Financial Statements

Licking-Knox Goodwill Industries, Inc.

December 31, 2011 and 2010

CONTENTS

	Page
Independent Auditors' Report	3
Financial Statements:	
Statements of Financial Position	4
Statements of Activities and Changes in Net Assets	5
Statements of Functional Expenses	7
Statements of Cash Flows	9
Notes to Financial Statements	10

230 West Street
Suite 700
Columbus, OH 43215
tel 614.221.1120
fax 614.227.6999
www.gbq.com

GBQ Partners

To the Board of Trustees
Licking-Knox Goodwill Industries, Inc.
Newark, Ohio

Independent Auditors' Report

We have audited the accompanying statements of financial position of Licking-Knox Goodwill Industries, Inc. as of December 31, 2011 and 2010, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 financial statements referred to above present fairly, in all material respects, the financial position of Licking-Knox Goodwill Industries, Inc. as of December 31, 2011 and 2010, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

GBQ Partners LLC

Columbus, Ohio
June 7, 2012

LICKING-KNOX GOODWILL INDUSTRIES, INC.

Statements of Financial Position

December 31, 2011 and 2010

ASSETS

	2011	2010
Current Assets		
Cash and cash equivalents	$ 1,232,176	$ 1,257,466
Marketable securities	2,550,369	2,471,542
Certificates of deposit	3,249,558	3,465,570
Accounts receivable	1,232,427	1,226,044
Inventory	99,072	45,007
Funds held by others	19,550	15,530
Prepaid expenses and deposits	87,540	91,016
Total current assets	8,470,692	8,572,175
Property and Equipment, net	2,431,888	1,617,353
Other Assets		
Cash value of life insurance	47,300	43,913
Funds held by others - permanently restricted	41,766	41,766
Lease deposits	11,776	11,776
Total other assets	100,842	97,455
TOTAL ASSETS	$ 11,003,422	$ 10,286,983

LIABILITIES AND NET ASSETS

	2011	2010
Current Liabilities		
Current portion of capital lease obligations	$ 28,881	$ 22,354
Trade accounts payable	90,273	75,448
Payroll and payroll related liabilities	682,017	566,920
Accrued NISH contract commission	53,432	53,283
Total current liabilities	854,603	718,005
Capital Lease Obligations, less current portion	92,710	121,111
Total liabilities	947,313	839,116
Net Assets		
Unrestricted	10,013,721	9,404,311
Temporarily restricted	622	1,790
Permanently restricted	41,766	41,766
Total net assets	10,056,109	9,447,867
TOTAL LIABILITIES AND NET ASSETS	$ 11,003,422	$ 10,286,983

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

LICKING-KNOX GOODWILL INDUSTRIES, INC.

Statements of Activities and Changes in Net Assets

For the Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	**Total**
Revenues				
Public support:				
Contributions - goods for resale	$ 472,618	$ -	$ -	**$ 472,618**
Contributions - used cars for resale	31,160	-	-	**31,160**
Contributions - general	4,985	622	-	**5,607**
Total public support	508,763	622	-	**509,385**
Program services:				
Recycling	293,257	-	-	**293,257**
Stores	3,598,410	-	-	**3,598,410**
Contracts	6,632,139	-	-	**6,632,139**
Vocational rehabilitation	700,411	-	-	**700,411**
Used car sales	110,685	-	-	**110,685**
Other	85,491	-	-	**85,491**
Total program services	11,420,393	-	-	**11,420,393**
Rental income	40,362	-	-	**40,362**
Interest and dividend income	175,454	-	-	**175,454**
Realized loss on marketable securities and funds held by others	(55,899)	-	-	**(55,899)**
Unrealized loss on marketable securities and funds held by others	(34,675)	-	-	**(34,675)**
	125,242	-	-	**125,242**
Net assets released from restrictions	1,790	(1,790)	-	**-**
Total revenues	12,056,188	(1,168)	-	**12,055,020**
Expenses				
Program services:				
Recycling	152,335	-	-	**152,335**
Stores	3,555,288	-	-	**3,555,288**
Contracts	5,578,219	-	-	**5,578,219**
Vocational rehabilitation	612,480	-	-	**612,480**
Used cars	107,276	-	-	**107,276**
Other	100,231	-	-	**100,231**
Support services:				
Management and support services	1,340,949	-	-	**1,340,949**
Total expenses	11,446,778	-	-	**11,446,778**
Change in Net Assets	609,410	(1,168)	-	**608,242**
Net Assets at Beginning of Year	9,404,311	1,790	41,766	**9,447,867**
Net Assets at End of Year	$ 10,013,721	$ 622	$ 41,766	**$ 10,056,109**

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

LICKING-KNOX GOODWILL INDUSTRIES, INC.

Statemenst of Activities and Changes in Net Assets

For the Year Ended December 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Public support:				
Contributions - goods for resale	$ 391,007	$ -	$ -	$ 391,007
Contributions - used cars for resale	23,750	-	-	23,750
Contributions - general	5,330	1,790	-	7,120
Total public support	420,087	1,790	-	421,877
Program services:				
Recycling	195,297	-	-	195,297
Stores	3,012,578	-	-	3,012,578
Contracts	6,742,677	-	-	6,742,677
Vocational rehabilitation	770,756	-	-	770,756
Used car sales	147,489	-	-	147,489
Other	89,412	-	-	89,412
Total program services	10,958,209	-	-	10,958,209
Rental income	38,786	-	-	38,786
Interest and dividend income	138,303	-	-	138,303
Realized loss on marketable securities and funds held by others	(14,458)	-	-	(14,458)
Unrealized gain on marketable securities and funds held by others	241,371	-	-	241,371
	404,002	-	-	404,002
Net assets released from restrictions	13,650	(13,650)	-	-
Total revenues	11,795,948	(11,860)	-	11,784,088
Expenses				
Program services:				
Recycling	107,866	-	-	107,866
Stores	3,011,711	-	-	3,011,711
Contracts	5,513,344	-	-	5,513,344
Vocational rehabilitation	614,509	-	-	614,509
Used cars	153,004	-	-	153,004
Other	50,331	-	-	50,331
Support services:				
Management and support services	1,347,347	-	-	1,347,347
Total expenses	10,798,112	-	-	10,798,112
Change in Net Assets	997,836	(11,860)	-	985,976
Net Assets at Beginning of Year	8,406,475	13,650	41,766	8,461,891
Net Assets at End of Year	$ 9,404,311	$ 1,790	$ 41,766	$ 9,447,867

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

LICKING-KNOX GOODWILL INDUSTRIES, INC.

Statements of Functional Expenses

For the Year Ended December 31, 2011

	Program Services						Management	
				Vocational	Used		and Support	
	Recycling	Stores	Contracts	Rehabilitation	Cars	Other	Services	**Total**
Salaries and wages	$ 72,687	$ 1,604,424	$ 3,458,826	$ 404,747	$ 37,087	$ 43,898	$ 747,085	**$ 6,368,754**
Payroll taxes	8,803	191,740	419,435	49,905	4,382	4,623	86,126	**765,014**
Health insurance	228	35,786	774,588	56,341	12,622	-	124,608	**1,004,173**
Total salaries and related expenses	81,718	1,831,950	4,652,849	510,993	54,091	48,521	957,819	**8,137,941**
Advertising	-	43,231	-	-	988	-	23,622	**67,841**
Contract commissions	-	-	214,498	-	-	-	-	**214,498**
Cost of goods sold	-	532,523	-	-	-	-	-	**532,523**
Depreciation and amortization	15,607	72,010	117,289	27,590	1,330	14,047	19,132	**267,005**
General insurance	480	6,890	38,487	8,477	10,200	11	6,800	**71,345**
Interest	-	4,832	12,492	4,237	-	-	8,056	**29,617**
Membership dues - Goodwill Industries International	-	-	-	-	-	-	97,204	**97,204**
Miscellaneous	6,762	68,630	3,551	27,940	3,203	-	69,961	**180,047**
Payroll processing fee	478	10,538	22,753	2,667	243	74	4,788	**41,541**
Postage and shipping	-	130,506	2,343	539	-	-	4,033	**137,421**
Professional fees	-	-	-	-	396	-	39,558	**39,954**
Rent	-	429,042	-	-	-	-	-	**429,042**
Repairs and maintenance	6,336	49,435	7,196	1,291	14,130	8,402	24,682	**111,472**
Supplies	26,501	87,000	381,901	5,905	664	12,274	26,484	**540,729**
Telephone	199	15,830	15,475	7,035	803	59	14,351	**53,752**
Transportation - wages and other	-	86,871	105,235	8,147	19,235	5,635	31,815	**256,938**
Trash and dumping fees	960	57,419	-	-	-	-	845	**59,224**
Utilities	13,294	128,581	4,150	7,659	1,993	11,208	11,799	**178,684**
	70,617	1,723,338	925,370	101,487	53,185	51,710	383,130	**3,308,837**
	$ 152,335	$ 3,555,288	$ 5,578,219	$ 612,480	$ 107,276	$ 100,231	$ 1,340,949	**$ 11,446,778**

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

LICKING-KNOX GOODWILL INDUSTRIES, INC.

Statements of Functional Expenses

For the Year Ended December 31, 2010

	Program Services						Management and Support Services	Total
	Recycling	Stores	Contracts	Vocational Rehabilitation	Used Cars	Other		
Salaries and wages	$ 51,003	$ 1,306,341	$ 3,531,894	$ 422,482	$ 41,282	$ 11,706	$ 705,616	$ 6,070,324
Payroll taxes	5,726	149,934	411,812	48,099	5,106	1,559	88,360	710,596
Health insurance	207	37,792	723,495	53,197	8,214	-	125,809	948,714
Total salaries and related expenses	56,936	1,494,067	4,667,201	523,778	54,602	13,265	919,785	7,729,634
Advertising	-	53,855	-	-	2,000	-	13,665	69,520
Contract commissions	-	-	197,451	-	-	-	-	197,451
Cost of goods sold	-	392,952	-	-	33,927	-	-	426,879
Depreciation and amortization	11,528	70,211	53,857	23,526	6,124	15,072	96,098	276,416
General insurance	360	5,181	36,720	8,479	9,600	28	16,582	76,950
Interest	-	4,756	12,973	3,836	152	43	6,830	28,590
Gain on disposal of equipment	-	-	-	-	-	-	(10,392)	(10,392)
Membership dues - Goodwill Industries International	-	-	-	-	-	-	94,944	94,944
Miscellaneous	102	61,703	2,792	18,517	3,982	-	64,250	151,346
Payroll processing fee	461	11,818	32,031	3,782	374	108	6,639	55,213
Postage and shipping	-	130,511	2,600	298	-	-	4,559	137,968
Professional fees	-	-	-	-	373	-	38,841	39,214
Rent	-	441,105	-	-	-	-	-	441,105
Repairs and maintenance	3,164	26,441	6,191	2,031	14,433	5,864	19,757	77,881
Supplies	21,732	79,605	386,245	8,606	493	752	15,258	512,691
Telephone	191	15,469	17,612	5,092	530	-	13,221	52,115
Transportation - wages and other	-	60,922	93,808	8,197	24,809	7,074	34,280	229,090
Trash and dumping fees	1,380	55,180	-	-	-	-	2,130	58,690
Utilities	12,012	107,935	3,863	8,367	1,605	8,125	10,900	152,807
	50,930	1,517,644	846,143	90,731	98,402	37,066	427,562	3,068,478
	$ 107,866	$ 3,011,711	$ 5,513,344	$ 614,509	$ 153,004	$ 50,331	$ 1,347,347	$ 10,798,112

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

LICKING-KNOX GOODWILL INDUSTRIES, INC.

Statements of Cash Flows

For the Years Ended December 31, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities:		
Change in net assets	**$ 608,242**	$ 985,976
Adjustments to reconcile changes in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	**267,005**	276,416
Gain on disposal of equipment	**-**	(10,392)
Realized loss on sale of marketable securities and funds held by others	**55,899**	14,458
Unrealized loss (gain) on marketable securities and funds held by others	**34,675**	(241,371)
(Increase) decrease in operating assets:		
Accounts and contributions receivable	**(6,383)**	49,553
Inventory	**(54,065)**	11,170
Prepaid expenses and deposits	**3,476**	14,994
Increase (decrease) in operating liabilities:		
Trade accounts payable	**14,825**	8,552
Payroll and payroll related liabilities	**115,097**	(2,896)
Accrued NISH contract commission	**149**	5,855
Total adjustments	**430,678**	126,339
Net cash and cash equivalents provided by operating activities	**1,038,920**	1,112,315
Cash Flows from Investing Activities:		
Net purchases of marketable securities and funds held by others	**(173,421)**	(343,114)
Purchases of certificates of deposit	**(521,000)**	(1,795,888)
Redemptions of certificates of deposit	**737,012**	808,463
Purchases of property and equipment	**(1,079,583)**	(107,902)
Increase in cash value of life insurance	**(3,387)**	(3,455)
Net cash and cash equivalents used in investing activities	**(1,040,379)**	(1,441,896)
Cash Flows from Financing Activities:		
Payments on capital lease obligations	**(23,831)**	(21,875)
Net decrease in cash and cash equivalents	**(25,290)**	(351,456)
Cash and Cash Equivalents – Beginning of Year	**1,257,466**	1,608,922
Cash and Cash Equivalents – End of Year	**$ 1,232,176**	$ 1,257,466
Supplemental Disclosure of Cash Flow Information:		
Interest payments	**$ 29,617**	$ 28,590
Supplemental Disclosures of Non-Cash Investing and Financing Transactions:		
Equipment acquired through capital lease obligations	**$ 1,957**	$ 135,124
Gain on forgiveness of capital lease obligations	**-**	66,227

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

Nature and Scope of Activities

Licking-Knox Goodwill Industries, Inc. (the Organization), a not-for-profit entity, was incorporated for the purpose of employing persons with disabilities, selling contributed goods and providing janitorial services in central Ohio.

Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets as follows:

- Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions and are available for use in the Organization's ongoing operations.

- Temporarily Restricted Net Assets – Net assets that are limited as to use by donor-imposed restrictions that either expire by passage of time, can be fulfilled and removed by action of the Organization pursuant to those restrictions and/or upon receipt of funding, or passage of date upon which the funds were due.

- Permanently Restricted Net Assets – Net assets that are subject to donor-imposed restrictions that the principal be maintained permanently by the Organization and generally allow the use of investment earnings.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include all unrestricted demand deposits, money market funds, repurchase agreements and highly liquid unrestricted investments with original maturities of three months or less. Cash is held in six accounts with four financial institutions and, at times, balances may exceed federally insured limits. All of the non-interest bearing cash balances were fully insured at December 31, 2011 due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program, there is no limit to the amount of insurance for eligible accounts. Interest-bearing amounts on deposit in excess of federally insured limits at December 31, 2011 approximated $941,000.

Summary of Significant Accounting Policies (continued)

Marketable Securities

Marketable securities are stated at fair value as further described herein. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Donated marketable securities are recorded as contributions at the estimated fair value on the date of receipt.

Marketable securities are exposed to various risks such as interest rate, market and credit risks. Accordingly, it is at least reasonably possible that change in the values of marketable securities will occur in the near term, which could be material.

Fair Value Measurements

Accounting guidance relating to fair value measurements prescribes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described as follows:

Level 1 — Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access. This level represents the highest priority.

Level 2 — Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 — Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 is the lowest priority.

Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued)

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Receivables and Revenues

Certain funding is classified as exchange transactions and thus the revenues are reported as increases in unrestricted net assets. Receivables and revenue from certain government contract agreements are recognized either through expenditure in accordance with the agreement, in the month that service is provided or on a pro-rata basis over the term of the contract. Delayed collection of accounts receivable from such agencies are considered past due; however, no interest can be charged to the agencies.

Other funding is classified as contributions. Unconditional contributions are recognized as revenue in the period the commitment or payment is first received. Conditional contributions are not recognized until the conditions are substantially met, the pledge or grant can be considered legally enforceable, or the likelihood of the condition not occurring is remote. Certain funding is accounted for as temporarily restricted contributions unless the donor stipulations are fulfilled in the same year that the funding is received; then, such contributions are recorded directly as unrestricted contributions. Contributions with restrictions that are not fulfilled in the same year remain as temporarily restricted until either the required use, passage of time restrictions or receipt of funds become due. Accordingly, such contributions are then released from restrictions. Contributions of assets other than cash are recorded at estimated fair value.

Receivables consist of unconditional contributions receivable and of trade accounts receivable under exchange transaction contracts with government and non-government agencies. Management provides for estimated bad debts on the allowance method. Accounts are determined to be uncollectible based on assessments by management. Management periodically reviews specific long-term accounts, grants and pledges receivable and assesses the likelihood of collection. If collection is remote, management will write-off the receivable amount at that time.

Inventory

Inventory consists of donated used cars, clothing, housewares and other merchandise held for resale at the various retail locations throughout Licking and Knox counties. The contribution of these items is recognized as revenue when received at an estimated fair value. The guidance to determine the estimated value also requires consideration of the value of services performed by people with disabilities and other disadvantaging conditions before it reaches its point of sale. Accordingly, a related cost of goods sold is recorded as expense to offset the contribution revenue.

Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation and amortization. Donated property and equipment are recorded at fair value at the date of donation. Depreciation and amortization is computed using the straight-line method over the following estimated useful lives:

Buildings	10 - 20 years
Leasehold improvements	3 - 10 years
Equipment	5 - 10 years
Vehicles	3 - 5 years

Major improvements or betterments are capitalized and depreciated or amortized. Maintenance and repairs, which do not improve or extend the life of the respective asset, are expensed as incurred. Upon disposal of assets, the cost and related accumulated depreciation or amortization is removed from the accounts and any gain or loss is included in the statement of activities.

Impairment of Assets

The carrying value of long-lived assets is reviewed for impairment whenever events or circumstances indicate the amount of the assets may not be recoverable. When an indication of impairment is present and the undiscounted cash flows estimated to be generated by the related assets are less than the assets' carrying amount, an impairment loss will be recorded based on the difference between the carrying amount of the assets and their estimated fair value. Management did not identify any events or circumstances that would require consideration of any impairment loss applicable for the years ended December 31, 2011 and 2010.

Donated Services

Donated services are recognized as contributions only if the services create or enhance non-financial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

During 2011 and 2010, volunteers provided significant services that were not recognized as contributions in the financial statements since the aforementioned criteria was not met.

Functional Expenses

The Organization allocates certain of its expenses on a functional basis among its various programs and support services. Expenses are charged to each category based on direct expenditures incurred or allocated on a full-time employee basis.

Summary of Significant Accounting Policies (continued)

Income Taxes

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, except for unrelated business income as defined by the Code. Accordingly, no provisions for federal, state or local taxes are included in the financial statements.

The Organization performs an annual assessment for any uncertainty in income tax positions which includes an analysis of whether there are any tax positions taken with regard to unrelated business income, related deductions applied, or other activities that may jeopardize their tax exempt status and thus would meet the definition of an uncertain tax position. As of December 31, 2011, tax filing periods for the years ended 2007 and prior are closed. Management has not been notified that their tax returns for years 2008 and subsequent are currently under examination. No tax liability accrual was recorded as of the years ended December 31, 2011 or 2010, relating to material uncertain positions taken as management believes there are none.

Fair Value Measurement Accounting Standards Amendments

In May 2011, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*. The update amended GAAP to provide a consistent definition on fair value and improve the comparability of fair value measurements presented and disclosed in financial statements. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. Management is currently evaluating the effect that the provisions of ASU 2011-04 will have on the Organization’s future financial statements.

Reclassifications

Certain reclassifications were made to the December 31, 2010 financial statements to conform to the December 31, 2011 financial statements presentation.

Marketable Securities

The following is a summary of marketable securities as of December 31:

	2011		2010	
	Cost	**Fair Value**	Cost	Fair Value
Government securities	**$ 60,000**	**$ 60,661**	$ 20,000	$ 20,438
Corporate bonds	**34,898**	**35,604**	34,898	34,683
Mutual funds	**1,758,169**	**1,866,480**	1,625,626	1,790,867
Common stock	**575,867**	**587,624**	634,908	625,554
	$ 2,428,934	**$ 2,550,369**	$ 2,315,432	$ 2,471,542

Marketable Securities (continued)

The accumulated unrealized gains were approximately $121,000 and $151,000 at December 31, 2011 and December 31, 2010, respectively.

The following is a summary of assets measured at fair value on a recurring basis in the statements of financial position as of December 31:

	2011		
	Level 1	Level 2	Total
Government securities	$ -	$ 60,661	$ 60,661
Corporate bonds	-	35,604	35,604
Mutual funds:			
Equity growth	633,464	-	633,464
Equity value	363,560	-	363,560
Equity international	320,311	-	320,311
Equity blend	89,582	-	89,582
Equity consumer staples	16,294	-	16,294
Equity institutional	34,261	-	34,261
Fixed income bond	195,755	-	195,755
Fixed income blend	52,706	-	52,706
Fixed income money market	59,048	-	59,048
Other	101,499	-	101,499
Total mutual funds	1,866,480	-	1,866,480
Common stock:			
Consumer discretionary	71,304	-	71,304
Consumer staples	77,742	-	77,742
Energy	65,928	-	65,928
Financial	44,064	-	44,064
Health care	52,379	-	52,379
Industrial	75,951	-	75,951
Information technology	123,965	-	123,965
Materials	30,518	-	30,518
Telecommunication services	26,894	-	26,894
Utilities	18,879	-	18,879
Total common stock	587,624	-	587,624
	$ 2,454,104	$ 96,265	$ 2,550,369

Marketable Securities (continued)

	2010		
	Level 1	Level 2	Total
Government securities	$ -	$ 20,438	$ 20,438
Corporate bonds	-	34,683	34,683
Mutual funds:			
Equity growth	543,573	-	543,573
Equity value	304,391	-	304,391
Equity international	395,315	-	395,315
Equity blend	64,278	-	64,278
Equity consumer staples	16,513	-	16,513
Equity institutional	38,696	-	38,696
Fixed income bond	271,793	-	271,793
Fixed income blend	5,211	-	5,211
Fixed income money market	82,760	-	82,760
Other	68,337	-	68,337
Total mutual funds	1,790,867	-	1,790,867
Common stock:			
Consumer discretionary	60,539	-	60,539
Consumer staples	63,294	-	63,294
Energy	66,482	-	66,482
Financial	78,557	-	78,557
Health care	56,575	-	56,575
Industrial	76,479	-	76,479
Information technology	147,545	-	147,545
Materials	34,703	-	34,703
Telecommunication services	25,010	-	25,010
Utilities	16,370	-	16,370
Total common stock	625,554	-	625,554
	$ 2,416,421	$ 55,121	$ 2,471,542

The fair values of Level 1 marketable securities are based on readily available quoted market prices for each security. The fair values of Level 2 marketable securities are determined utilizing quoted market prices of similar securities with similar due dates or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities.

These methods of valuation may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. There were no changes in valuation methodology during 2011 or 2010. Furthermore, although the Organization believes its 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.

Marketable Securities (continued)

Due to current market conditions as well as the trading activity of these securities, the market value of the securities is highly sensitive to assumption changes and market volatility. Accordingly, it is at least reasonably possible that changes in values will occur in the near-term, which could be material.

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) length of time and the extent to which the fair market value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Organization to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Based on the Organization's evaluation and its intent and ability to hold those marketable securities that had a fair value below cost as of each year ended for a reasonable period of time sufficient for a forecasted recovery of fair value, the Organization did not consider those marketable securities to be other-than-temporarily impaired at December 31, 2011 or 2010.

Certificates of Deposit

The Organization has certificates of deposit with initial maturities greater than three months. These investments are readily convertible to cash, but may be subject to a penalty upon conversion. The certificates bear interest at rates ranging from 1.49% to 3.96% with maturity dates through 2016. Certificates of deposit are valued at amortized cost plus accrued interest.

Funds Held by Others

The Organization established an endowment fund with the Licking County Foundation by contributing $41,766 of permanently restricted funds that were originally donated to the Organization and the donor had permanently restricted the use of the assets. The Organization did not grant variance power to the foundation and the Organization named itself the beneficiary for use of the funds or generated investment earnings. The Organization has unrestricted access to the funds. Effectively, the Organization is using the foundation to manage their investments within the foundation's investment accounts. The fair value of the funds at December 31, 2011 and 2010 was $61,316 and $57,296, respectively. Funds invested at the foundation consist of marketable securities in mutual funds and are reported at fair value on the statements of financial position. Realized and unrealized gains and losses are included in the statements of activities. Unrealized gains were approximately $0 and $5,100 for the years ended December 31, 2011 and 2010, respectively.

Funds Held by Others (continued)

The fair value of substantially all securities is determined by the foundation's independent investment manager. The fair value was confirmed by the Licking County Foundation based on units of the master investment pool applicable to the Organization's pro-rata portion and represented to be on quoted active market prices; however, funds held by a community foundation under the arrangement described above are all considered to be within Level 2 of the fair value hierarchy.

While the initial funds were received to establish a permanently restricted endowment, with earnings to be used for unrestricted purposes as defined by the Organization, the funds have since been transferred to the foundation, which now has fiduciary responsibility over the investment and management of these funds. Accordingly, management does not consider these endowment funds for the purposes of disclosure.

Property and Equipment

Property and equipment consisted of the following at December 31:

	2011	2010
Land	**$ 497,426**	$ 208,426
Buildings	**2,947,611**	2,252,253
Leasehold improvements	**188,500**	184,550
Equipment	**825,905**	734,833
Vehicles	**322,782**	320,622
	4,782,224	3,700,684
Less: accumulated depreciation and amortization	**(2,350,336)**	(2,083,331)
Property and equipment, net	**$ 2,431,888**	$ 1,617,353

Deferred Compensation

The Organization entered into a deferred compensation contract with a key employee effective August 1996. The Organization agreed to give the employee or the employee's heirs, upon retirement at reaching the age of 65, $10,000 per year for a period of ten years. Should the employee's employment terminate before retirement, for any reason (except for death or disability), the Organization agrees to pay the employee $2,000 per year for every year the employee was employed under this agreement. The agreement also provides disability and/or death benefits. A life insurance policy was issued on the life of the employee with the deferred compensation agreement and the Organization is the owner and beneficiary of the policy.

Deferred Compensation (continued)

The Organization entered into an additional employment and compensation agreement with a key employee effective January 2011 and expiring December 31, 2013. In addition to paying the employee an annual salary for services performed during the three years, the Organization agreed to give the employee or the employee's heirs, upon expiration of the agreement, a bonus of $45,000. In the event of termination of the agreement, disability, or death of the employee prior to December 31, 2013, the Organization is required to pay a portion of the annual bonus on a per month basis earned ratably over the three year period. Accordingly, the Organization has accrued an additional $15,000 under this agreement as of December 31, 2011.

The total deferred compensation liability under both agreements was $45,000 and $28,000 as of December 31, 2011 and 2010, respectively, and is included in the payroll and payroll related liabilities classification on the statements of financial position. Total expense for the deferred compensation agreement was $17,000 for the year ended December 31, 2011. The deferred compensation liability was reduced during 2010 to properly reflect the liability at December 31, 2010, resulting in no expense for 2010.

Capital Lease Obligations

In May 2010, the Organization entered into a capital lease of a copier, which expires in April 2015. The capital lease was recorded at $55,212, which is the lower of the present value of the minimum lease payments or the fair value of the asset. Monthly payments of $1,351, including interest at a rate of approximately 16%, will be made for a period of 60 months. The copier was placed in service in May 2010 and is amortized over its estimated useful life of five years.

In May 2010, the Organization entered into a capital lease of office equipment, which expires in April 2015. The capital lease was recorded at $79,912, which is the lower of the present value of the minimum lease payments or the fair value of the assets. Monthly payments of $2,314, including interest at a rate of approximately 24%, will be made for a period of 60 months. The office equipment was placed in service in May 2010 and is amortized over its estimated useful life of five years. During 2011, office equipment was added to this agreement, with minimal impact to the monthly payments.

In March 2009, the Organization entered into a capital lease of a postage meter, which expires in November 2014. The capital lease was recorded at $26,414, which is the lower of the present value of the minimum lease payments or the fair value of the asset. Monthly payments of $761, including interest at a rate of approximately 27%, will be made for a period of 69 months. The postage meter was placed in service in May 2010 and is amortized over its estimated useful life of five years.

Capital Lease Obligations (continued)

Following is a summary of property held under capital lease and included in property and equipment as of December 31:

	2011	2010
Equipment	**$ 163,495**	$ 161,538
Less: accumulated amortization	**(57,771)**	(25,046)
	$ 105,724	$ 136,492

Amortization expense is included in depreciation and amortization expense on the statements of functional expenses.

Future minimum lease payments under these capital leases as of December 31, 2011 through maturity are as follows:

2012	$ 53,114
2013	53,114
2014	50,831
2015	14,662
	171,721
Less: amount representing interest	(50,130)
Capital lease obligations	$ 121,591

Operating Leases

The Organization has various leases for buildings and equipment that are classified as operating leases. Terms of the lease agreements include monthly rental rates varying between $2,400 and $4,500, with lease expirations through August 2015. Rental expense for the years ended December 31, 2011 and 2010 was approximately $429,000 and $441,000, respectively. Subsequent to year-end, a lease expiring in May 2012 was extended through May 2021 with payments increasing to $4,250 per month.

Future minimum lease payments as of December 31, 2011 for the equipment and building leases approximate the following:

2012	$ 333,000
2013	166,000
2014	67,000
2015	39,000
Total	$ 605,000

Net Assets

Temporarily restricted net assets at December 31, 2011 and 2010 represent amounts unconditionally committed by the United Way as of each year-end, but not yet paid. The corresponding asset is recorded as contributions receivable at year-end.

Permanently restricted net assets at December 31, 2011 and 2010 represent the original corpus of the endowment fund contributed and subsequently transferred to the Licking County Foundation. Accordingly, the net asset value is recognized within the funds held by others asset on the statements of financial position at year-end.

Concentrations

Two government agencies accounted for approximately 45% and 42% (net of contract commissions) of total revenue for the years ended December 31, 2011 and 2010, respectively. The same two agencies accounted for approximately 75% and 74% of the trade accounts receivable balance as of December 31, 2011 and 2010, respectively.

Retirement Plan

The Organization administers a contributory 403(b) retirement plan for the benefit of essentially all employees. There is no age or service requirement for participation in the plan. The Organization does not contribute to this plan.

Subsequent Events – Date of Management Evaluation

Management evaluated subsequent events through the date of the Independent Auditors' Report, which is the date the financial statements were available to be issued.