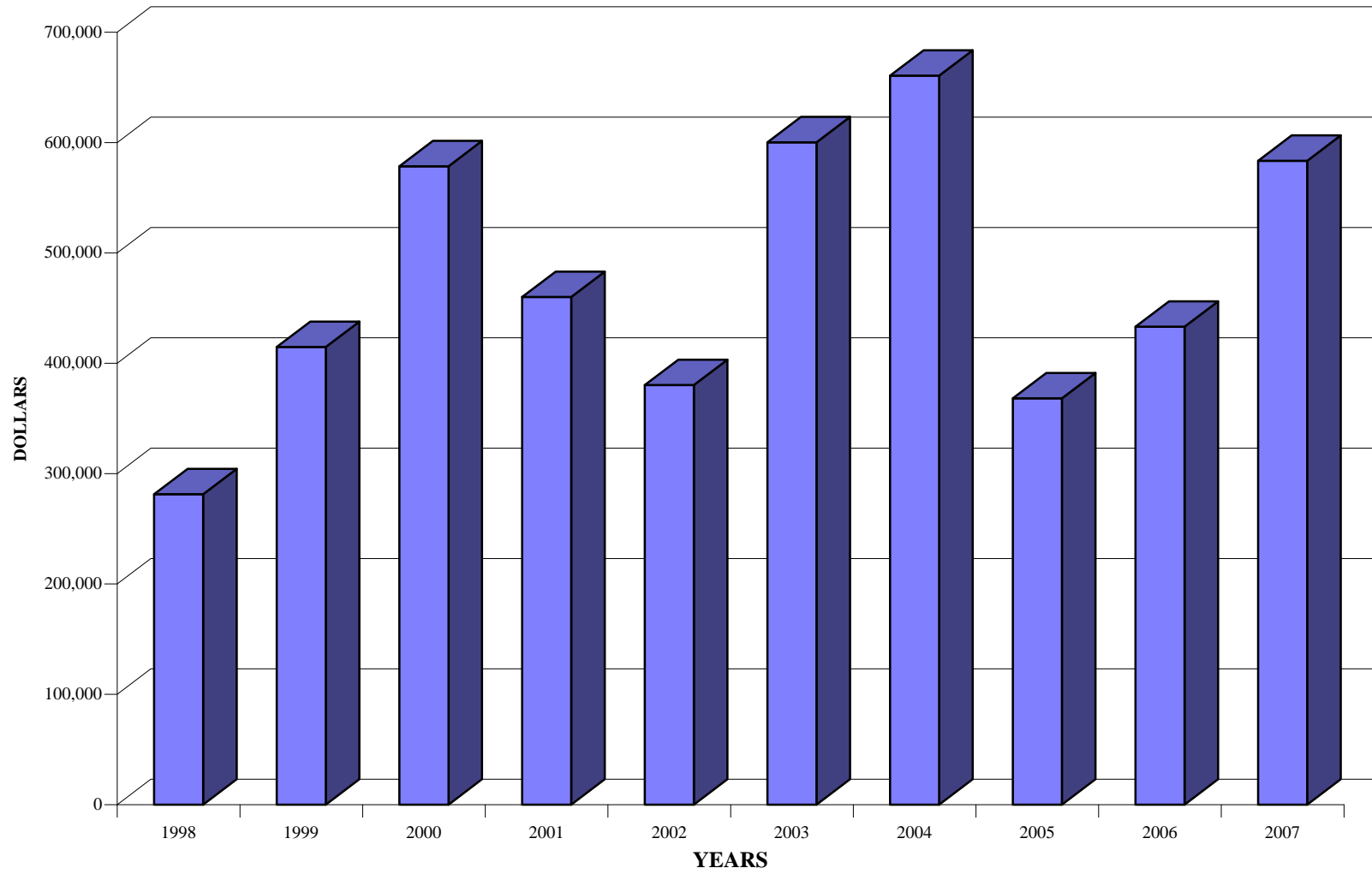
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**THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATE
NET ASSETS
Years Ended December 31,**



See independent auditors' report on supplementary information.

**THE MUSKINGUM COUNTY COMMUNITY FOUNDATION AND AFFILIATE
GRANTS
Years Ended December 31,**



See independent auditors' report on supplementary information.