

**STARK COMMUNITY FOUNDATION,
THE HENRY AND LOUISE TIMKEN
FOUNDATION, UNITED WAY OF GREATER
STARK COUNTY FOUNDATION, THE WILLIAM
AND MINNETTE GOLDSMITH FOUNDATION,
HEALTH FOUNDATION OF GREATER
MASSILLON, NEWMARKET PROJECT, INC.
AND SCF DEVELOPMENT, LTD.**

COMBINED FINANCIAL REPORT

DECEMBER 31, 2017 and 2016

STARK COMMUNITY FOUNDATION,
THE HENRY AND LOUISE TIMKEN FOUNDATION,
UNITED WAY OF GREATER STARK COUNTY FOUNDATION,
THE WILLIAM AND MINNETTE GOLDSMITH FOUNDATION,
HEALTH FOUNDATION OF GREATER MASSILLON,
NEWMARKET PROJECT, INC. AND SCF DEVELOPMENT, LTD.

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Independent Auditors' Report

Distribution Committee and Board of Directors
Stark Community Foundation, The Henry and Louise
Timken Foundation, United Way of Greater Stark County
Foundation, The William and Minnette Goldsmith
Foundation, Health Foundation of Greater Massillon,
Newmarket Project, Inc. and SCF Development, Ltd.
Canton, Ohio

We have audited the accompanying combined financial statements of Stark Community Foundation, The Henry and Louise Timken Foundation, United Way of Greater Stark County Foundation, The William and Minnette Goldsmith Foundation, Health Foundation of Greater Massillon, (collectively referred to as "Foundations"), Newmarket Project, Inc. ("Corporation"), and SCF Development, Ltd. ("Partnership"), which comprise the combined statements of financial position as of December 31, 2017 and 2016, and the related combined statements of activities, functional expenses, and cash flows 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 combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of

the combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Stark Community Foundation, The Henry and Louise Timken Foundation, United Way of Greater Stark County Foundation, The William and Minnette Goldsmith Foundation, Health Foundation of Greater Massillon, Newmarket Project, Inc., and SCF Development, Ltd. as of December 31, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplementary information on pages 23 to 25 is presented for purposes of additional analysis of the financial statements rather than to present the financial position and results of operations of the individual entities, and it is not a required part of the combined financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information on pages 23 to 25 is fairly stated in all material respects in relation to the combined financial statements as a whole.

Meloney + Novotny LLC

Canton, Ohio
July 26, 2018

STARK COMMUNITY FOUNDATION,
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 HEALTH FOUNDATION OF GREATER MASSILLON,
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Combined Statements of Financial Position

	December 31,	
	2017	2016
Assets		
Cash and cash equivalents	\$ 1,055,549	\$ 1,196,667
Interest and dividends receivable	275,228	77,006
Notes and loans receivable, less allowances of \$68,716 in 2017 and \$210,042 in 2016	2,519,942	1,454,454
Contributions receivable, net	5,328,943	411,049
Prepaid expenses	15,940	-
Investments	266,129,689	232,668,858
 Property and equipment:		
Land, building and improvements	1,884,247	1,884,247
Furniture and office equipment	124,944	140,969
	2,009,191	2,025,216
Less allowance for depreciation	463,061	422,089
	1,546,130	1,603,127
 Other assets	5,609,957	1,883,020
	\$ 282,481,378	\$ 239,294,181
 Total assets	\$ 282,481,378	\$ 239,294,181

The accompanying notes are an integral part of these financial statements.

STARK COMMUNITY FOUNDATION,
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Combined Statements of Financial Position

	December 31,	
	2017	2016
Liabilities, net assets, and member's (deficit)		
Liabilities:		
Accounts payable and accrued expenses	\$ 35,136	\$ 38,436
Liability to annuitants	2,859,898	2,905,059
Grants payable	1,678,494	2,289,116
Interest rate swap liability	7,002	33,227
Note payable	2,154,631	2,239,183
Funds held as agency endowments	80,337,837	69,689,098
	87,072,998	77,194,119
Unrestricted net assets (See Note B):		
General purpose	33,051,679	29,490,792
Field of interest	49,740,929	44,536,877
Donor advised	51,878,766	41,020,513
Designated	45,598,210	33,739,696
Supporting and affiliated organizations	18,798,271	16,935,496
	199,067,855	165,723,374
Member's (deficit)	(3,659,475)	(3,623,312)
Total net assets and member's (deficit)	195,408,380	162,100,062
Total liabilities, net assets, and member's (deficit)	\$ 282,481,378	\$ 239,294,181

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Combined Statements of Activities

	Years ended December 31,	
	2017	2016
Revenues and investment activity		
Total contributions	\$ 19,707,960	\$ 17,233,390
Less: amounts received for agency transactions	3,272,290	5,549,744
Net contributions	16,435,670	11,683,646
Investment income	3,080,844	2,657,332
Less: investment income for agency transactions	574,268	449,807
Net investment income	2,506,576	2,207,525
Rental income	146,495	120,113
Other income	128,906	74,576
Less: other income for agency transactions	15	-
Net other income	128,891	74,576
Total net realized and unrealized investment gains	32,714,594	14,707,331
Less: investment gains on agency transactions	9,963,827	4,416,399
Net realized and unrealized investment gains	22,750,767	10,290,932
Total revenues and investment activity	41,968,399	24,376,792
Expenses		
Total grants	9,696,926	13,219,700
Less: grants made from agency transactions	3,029,920	2,526,597
Net grants expense	6,667,006	10,693,103
Depreciation and amortization	46,996	54,231
Provision for uncollectible contributions and loans	18,065	(163,508)
Less: provision on uncollectible agency loans	131,769	-
Net provision for uncollectible contributions and loans	(113,704)	(163,508)
Other expenses	2,059,755	1,823,901
Less: other expenses from agency transactions	(28)	61
Net other expenses	2,059,783	1,823,840
Total expenses	8,660,081	12,407,666
Change in net assets and member's (deficit)	33,308,318	11,969,126
Unrestricted net assets and member's (deficit) at beginning of year	162,100,062	150,101,706
Effect of interest rate swap on accumulated other comprehensive loss	-	29,230
Unrestricted net assets and member's (deficit) at end of year	\$ 195,408,380	\$ 162,100,062

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Combined Statement of Functional Expenses

Year Ended December 31, 2017

	<u>Program Services</u>	<u>Management & General</u>	<u>Fund- raising</u>	<u>Total</u>
Functional Expenses				
Grant expenditures	\$ 6,667,006	\$ -	\$ -	\$ 6,667,006
Salaries and wages	463,612	395,073	215,938	1,074,623
401(k) contributions and fees	16,189	15,043	8,325	39,557
Employee benefits	37,855	35,178	19,467	92,500
Payroll taxes	28,838	26,798	14,830	70,466
Professional fees	3,617	56,255	1,166	61,038
Trustee bank and investment management fees	-	1,317,328	-	1,317,328
Payroll fees	1,237	1,149	636	3,022
Advertising and promotion	-	-	185,572	185,572
Office expenses	25,855	22,301	10,689	58,845
Information technology	51,107	47,491	26,280	124,878
Occupancy	5,247	93,699	2,222	101,168
Travel	1,448	1,345	745	3,538
Conferences and meetings	10,250	7,518	3,680	21,448
Interest	-	61,535	-	61,535
Depreciation	19,233	17,873	9,890	46,996
Insurance	7,425	10,345	2,807	20,577
Life insurance premiums	-	45,056	-	45,056
Dues and subscriptions	-	26,053	-	26,053
Fund expenses	17,706	-	-	17,706
Initiatives	22,009	-	-	22,009
Other	6,086	19,064	5,042	30,192
Provision for uncollectible loans and contributions	-	(113,704)	-	(113,704)
Total expenses	<u>7,384,720</u>	<u>2,085,400</u>	<u>507,289</u>	<u>9,977,409</u>
Less expenses included with revenues on the combined statements of activities	<u>-</u>	<u>(1,317,328)</u>	<u>-</u>	<u>(1,317,328)</u>
Total expenses included in the expense section on the combined statements of activities	<u>\$ 7,384,720</u>	<u>\$ 768,072</u>	<u>\$ 507,289</u>	<u>\$ 8,660,081</u>

STARK COMMUNITY FOUNDATION,
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NEWMARKET PROJECT, INC. AND SCF DEVELOPMENT, LTD.

Combined Statement of Functional Expenses

Year Ended December 31, 2016

	<u>Program Services</u>	<u>Management & General</u>	<u>Fund- raising</u>	<u>Total</u>
Functional Expenses				
Grant expenditures	\$ 10,693,103	\$ -	\$ -	\$ 10,693,103
Salaries and wages	310,039	350,149	290,068	950,256
401(k) contributions and fees	13,455	14,631	12,589	40,675
Employee benefits	28,206	30,670	26,390	85,266
Payroll taxes	20,686	23,596	19,354	63,636
Professional fees	-	51,165	10,842	62,007
Trustee bank and investment management fees	-	1,197,202	-	1,197,202
Payroll fees	1,107	1,203	1,035	3,345
Advertising and promotion	-	-	176,662	176,662
Office expenses	14,052	16,877	13,146	44,075
Information technology	16,479	17,918	15,418	49,815
Occupancy	2,051	75,825	1,919	79,795
Travel	3,972	4,319	3,717	12,008
Conferences and meetings	6,171	8,150	5,773	20,094
Interest	-	91,322	-	91,322
Depreciation	17,939	19,508	16,784	54,231
Insurance	4,020	8,110	3,762	15,892
Life insurance premiums	-	42,668	-	42,668
Dues and subscriptions	-	25,365	-	25,365
Fund expenses	21,961	-	-	21,961
Initiatives	17,468	-	-	17,468
Other	-	19,024	2,506	21,530
Provision for uncollectible loans and contributions	-	(163,508)	-	(163,508)
Total expenses	<u>11,170,709</u>	<u>1,834,194</u>	<u>599,965</u>	<u>13,604,868</u>
Less expenses included with revenues on the combined statements of activities	<u>-</u>	<u>(1,197,202)</u>	<u>-</u>	<u>(1,197,202)</u>
Total expenses included in the expense section on the combined statements of activities	<u>\$ 11,170,709</u>	<u>\$ 636,992</u>	<u>\$ 599,965</u>	<u>\$ 12,407,666</u>

STARK COMMUNITY FOUNDATION,
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NEWMARKET PROJECT, INC. AND SCF DEVELOPMENT, LTD.

Combined Statements of Cash Flows

	Years ended December 31,	
	2017	2016
Operating activities		
Change in net assets and member's (deficit)	\$ 33,308,318	\$ 11,969,126
Adjustments to reconcile change in net assets and member's (deficit) to net cash provided by operating activities:		
Depreciation and amortization	46,996	54,231
Provision for uncollectible contributions and loans	(113,704)	(163,508)
Interest rate swap mark-to-market	(26,225)	-
Contribution of investments	(4,023,166)	(7,626,599)
Loss on disposal of property and equipment	10,001	-
Net realized and unrealized investment (gains)	(22,750,767)	(10,290,932)
Changes in operating assets and liabilities:		
Interest and dividends receivable	(198,222)	1,757,784
Contributions receivable	(4,945,516)	858,772
Prepaid expenses	(15,940)	-
Other assets	(3,762,241)	(598,140)
Accounts payable and accrued expenses	(3,300)	5,956
Grants payable	(610,622)	(581,173)
Funds held as agency endowments	10,648,739	7,889,292
Net cash provided by operating activities	7,564,351	3,274,809
Investing activities		
Purchases of property and equipment	-	(12,457)
(Increase) decrease in notes and loans receivable	(924,162)	212,314
Proceeds from sale of investments	34,327,880	34,540,777
Purchases of investments	(40,979,474)	(38,356,386)
Net cash (used) by investing activities	(7,575,756)	(3,615,752)
Financing activities		
Change in liability to annuitants	(45,161)	(128,237)
Payments on note payable	(84,552)	(81,160)
Net cash (used) by financing activities	(129,713)	(209,397)
Net (decrease) in cash and cash equivalents	(141,118)	(550,340)
Cash and cash equivalents at beginning of year	1,196,667	1,747,007
Cash and cash equivalents at end of year	\$ 1,055,549	\$ 1,196,667
Supplemental Disclosure of Non-Cash Activities		
Change in interest rate swap liability	\$ -	\$ (29,230)

The accompanying notes are an integral part of these financial statements.

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NEWMARKET PROJECT, INC. AND SCF DEVELOPMENT, LTD.

NOTES TO COMBINED FINANCIAL STATEMENTS

Organization and Summary of Significant Accounting Policies

A. Organization and Principles of Combination

The accompanying combined financial statements include the accounts of Stark Community Foundation, a community trust, and Stark Community Foundation, Inc., a charitable corporation, (referred to on a combined basis as "Stark Community Foundation"); The Henry and Louise Timken Foundation, United Way of Greater Stark County Foundation, The William and Minnette Goldsmith Foundation, Health Foundation of Greater Massillon, (collectively referred to as "Foundations"), Newmarket Project, Inc. ("Corporation") and SCF Development, Ltd. ("Partnership").

The mission of Stark Community Foundation is to support programs and services that enrich our community, while connecting people and the charitable causes which are important to them.

The Henry and Louise Timken Foundation, The William and Minnette Goldsmith Foundation, and Health Foundation of Greater Massillon are organized as supporting organizations of Stark Community Foundation under Section 509(a)(3) of the Internal Revenue Code and operate exclusively for the charitable and educational purposes of Stark Community Foundation. The United Way of Greater Stark County Foundation had been organized as a supporting organization of Stark Community Foundation under Section 509(a)(3) of the Internal Revenue Code and operated to benefit Stark County through fundraising, grant making and community service activities. As of November 2016, the United Way of Greater Stark County Foundation was dissolved and its assets were reflected as a grant to United Way of Greater Stark County, Inc., an unrelated organization. The United Way of Greater Stark County, Inc. then invested the funds with Stark Community Foundation, Inc. as an agency endowment.

Newmarket Project, Inc. is a corporation which engages in the purchase, rental and sale of real property to enhance the rehabilitation of downtown Canton, Ohio. Stark Community Foundation is the sole member of Newmarket Project, Inc. and is empowered to receive contributions and hold investments for the Corporation.

SCF Development, Ltd. was originally organized as a for-profit limited liability company which was formed to purchase, renovate, and oversee the rental of the historic St. Edward Hotel in downtown Canton. Stark Community Foundation owns 100% of SCF Development, Ltd. During 2017, SCF Development amended its articles of incorporation to become a non-profit limited liability company.

All significant intercompany accounts and transactions have been eliminated in the combination.

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

Organization and Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

Accounting standards provide that not-for-profit organizations, including foundations, should classify net assets into categories based on the existence or absence of donor-imposed restrictions. These categories are defined as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions. Use of unrestricted net assets may be board designated for specific purposes. Unrestricted net assets are presented in the following categories:

General purpose funds – Funds from donors who want the Board of Directors to use their discretion to make charitable grants to nonprofits that meet the changing needs of the community.

Field of interest funds – Funds which require the Board of Directors to make charitable grants to nonprofit agencies within a broad area defined by the donor.

Donor advised funds – Funds which enable donors to recommend grants to the Board of Directors for organizations and causes that they wish to support.

Designated funds – Funds for specific charitable organizations as designated by the Board of Directors of Stark Community Foundation to receive annual grant income from a fund.

Supporting and affiliated organizations – Funds are managed by the supporting organizations, which include The Henry and Louise Timken Foundation, The William and Minnette Goldsmith Foundation, and Health Foundation of Greater Massillon, and an affiliated organization, Newmarket Project, Inc. United Way of Greater Stark County Foundation was a supporting organization until November 2016 when it was dissolved.

Temporarily-restricted net assets – Net assets whose use is limited by donor-imposed stipulations that can be fulfilled by action of the Foundations and/or the passage of time. There were no temporarily-restricted net assets at December 31, 2017 and 2016.

Permanently-restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently. There were no permanently-restricted net assets at December 31, 2017 and 2016.

Because the donor agreements reference the governing documents of the Foundations, which provide for the invasion of principal at the discretion of the Distribution Committee and Board of Directors, all of the Foundations' current donated funds are considered unrestricted.

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

Organization and Summary of Significant Accounting Policies (continued)

C. Cash and Cash Equivalents

Cash and cash equivalents consist primarily of checking accounts and short-term, highly liquid investments with a maturity of three months or less when purchased, excluding cash equivalent funds held in the Foundations' investment portfolio.

D. Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their future cash flows. The discounts on those amounts are computed using risk-free interest rates, and amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as contributions receivable until the conditions are met.

E. Investments

Investments in securities and other assets are reported at fair value. Securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the year. Securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at fair value based upon the most recently reported bid prices.

F. Alternative Investments

In order to enhance portfolio results, Stark Community Foundation's investment policy statement has a target of 28% of the total investment portfolio for alternative investment strategies, including hedge funds, private equity, managed futures, commodities, and real estate. The Foundations' current alternative investments include absolute return hedge funds, hedged equity, real estate commodities, and private equity. These investments are made with the intention of raising portfolio returns and/or lowering total volatility. In most cases, these investments are implemented via limited partnerships. These investments may not be traded on a national security exchange and are valued based on reports provided by investment managers and the audited financial statements of the funds. The Foundations obtain and consider the audited financial statements of such investments when evaluating the overall reasonableness of carrying value. The Foundations believe this method

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

Organization and Summary of Significant Accounting Policies (continued)

F. Alternative Investments (continued)

provides a reasonable estimate of fair value. However, the recorded value may differ from market value had a readily available market existed for such investments, and those differences could be material.

G. Realized and Unrealized Gains/Losses

Realized and unrealized gains/losses are determined by comparison of the market value at the preceding period to net proceeds received at the time of disposal or changes in the difference between market values between periods, respectively.

H. Investment Income

Investment income is shown net of trustee bank and investment management fees of \$1,317,328 and \$1,197,202 for the years ended December 31, 2017 and 2016, respectively.

I. Property and Equipment

Property and equipment is recorded at the lower of cost or fair value as determined by the trustee banks or management of the Foundations, Corporation or Partnership. Expenditures for maintenance and repairs are expensed as incurred, while expenditures for additions and improvements are generally capitalized. Depreciation is recorded on the straight-line basis over the estimated useful life of the asset.

Management reviews the investment in property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. If the property and equipment is considered impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the property and equipment exceeds the fair value of such property. There were no impairment losses recognized for the years ended December 31, 2017 and 2016.

J. Other Assets

Other assets include an investment in the Stark Board of Trade, LLC, a beneficial interest in trust held by a third party and certain other investments.

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

Organization and Summary of Significant Accounting Policies (continued)

K. Funds Held as Agency Endowments

Accounting standards provide guidance for transactions in which a donor transfers assets to a not-for-profit organization that accepts the assets from the donor and agrees to transfer those assets, the return on investment, or both, to a donor or another entity specified by the donor. Pursuant to these standards, certain agency endowment funds received by Stark Community Foundation are considered liabilities, rather than net assets of Stark Community Foundation.

L. Income Taxes

Stark Community Foundation, The Henry and Louise Timken Foundation, United Way of Greater Stark County Foundation, The William and Minnette Goldsmith Foundation, and Health Foundation of Greater Massillon qualify as organizations exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code. Health Foundation of Greater Massillon is currently a private foundation under Section 509(a), but is terminating this status through Section 507(b)(1)(B) through December 31, 2021 to become a public charity under Section 509(a)(3). Newmarket Project, Inc. is exempt from federal income taxes under Section 501(c)(2) of the Internal Revenue Code. SCF Development, Ltd. is a single-member limited liability company; therefore, all activity is included in Stark Community Foundation for tax reporting purposes.

Stark Community Foundation is subject to unrelated business income tax on a portion of the income earned on alternative investments and unrelated debt-financed income. The federal tax expense and cash paid for federal tax for the years ended December 31, 2017 and 2016 was \$0.

An income tax overpayment of \$10,000 has been carried forward from 2016. The liability for 2017 is not expected to exceed that amount.

Management believes that there is appropriate support for any tax positions taken, and as such, they believe that they do not have any significant unrecognized tax benefits that are material to the combined financial statements. The tax years for the Foundations, Corporation and Partnership from 2014 and thereafter remain subject to examination by the Internal Revenue Service, as well as, applicable state and local taxing authorities.

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

Organization and Summary of Significant Accounting Policies (continued)

M. Credit Risk Concentration

As a matter of policy, the Foundations, Corporation and Partnership only maintain cash balances with national financial institutions. The cash and investment balances may at times exceed insurance limits. Management does not believe it is exposed to any significant credit risk on cash and cash equivalents. Concentration of credit risk for investments is mitigated by both the distribution of investment funds among asset managers and the overall diversification of managed investment portfolios. Concentration of credit risk for contributions and notes/loans receivable is generally limited due to the dispersion of these balances over a wide contribution base.

N. 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 the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

O. Reclassification

Certain information previously presented has been reclassified to conform to the current presentation.

P. Subsequent Events

Management has evaluated subsequent events through July 26, 2018, which is the date the financial statements were available to be issued.

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

Note 1. Contributions Receivable

Stark Community Foundation has received unconditional contributions in the form of irrevocable charitable remainder trusts, bequests, and pledges receivable. Contributions receivable consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 4,853,335	\$ 35,172
One to five years	47,035	54,055
Over five years	564,580	564,580
Discounting for time value and allowance for uncollectible accounts	<u>(136,007)</u>	<u>(242,758)</u>
	<u>\$ 5,328,943</u>	<u>\$ 411,049</u>

Note 2. Investments

The composition at fair value, based on quoted market prices when available, of investments is as follows at December 31:

	<u>2017</u>	<u>2016</u>
Cash equivalent funds	\$ 3,921,150	\$ 4,295,392
U.S. Government and agency obligations	3,397,523	5,621,324
Corporate bonds	20,186,970	20,955,446
Fixed income mutual funds	20,971,406	19,052,469
Common and preferred stocks	168,451,170	135,276,511
Common trust funds	10,268,500	9,337,554
Alternative investments	<u>38,932,970</u>	<u>38,130,162</u>
	<u>\$ 266,129,689</u>	<u>\$ 232,668,858</u>

The Foundation was obligated at December 31, 2017 to invest additional funds in limited partnership investments in the amount of \$11,766,118 at the direction of the general partners. These commitments may be satisfied through redistribution of invested assets.

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

Note 3. Grants Payable

Grants payable consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Grants to be paid in:		
Less than one year	\$ 1,304,333	\$ 1,625,414
One to five years	392,334	701,334
Discounting for time value	<u>(18,173)</u>	<u>(37,632)</u>
	<u>\$ 1,678,494</u>	<u>\$ 2,289,116</u>

Note 4. Note Payable

- A. Note payable consists of a mortgage payable from SCF Development, Ltd. to Huntington National Bank in the amount of \$2,154,631 and \$2,239,183 at December 31, 2017 and 2016, respectively. Monthly payments include interest at a variable rate (3.18% at December 31, 2017) and a scheduled amount of principal (\$7,139 per month at December 31, 2017). A balloon payment will be due in April 2025. The mortgage is guaranteed by Stark Community Foundation, Inc.

- B. During 2015, SCF Development, Ltd. entered into an interest rate swap agreement on the outstanding balance of the mortgage payable to fix the note's interest rate at 3.94% through April 2025. The fair value of this agreement at December 31, 2017 and 2016 is a liability of \$7,002 and \$33,227, respectively, which is recorded on the accompanying combined statements of financial position. The accumulated other comprehensive loss included in member's (deficit) for SCF Development, Ltd. was \$33,227 as of December 31, 2016. The accumulated other comprehensive loss was eliminated from member's deficit in 2017 when SCF Development, Ltd. amended its articles of incorporation to become a non-profit limited liability company. The effect of the change in the swap liability of \$26,225 is included as a reduction in interest expense on the accompanying combined statement of functional expenses for the year ended December 31, 2017.

- C. The mortgage payable includes a financial covenant as defined in the Business Loan Agreement. At December 31, 2017, management believes that the Partnership was in compliance with the covenant.

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

Note 4. Note Payable (continued)

- D. Scheduled principal payments on the mortgage payable for each of the next five years and thereafter are:

2018	\$ 88,004
2019	91,452
2020	95,256
2021	99,212
2022	103,260
Thereafter	<u>1,677,447</u>
	<u>\$ 2,154,631</u>

Note 5. Retirement Benefits

Effective January 1, 2010, the Stark Community Foundation 401(k) Plan ("Plan") was adopted. Eligible employees of Stark Community Foundation receive an employer matching contribution plus a safe harbor employer contribution equal to 3% of eligible compensation. Additional employer contributions may be made at the discretion of the Board of Directors in accordance with the terms of the plan document. The amount of employer contributions to the Plan for the years ended December 31, 2017 and 2016 was \$37,350 and \$38,131, respectively.

Note 6. Intercompany Transactions

- A. Stark Community Foundation had a promissory note from SCF Development, Ltd. for \$1,507,173. The note included interest at 5.01% and was due on demand. The note and accrued interest were converted to capital during 2017. The note payable/receivable and the related interest expense/income are eliminated in the accompanying combined financial statements.
- B. Stark Community Foundation leases office space from SCF Development, Ltd. The terms of the lease provide for monthly payments of \$5,556 for a five-year term ending October 31, 2022. The rental income and expense eliminate in combination.
- C. Stark Community Foundation has a promissory note from Newmarket Project, Inc. for \$2,251,499 at December 31, 2017. The note bears interest at 4.0% and is due May 15, 2021. The note payable/receivable and the related interest expense/income are eliminated in the accompanying combined financial statements.

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

Note 7. Endowment Funds

The Board of Directors has approved an investment policy detailing the long term goals, asset allocation, guidelines for security selection, measurable objectives and on-going communication. Objectives of the Foundations are, first and foremost, to preserve the safety of the principal and second, to maximize investment income. Endowment funds are subject to the investment policy approved by the Board of Directors.

The Foundations' endowment consists of approximately 719 individual funds established for a variety of purposes. The Foundations classify these funds as unrestricted net assets; however, the Foundations manage funds established by donors as endowed funds in accordance with terms set forth in the individual fund agreements. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

Endowment funds are appropriated based on an approval process through the Board of Directors. Specific committees and donors recommend amounts to be disbursed from the accumulated earnings of the endowment funds, which are then approved for appropriation by the Board of Directors.

	<u>Unrestricted</u>	
For the years ended December 31:	<u>2017</u>	<u>2016</u>
Endowment net assets, beginning of year	\$165,723,374	\$ 153,637,157
Investment return:		
Investment income, before eliminations	2,503,155	2,227,451
Net realized and unrealized gains	<u>22,750,767</u>	<u>10,290,932</u>
Total investment return	25,253,922	12,518,383
Other income	227,611	130,159
Contributions	16,435,670	11,683,646
Appropriation of endowment assets for expenditure	<u>(8,572,722)</u>	<u>(12,245,971)</u>
Endowment net assets, end of year	\$ <u>199,067,855</u>	\$ <u>165,723,374</u>

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

Note 8. Fair Value Measurements

The carrying values of cash and cash equivalents, interest and dividends receivable, notes and loans receivable, accounts payable and accrued expenses and grants payable are reasonable estimates of fair value due to the short-term nature of these financial instruments. Investments, liability to annuitants and the interest rate swap liability (a cash flow hedge) are reported at fair value. The recorded amounts of contributions receivable and other assets approximate fair value. The recorded value of notes payable approximates fair value because the interest rates fluctuate with market interest rates.

The Foundations and Partnership estimate the fair value of financial instruments using available market information and other generally accepted valuation methodologies. Fair value is defined as the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The inputs used to measure fair value are classified into three levels:

- Level 1 – Quoted market prices in active markets for identical assets and liabilities
- Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data
- Level 3 – Unobservable inputs in which little or no market data exists

The asset's or liability's fair value measurement level is based on the lowest level of any input that is significant to the fair value measurement.

The Foundations value the liability to annuitants based upon interest rates, yield curves and life expectancy tables using the income technique for the duration of the annuities. The resulting values are generally considered Level 2 valuations.

The valuation methods used for financial instruments may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. There have been no changes in the methodologies used from 2016 to 2017. Furthermore, while the Foundations and Partnership believe their valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

Note 8. Fair Value Measurements (continued)

The Foundations value substantially all of their alternative investments (including Level 2 and Level 3 investments) at amounts reported by the investment managers and as validated through consideration of the audited financial statements of such investments. Accordingly, the Foundations do not use separate quantitative information to value such investments.

The following table sets forth by level within the fair value hierarchy the Foundations' and Partnership's financial assets and liabilities that were accounted for at a fair value on a recurring basis:

	<u>As of December 31, 2017</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Cash equivalent funds	\$ 3,921,150	\$ -	\$ -	\$ 3,921,150
U.S. Government and agency obligations	3,397,523	-	-	3,397,523
Corporate bonds	6,653,206	13,533,764	-	20,186,970
Fixed income mutual funds	20,971,406	-	-	20,971,406
Common and preferred stocks:				
Large cap	70,632,199	-	-	70,632,199
All cap	3,132,440	14,680,489	2,903,255	20,716,184
Small cap	2,932,861	8,817,980	-	11,750,841
International	25,265,028	40,086,918	-	65,351,946
Common trust funds	-	10,268,500	-	10,268,500
Alternative investments:				
Real estate	2,218,964	-	3,400,383	5,619,347
Long/short hedged equity	-	10,059,380	-	10,059,380
Multi-strategy hedge	2,075,903	111,128	7,819,762	10,006,793
Private equity	-	-	6,038,384	6,038,384
Commodities funds	<u>6,384,426</u>	<u>-</u>	<u>824,640</u>	<u>7,209,066</u>
Total	\$ <u>147,585,106</u>	\$ <u>97,558,159</u>	\$ <u>20,986,424</u>	\$ <u>266,129,689</u>
Liability to Annuitants	\$ <u>-</u>	\$ <u>2,859,898</u>	\$ <u>-</u>	\$ <u>2,859,898</u>
Interest Rate Swap	\$ <u>-</u>	\$ <u>7,002</u>	\$ <u>-</u>	\$ <u>7,002</u>

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

Note 8. Fair Value Measurements (continued)

	As of December 31, 2016			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Cash equivalent funds	\$ 4,295,392	\$ -	\$ -	\$ 4,295,392
U.S. Government and agency obligations	5,621,324	-	-	5,621,324
Corporate bonds	8,450,058	12,505,388	-	20,955,446
Fixed income mutual funds	19,052,469	-	-	19,052,469
Common and preferred stocks:				
Large cap	60,140,838	-	-	60,140,838
All cap	2,728,930	14,228,310	-	16,957,240
Small cap	8,018,252	8,224,770	-	16,243,022
International	22,695,201	19,240,210	-	41,935,411
Common trust funds	-	9,337,554	-	9,337,554
Alternative investments:				
Real estate	2,029,113	-	3,207,552	5,236,665
Long/short hedged equity	173,733	8,842,729	-	9,016,462
Multi-strategy hedge	1,961,946	444,021	9,589,879	11,995,846
Private equity	-	-	5,146,905	5,146,905
Commodities funds	<u>5,982,200</u>	<u>-</u>	<u>752,084</u>	<u>6,734,284</u>
Total	\$ <u>141,149,456</u>	\$ <u>72,822,982</u>	\$ <u>18,696,420</u>	\$ <u>232,668,858</u>
Liability to Annuitants	\$ <u>-</u>	\$ <u>2,905,059</u>	\$ <u>-</u>	\$ <u>2,905,059</u>
Interest Rate Swap	\$ <u>-</u>	\$ <u>33,227</u>	\$ <u>-</u>	\$ <u>33,227</u>

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

Note 8. Fair Value Measurements (continued)

Additional information on the changes in Level 3 assets is summarized as follows:

	All Cap Stocks	Multi-strategy Hedge	Private Equity	Commodities Funds	Real Estate	Total
Balance at January 1, 2016	\$ -	\$ 2,905,937	\$ 6,691,888	\$ 5,088,123	\$ 416,455	\$ 15,102,403
Investment (loss)	-	(23,496)	(126,217)	(21,091)	(57,908)	(228,712)
Net realized/unrealized gains on investments	-	251,888	470,208	369,620	46,506	1,138,222
Purchases	-	313,470	2,554,000	616,500	371,737	3,855,707
Withdrawals	-	(240,247)	-	(906,247)	(24,706)	(1,171,200)
Balance at December 31, 2016	-	3,207,552	9,589,879	5,146,905	752,084	18,696,420
Investment (loss)	-	(53,904)	(54,745)	(143,075)	(29,568)	(281,292)
Net realized/unrealized gains on investments	-	403,819	249,725	912,147	148,056	1,713,747
Purchases	2,903,255	617,281	-	1,352,050	163,214	5,035,800
Withdrawals	-	(774,365)	(1,965,097)	(1,229,643)	(209,146)	(4,178,251)
Balance at December 31, 2017	\$ <u>2,903,255</u>	\$ <u>3,400,383</u>	\$ <u>7,819,762</u>	\$ <u>6,038,384</u>	\$ <u>824,640</u>	\$ <u>20,986,424</u>

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Combining Statement of Financial Position

December 31, 2017

	Stark Community Foundation	The Henry and Louise Timken Foundation	The William & Minnette Goldsmith Foundation	Health Foundation of Greater Massillon	Newmarket Project, Inc.	SCF Development, Ltd.	Eliminations	Combined
Assets								
Cash and cash equivalents	\$ 841,103	\$ 119,307	\$ 13,846	\$ 48,898	\$ -	\$ 32,395	\$ -	\$ 1,055,549
Interest and dividends receivable	261,103	2,587	300	11,238	61,652	-	(61,652)	275,228
Notes and loans receivable, less allowance of \$68,716	2,519,942	-	-	-	2,251,499	-	(2,251,499)	2,519,942
Contributions receivable, net	5,328,943	-	-	-	-	-	-	5,328,943
Prepaid expenses	15,890	-	-	-	50	-	-	15,940
Due from affiliated organization	25,993	-	1,065	-	6,411	-	(33,469)	-
Investments:								
Cash equivalent funds	3,675,222	51,708	6,001	188,219	-	-	-	3,921,150
U.S. Government and agency obligations	3,347,433	-	-	50,090	-	-	-	3,397,523
Corporate bonds	18,213,680	686,397	79,656	1,207,237	-	-	-	20,186,970
Fixed income mutual funds	19,591,601	656,362	76,170	647,273	-	-	-	20,971,406
Common and preferred stocks	155,647,942	5,675,532	658,644	6,469,052	-	-	-	168,451,170
Common trust funds	10,268,500	-	-	-	-	-	-	10,268,500
Alternative investments	37,010,876	1,722,230	199,864	-	-	-	-	38,932,970
	<u>247,755,254</u>	<u>8,792,229</u>	<u>1,020,335</u>	<u>8,561,871</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>266,129,689</u>
Property and equipment:								
Land, building and improvements	14,247	-	-	-	320,000	1,550,000	-	1,884,247
Furniture and office equipment	124,944	-	-	-	-	-	-	124,944
	139,191	-	-	-	320,000	1,550,000	-	2,009,191
Less allowance for depreciation	122,621	-	-	-	-	340,440	-	463,061
	16,570	-	-	-	320,000	1,209,560	-	1,546,130
Investment in subsidiary	2,707,798	-	-	-	-	-	(2,707,798)	-
Other assets	5,609,957	-	-	-	-	-	-	5,609,957
Total assets	<u>\$ 265,082,553</u>	<u>\$ 8,914,123</u>	<u>\$ 1,035,546</u>	<u>\$ 8,622,007</u>	<u>\$ 2,639,612</u>	<u>\$ 1,241,955</u>	<u>\$ (5,054,418)</u>	<u>\$ 282,481,378</u>

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Combining Statement of Financial Position

December 31, 2017

	Stark Community Foundation	The Henry and Louise Timken Foundation	The William & Minnette Goldsmith Foundation	Health Foundation of Greater Massillon	Newmarket Project, Inc.	SCF Development, Ltd.	Eliminations	Combined
Liabilities, net assets, and member's (deficit)								
Liabilities:								
Accounts payable and accrued expenses	\$ 5,192	\$ -	\$ -	\$ 2,250	\$ 61,652	\$ 27,694	\$ (61,652)	\$ 35,136
Liability to annuitants	2,859,898	-	-	-	-	-	-	2,859,898
Grants payable	1,603,494	50,000	25,000	-	-	-	-	1,678,494
Due to affiliated organization	6,548	1,600	1,600	10,764	8,652	4,305	(33,469)	-
Interest rate swap liability	-	-	-	-	-	7,002	-	7,002
Note payable	-	-	-	-	-	2,154,631	-	2,154,631
Note payable to Stark Community Foundation	-	-	-	-	2,251,499	-	(2,251,499)	-
Funds held as agency endowments	80,337,837	-	-	-	-	-	-	80,337,837
	<u>84,812,969</u>	<u>51,600</u>	<u>26,600</u>	<u>13,014</u>	<u>2,321,803</u>	<u>2,193,632</u>	<u>(2,346,620)</u>	<u>87,072,998</u>
Unrestricted net assets	180,269,584	8,862,523	1,008,946	8,608,993	317,809	-	-	199,067,855
Member's (deficit)	-	-	-	-	-	(951,677)	(2,707,798)	(3,659,475)
Total net assets and member's (deficit)	<u>180,269,584</u>	<u>8,862,523</u>	<u>1,008,946</u>	<u>8,608,993</u>	<u>317,809</u>	<u>(951,677)</u>	<u>(2,707,798)</u>	<u>195,408,380</u>
Total liabilities, net assets, and member's (deficit)	<u>\$ 265,082,553</u>	<u>\$ 8,914,123</u>	<u>\$ 1,035,546</u>	<u>\$ 8,622,007</u>	<u>\$ 2,639,612</u>	<u>\$ 1,241,955</u>	<u>\$ (5,054,418)</u>	<u>\$ 282,481,378</u>

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Combining Statement of Activities

Year Ended December 31, 2017

	Stark Community Foundation	The Henry and Louise Timken Foundation	The William & Minnette Goldsmith Foundation	Health Foundation of Greater Massillon	Newmarket Project, Inc.	SCF Development, Ltd.	Eliminations	Combined
Revenues and investment activity								
Total contributions	\$ 19,703,786	\$ -	\$ -	\$ 4,174	\$ -	\$ -	\$ -	\$ 19,707,960
Less: amounts received for agency transactions	3,272,290	-	-	-	-	-	-	3,272,290
Net contributions	16,431,496	-	-	4,174	-	-	-	16,435,670
Investment income	2,870,432	40,764	2,060	102,515	61,652	-	3,421	3,080,844
Less: investment income for agency transactions	574,268	-	-	-	-	-	-	574,268
Net investment income	2,296,164	40,764	2,060	102,515	61,652	-	3,421	2,506,576
Rental income	3,600	-	-	-	50	209,514	(66,669)	146,495
Other income	223,976	-	-	-	-	-	(95,070)	128,906
Less: other income for agency transactions	15	-	-	-	-	-	-	15
Net other income	223,961	-	-	-	-	-	(95,070)	128,891
Total net realized and unrealized investment gains	30,460,050	1,125,226	132,127	997,191	-	-	-	32,714,594
Less: investment gains on agency transactions	9,963,827	-	-	-	-	-	-	9,963,827
Net realized and unrealized investment gains	20,496,223	1,125,226	132,127	997,191	-	-	-	22,750,767
Total revenues and investment activity	39,451,444	1,165,990	134,187	1,103,880	61,702	209,514	(158,318)	41,968,399
Expenses								
Total grants	9,232,000	153,109	20,000	291,817	-	-	-	9,696,926
Less: grants made from agency transactions	3,029,920	-	-	-	-	-	-	3,029,920
Net grants expense	6,202,080	153,109	20,000	291,817	-	-	-	6,667,006
Depreciation and amortization	4,441	-	-	-	-	42,555	-	46,996
Provision for uncollectible contributions and loans	18,065	-	-	-	-	-	-	18,065
Less: provision on uncollectible agency loans	131,769	-	-	-	-	-	-	131,769
Net provision for uncollectible contributions and loans	(113,704)	-	-	-	-	-	-	(113,704)
Other expenses	1,876,894	1,800	1,800	69,960	64,497	203,122	(158,318)	2,059,755
Less: other expenses from agency transactions	(28)	-	-	-	-	-	-	(28)
Net other expenses	1,876,922	1,800	1,800	69,960	64,497	203,122	(158,318)	2,059,783
Total expenses	7,969,739	154,909	21,800	361,777	64,497	245,677	(158,318)	8,660,081
Change in net assets and member's (deficit)	31,481,705	1,011,081	112,387	742,103	(2,795)	(36,163)	-	33,308,318
Unrestricted net assets and member's (deficit) at beginning of year	148,787,879	7,851,442	896,559	7,866,890	320,604	(3,622,297)	(1,015)	162,100,062
Contribution of member's equity	-	-	-	-	-	2,706,783	(2,706,783)	-
Unrestricted net assets and member's (deficit) at end of year	\$ 180,269,584	\$ 8,862,523	\$ 1,008,946	\$ 8,608,993	\$ 317,809	\$ (951,677)	\$ (2,707,798)	\$ 195,408,380