

NORTH GEORGIA COMMUNITY FOUNDATION, INC.
(A Nonprofit Organization)

Financial Report

For the Years Ended December 31, 2015 and 2014

**NORTH GEORGIA COMMUNITY FOUNDATION, INC.
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INDEPENDENT AUDITOR'S REPORT

To the Governing Board of
North Georgia Community Foundation, Inc.

We have audited the accompanying consolidated financial statements of North Georgia Community Foundation, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Georgia Community Foundation, Inc., as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Rushton & Company, LLC

Certified Public Accountants
Gainesville, Georgia
March 29, 2016

North Georgia Community Foundation, Inc.
Consolidated Statements of Financial Position
December 31, 2015 and 2014

	2015	2014
ASSETS		
Current Assets		
Cash	\$ 1,173,469	\$ 2,705,679
Investments	38,608,524	35,086,082
Receivables	0	23,405
Notes receivable, net	742	691
Prepaid and deposits	35,701	58,554
Total Current Assets	39,818,436	37,874,411
Notes receivable, net	39,178	40,120
Property and equipment, net	1,967,431	1,971,798
Cash held in trust	5,613	29,173
Investments held in trust	4,295,394	4,624,913
TOTAL ASSETS	\$ 46,126,052	\$ 44,540,415
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 16,017	\$ 34,356
Income taxes payable	23,853	0
Payroll liabilities	3,283	0
Security deposits	640	640
Notes payable	7,525	7,285
Liabilities under split interest agreements	234,172	255,176
Total Current Liabilities	285,490	297,457
Long-Term Liabilities		
Notes payable	167,273	193,778
Funds held as agency endowments	9,343,934	8,110,182
Liabilities under split interest agreements	1,019,051	1,210,951
Annuity liabilities	62,495	72,041
Total Long-Term Liabilities	10,592,753	9,586,952
TOTAL LIABILITIES	10,878,243	9,884,409
Net Assets		
Unrestricted	33,576,983	32,955,867
Temporarily restricted	1,670,826	1,700,139
TOTAL NET ASSETS	35,247,809	34,656,006
TOTAL LIABILITIES AND NET ASSETS	\$ 46,126,052	\$ 44,540,415

North Georgia Community Foundation, Inc.
Consolidated Statement of Activities
For the year ended December 31, 2015
(with comparative totals for the year ended December 31, 2014)

	2015			2014 Total
	Unrestricted	Temporarily Restricted	Total	
Revenues, Gains and Other Support				
Contributions	\$ 5,455,775	\$ 0	\$ 5,455,775	\$ 5,468,636
Rentals	89,330	0	89,330	80,636
Investment revenue	395,147	20,772	415,919	389,404
Realized/unrealized gain (loss) on investments	218,902	10,560	229,462	1,593,593
Change in value of split interest agreements	0	(28,003)	(28,003)	(70,188)
Special events	53,542	0	53,542	51,662
Foundation fees, net	103,565	0	103,565	110,534
Administrative fees	163,503	0	163,503	76,690
Other	4,845	0	4,845	6,172
Total Revenue, Gains and Other Support	6,484,609	3,329	6,487,938	7,707,139
Net Assets Released from Restrictions				
Restrictions satisfied by payments	32,642	(32,642)	0	0
Total Revenue, Gains, Reclassifications and Other Support	6,517,251	(29,313)	6,487,938	7,707,139
Expenses and Losses				
Program Services				
Grants Awarded	4,839,339	0	4,839,339	2,918,579
Other program expense	543,604	0	543,604	469,846
Total program services	5,382,943	0	5,382,943	3,388,425
General and administrative	315,394	0	315,394	249,183
Fundraising	157,044	0	157,044	123,938
Costs of direct benefits to donors	40,307	0	40,307	33,704
Total Expenses	5,895,688	0	5,895,688	3,795,250
Loss on sale of property and equipment	447	0	447	0
Total Expenses and Losses	5,896,135	0	5,896,135	3,795,250
INCREASE IN NET ASSETS	621,116	(29,313)	591,803	3,911,889
BEGINNING NET ASSETS	32,955,867	1,700,139	34,656,006	30,744,117
ENDING NET ASSETS	\$ 33,576,983	\$ 1,670,826	\$ 35,247,809	\$ 34,656,006

North Georgia Community Foundation, Inc.
Consolidated Statement of Activities
For the year ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support			
Contributions	\$ 5,468,636	\$ 0	\$ 5,468,636
Rentals	80,636	0	80,636
Investment revenue	368,268	21,136	389,404
Realized/unrealized gain (loss) on investments	1,504,255	89,338	1,593,593
Change in value of split interest agreements	0	(70,188)	(70,188)
Special events	51,662	0	51,662
Foundation fees, net	110,534	0	110,534
Administrative fees	76,690	0	76,690
Other	6,172	0	6,172
Total Revenue, Gains and Other	<u>7,666,853</u>	<u>40,286</u>	<u>7,707,139</u>
Net Assets Released from Restrictions			
Restrictions satisfied by payments	<u>32,870</u>	<u>(32,870)</u>	<u>0</u>
Total Revenue, Gains, Reclassifications and Other Support	<u>7,699,723</u>	<u>7,416</u>	<u>7,707,139</u>
Expenses			
Program Services			
Grants Awarded	2,918,579	0	2,918,579
Other program expense	469,846	0	469,846
Total program services	<u>3,388,425</u>	<u>0</u>	<u>3,388,425</u>
General and administrative	249,183	0	249,183
Fundraising	123,938	0	123,938
Costs of direct benefits to donors	33,704	0	33,704
Total Expenses	<u>3,795,250</u>	<u>0</u>	<u>3,795,250</u>
INCREASE IN NET ASSETS	3,904,473	7,416	3,911,889
BEGINNING NET ASSETS	<u>29,051,394</u>	<u>1,692,723</u>	<u>30,744,117</u>
ENDING NET ASSETS	<u>\$ 32,955,867</u>	<u>\$ 1,700,139</u>	<u>\$ 34,656,006</u>

North Georgia Community Foundation, Inc.
Consolidated Statements of Cash Flows
For the years ended December 31, 2015 and 2014

	2015	2014
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 591,803	\$ 3,911,889
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	62,024	56,335
Unrealized (gain) loss on investments	(654,927)	(1,989,646)
Loss on uncollectible notes receivable	447	0
(Increase) decrease in operating assets:		
Receivables	23,405	(23,405)
Prepaid expenses	22,853	(5,829)
Increase (decrease) in operating liabilities:		
Accounts payable	(18,339)	24,253
Income tax payable	23,853	0
Accrued payroll	3,283	0
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	54,402	1,973,597
Cash Flows From Investing Activities		
Proceeds from maturity of investments	6,625,693	3,395,718
Purchases of investments	(9,071,208)	(3,090,668)
Principal payments received on notes receivable	891	101
Purchase of property and equipment	(58,104)	(3,286)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(2,502,728)	301,865
Cash Flows From Financing Activities		
Agency endowment funds received	1,574,517	667,645
Agency endowment grants	(424,793)	(478,444)
Net earnings on agency endowments	19,110	13,373
Earnings on annuities	17,914	19,595
Annuity payments	(267,927)	(275,556)
Principal payments on notes payable	(26,265)	(28,244)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	892,556	(81,631)
NET INCREASE (DECREASE) IN CASH	(1,555,770)	2,193,831
CASH, BEGINNING	2,734,852	541,021
CASH, ENDING	\$ 1,179,082	\$ 2,734,852
CASH RECONCILIATION		
Cash	\$ 1,173,469	\$ 2,705,679
Cash held in trust	5,613	29,173
Total Cash	\$ 1,179,082	\$ 2,734,852

Supplemental Cash Flow Information:

Cash paid during 2015 and 2014 for interest expense was \$6,185 and \$7,156, respectively.

North Georgia Community Foundation, Inc.
Consolidated Statement of Functional Expenses
For the year ended December 31, 2015
(with comparative totals for the year ended December 31, 2014)

	2015					2014 Totals
	Program Services	General and Administrative	Fundraising	Direct Benefits to Donors	Totals	
Personnel						
Compensation	\$ 94,637	\$ 164,947	\$ 82,559	\$ 0	\$ 342,143	\$ 286,055
Retirement expense	2,820	4,916	2,461	0	10,197	8,583
Employee benefits	8,341	14,538	7,276	0	30,155	25,524
Payroll taxes	7,182	12,517	6,265	0	25,964	22,407
Total personnel expenses	<u>112,980</u>	<u>196,918</u>	<u>98,561</u>	<u>0</u>	<u>408,459</u>	<u>342,569</u>
Marketing						
Advertising	<u>12,304</u>	<u>21,446</u>	<u>10,734</u>	<u>0</u>	<u>44,484</u>	<u>36,529</u>
Office						
Equipment and software support	14,110	24,593	12,309	0	51,012	45,163
Dues and subscriptions	3,913	6,820	3,413	0	14,146	7,470
Postage	1,301	2,268	1,135	0	4,704	4,430
Supplies	1,222	2,130	1,066	0	4,418	4,119
Printing	1,136	1,980	991	0	4,107	2,611
Telephone	8,012	13,965	6,989	0	28,966	29,424
Other	3,090	5,387	2,696	0	11,173	8,554
Total office expenses	<u>32,784</u>	<u>57,143</u>	<u>28,599</u>	<u>0</u>	<u>118,526</u>	<u>101,771</u>
Occupancy						
Insurance	7,325	345	126	0	7,796	7,128
Interest	5,811	274	100	0	6,185	7,156
Depreciation	58,277	2,748	999	0	62,024	56,335
Repairs and maintenance	30,054	1,417	515	0	31,986	34,337
Utilities	24,696	1,164	423	0	26,283	24,005
Total occupancy expenses	<u>126,163</u>	<u>5,948</u>	<u>2,163</u>	<u>0</u>	<u>134,274</u>	<u>128,961</u>
Grants to others	4,839,339	0	0	0	4,839,339	2,918,579
Program expense	134,964	0	0	0	134,964	136,398
Special events	53,438	0	0	40,307	93,745	68,234
Board and committee expense	3,889	0	0	0	3,889	4,551
Professional fees	43,667	3,346	1,675	0	48,688	29,081
Travel and training expense	4,018	7,003	3,505	0	14,526	6,140
Investment commissions	5,863	0	0	0	5,863	11,138
Income taxes	12,164	21,202	10,612	0	43,978	6,866
Other	1,370	2,388	1,195	0	4,953	4,433
Total expenses	<u>\$ 5,382,943</u>	<u>\$ 315,394</u>	<u>\$ 157,044</u>	<u>\$ 40,307</u>	<u>\$ 5,895,688</u>	<u>\$ 3,795,250</u>

North Georgia Community Foundation, Inc.
Consolidated Statement of Functional Expenses
For the year ended December 31, 2014

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Direct Benefits to Donors</u>	<u>Totals</u>
Personnel					
Compensation	\$ 79,123	\$ 137,907	\$ 69,025	\$ 0	\$ 286,055
Retirement expense	2,374	4,138	2,071	0	8,583
Employee benefits	7,060	12,305	6,159	0	25,524
Payroll taxes	6,198	10,802	5,407	0	22,407
Total personnel expenses	<u>94,755</u>	<u>165,152</u>	<u>82,662</u>	<u>0</u>	<u>342,569</u>
Marketing					
Advertising	<u>10,104</u>	<u>17,611</u>	<u>8,814</u>	<u>0</u>	<u>36,529</u>
Office					
Equipment and software support	12,492	21,773	10,898	0	45,163
Dues and subscriptions	2,066	3,601	1,803	0	7,470
Postage	1,225	2,136	1,069	0	4,430
Supplies	1,139	1,986	994	0	4,119
Printing	722	1,259	630	0	2,611
Telephone	8,139	14,185	7,100	0	29,424
Other	2,366	4,124	2,064	0	8,554
Total office expenses	<u>28,149</u>	<u>49,064</u>	<u>24,558</u>	<u>0</u>	<u>101,771</u>
Occupancy					
Insurance	6,697	316	115	0	7,128
Interest	6,724	317	115	0	7,156
Depreciation	52,932	2,496	907	0	56,335
Repairs and maintenance	32,263	1,521	553	0	34,337
Utilities	22,556	1,063	386	0	24,005
Total occupancy expenses	<u>121,172</u>	<u>5,713</u>	<u>2,076</u>	<u>0</u>	<u>128,961</u>
Grants to others	2,918,579	0	0	0	2,918,579
Program expense	136,398	0	0	0	136,398
Special events	34,530	0	0	33,704	68,234
Board and committee expense	4,551	0	0	0	4,551
Professional fees	24,224	3,237	1,620	0	29,081
Travel and training expense	1,698	2,960	1,482	0	6,140
Investment commissions	11,138	0	0	0	11,138
Income taxes	1,899	3,310	1,657	0	6,866
Other	1,228	2,136	1,069	0	4,433
Total expenses	<u>\$ 3,388,425</u>	<u>\$ 249,183</u>	<u>\$ 123,938</u>	<u>\$ 33,704</u>	<u>\$ 3,795,250</u>

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

NORTH GEORGIA COMMUNITY FOUNDATION, INC.
Consolidated Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The North Georgia Community Foundation, Inc. (the "Foundation") was incorporated in 1985 for the purpose of managing and disbursing funds to charitable organizations located in the Gainesville-Hall County area in accordance with the donors' and Directors' request. The Foundation's major revenue sources include contributions and investment income.

Basis of Accounting

The accompanying financial statements of North Georgia Community Foundation, Inc., have been prepared using the accrual basis of accounting. Using this method, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the ASC 958, *Financial Statements for Not-for-Profit Organizations*. ASC 958 requires classification of net assets and revenue, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of these three classes of net assets: permanently restricted, temporarily restricted and unrestricted be displayed in the statement of activities and changes in net assets. The accounting standards provide that if a governing body of an organization has the ability to remove a donor restriction, the contributions should be classified as unrestricted net assets.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value Measurement

The Foundation follows an accounting standard that defines fair value, establishes a framework for measuring fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the Foundation has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the statement of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 - Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

NORTH GEORGIA COMMUNITY FOUNDATION, INC.
Consolidated Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fair Value Measurement, continued

Level 2 - Financial assets and liabilities are valued using inputs that are quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data. Level 2 includes private collateralized mortgage obligations, municipal bonds, and corporate debt securities.

Level 3 - Financial assets and liabilities are valued using pricing inputs which are unobservable for the assets, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset. Level 3 includes private equity, venture capital, hedge funds, and real estate.

Fair Value of Financial Instruments

At December 31, 2015 and 2014, the fair value of all financial instruments approximates carrying value. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Investments - Investments, other than cash and cash equivalents are carried at fair value. Publicly traded investments are valued at fair value based on quoted market prices. A substantial portion of the fair value measurements included within investments are provided to the Foundation by third parties and are not calculated by the Foundation. These valuations are based on the fair value based on quoted market prices, financial models of hypothetical transactions, or net asset value as determined by the fund manager. Some valuations may also be determined and approved by the managers or valuation committees of the funds in which the Foundation invests. The fair value assigned to a particular security by the fund does not necessarily reflect the amount that would be realized. In addition, in light of the judgment involved in fair value decisions, there can be no assurance that a fair value assigned to a particular security by the fund is accurate.

Obligations for Agency Funds and Endowments - Carrying value, which approximates fair value, of obligations for agency funds and beneficiary endowments is based on the related fair values of investments discussed above and the beneficiaries' shares of the related investment assets.

Obligations for Charitable Gift Annuities and Remainder Trusts - Carrying value, which approximates fair value, of obligations of charitable gift annuities and charitable remainder trusts is based on the life expectancies of the beneficiaries, mortality tables, and interest rates imputed at the inception date of the obligations (see Note 8)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments such as checking, savings and money market accounts to be cash equivalents.

Investments

The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. The fair values are determined from current market values. Investments in non-marketable securities are carried at cost. Investments are held in trust if designated as such by the donor.

NORTH GEORGIA COMMUNITY FOUNDATION, INC.
Consolidated Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Property and Equipment

Property and equipment are carried at cost or, if donated, at their approximate fair value at the date of donation. Interest expense incurred in direct relation to construction projects is capitalized and recorded in the cost of the constructed asset. Depreciation is computed using the straight-line method over the following years:

	<u>Years</u>
Furniture and equipment	5-15
Land Improvements	15
Building	10-40

Restricted and Unrestricted Contributions

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

Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Donated Assets and Property and Equipment

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose.

Donated Services

Donated services are recognized as contributions in accordance with ASC 958, *Financial Statements for Not-for-Profit Organizations*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

NORTH GEORGIA COMMUNITY FOUNDATION, INC.
Consolidated Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Income Taxes

The Internal Revenue Service has ruled that the Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state income taxes, except on net income derived from unrelated business activities. The Foundation receives certain trustee and service fees that are unrelated to its exempt purpose which is subject to tax on unrelated business activity. At June 30, 2015, the Foundation recorded a tax liability of \$35,676 of which \$11,823 in estimated tax payments have been paid during 2015 leaving a net tax liability of \$23,853.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function have been allocated among the programs and supporting services. General and administrative expenses include those expenses that provide for the overall support and direction of the Foundation.

For the years ended December 31, 2015 and 2014, indirect expenses have been allocated on the basis of personnel costs or space usage.

Subsequent Events

Management has evaluated subsequent events through March 29, 2016, the date the financial statements were available to be issued. During this period, management did not note any material recognizable subsequent events that required recognition or disclosure in the accompanying financial statements.

NOTE 2 - INVESTMENTS

Investments presented in the financial statements at December 31, 2015 consist of the following:

	<u>Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Money Market Funds	\$ 2,117,107	\$ 2,117,107	\$ 0	\$ 0
Domestic Stocks	18,259,288	18,259,288	0	0
Foreign Stocks	4,619,690	4,619,690	0	0
Bonds	12,527,475	12,527,475	0	0
Convertibles and Preferred Stocks	1,084,964	1,084,964	0	0
	<u>\$ 38,608,524</u>	<u>\$ 38,608,524</u>	<u>\$ 0</u>	<u>\$ 0</u>
Investments Held in Trust				
Money Market Funds	\$ 221,642	\$ 221,642	\$ 0	\$ 0
Domestic Stocks	2,026,567	2,026,567	0	0
Foreign Stocks	512,870	512,870	0	0
Bonds	1,412,755	1,412,755	0	0
Convertibles and Preferred Stocks	121,560	121,560	0	0
	<u>\$ 4,295,394</u>	<u>\$ 4,295,394</u>	<u>\$ 0</u>	<u>\$ 0</u>

NORTH GEORGIA COMMUNITY FOUNDATION, INC.
Consolidated Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

NOTE 2 - INVESTMENTS, CONTINUED

Investments presented in the financial statements at December 31, 2014 consist of the following:

	<u>Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Money Market Funds	\$ 2,618,517	\$ 2,618,517	\$ 0	\$ 0
Domestic Stocks	16,496,112	16,496,112	0	0
Foreign Stocks	3,958,439	3,958,439	0	0
Bonds	10,140,688	10,140,688	0	0
Convertibles and Preferred Stocks	<u>1,872,326</u>	<u>1,872,326</u>	<u>0</u>	<u>0</u>
	<u>\$ 35,086,082</u>	<u>\$ 35,086,082</u>	<u>\$ 0</u>	<u>\$ 0</u>
Investments Held in Trust				
Money Market Funds	\$ 355,617	\$ 355,617	\$ 0	\$ 0
Domestic Stocks	2,172,939	2,172,939	0	0
Foreign Stocks	515,785	515,785	0	0
Bonds	1,323,602	1,323,602	0	0
Convertibles and Preferred Stocks	<u>256,970</u>	<u>256,970</u>	<u>0</u>	<u>0</u>
	<u>\$ 4,624,913</u>	<u>\$ 4,624,913</u>	<u>\$ 0</u>	<u>\$ 0</u>

The following schedule summarizes the investment return for the year ended December 31:

	<u>2015</u>	<u>2014</u>
Investment revenue	\$ 415,919	\$ 389,404
Realized/unrealized gain (loss)	<u>229,462</u>	<u>1,593,593</u>
Total Investment Return	<u>\$ 645,381</u>	<u>\$ 1,982,997</u>

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NOTE 3 - NOTES RECEIVABLE, NET

The Foundation has the following notes receivable as of December 31:

	2015	2014
<p>The Foundation has one mortgage note receivable originally gifted from a charitable trust. The original amount of the note was \$45,678. The monthly payment consists of principal and interest with an interest rate of 5.0%. The term of the note is thirty years and the note is secured by real property. An allowance for doubtful accounts has been established at 10% due to the uncertainty of the receivable. The Foundation originally received eighteen notes receivable, of which ten have been paid in full, three have been foreclosed, and four have been deemed uncollectible and written off.</p>	\$ 44,355	\$ 45,346
Less: Current Portion	(742)	(691)
Allowance for Doubtful Accounts	(4,435)	(4,535)
Notes Receivable - Long-Term	\$ 39,178	\$ 40,120

Interest revenue on notes receivable totaled \$2,908 and \$399 for 2015 and 2014, respectively.

NOTE 4 – PREPAIDS AND DEPOSITS

The Foundation had prepaids and deposits related to the following at December 31:

	2015	2014
Software Maintenance Contracts	\$ 22,541	\$ 19,594
Purchase of Software	13,160	38,960
Total Prepaids and Deposits	\$ 35,701	\$ 58,554

NOTE 5 - PROPERTY & EQUIPMENT, NET

Property and equipment consists of the following at December 31:

	2015	2014
Furniture and Equipment	\$ 190,802	\$ 326,759
Buildings	1,920,884	1,914,893
Land and Land Improvements	642,096	642,096
	2,753,782	2,883,748
Less: Accumulated Depreciation	(786,351)	(911,950)
Total Property & Equipment, Net	\$ 1,967,431	\$ 1,971,798

Depreciation expense for 2015 and 2014 was \$62,024 and \$56,335, respectively.

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NOTE 6 - NOTES PAYABLE

	2015	2014
Note payable to United Community Bank in the original amount of \$238,581, unsecured with interest at prime (3.50% at December 31, 2015); monthly payments of \$1,200 beginning September 12, 2013, with payment of unpaid principal and interest due August 12, 2018.	\$ 174,798	\$ 201,063
Less: Current Portion	(7,525)	(7,285)
Long-Term Portion of Notes Payable	\$ 167,273	\$ 193,778

Maturity of notes payable
for the year ended December 31,

	Principal	Interest	Total
2016	\$ 7,525	\$ 6,875	\$ 14,400
2017	7,773	6,627	14,400
2018	159,500	4,276	163,776
	\$ 174,798	\$ 17,778	\$ 192,576

Interest expense for 2015 and 2014 was \$6,185 and \$7,156, respectively.

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NOTE 7 - FUNDS HELD AS AGENCY ENDOWMENTS

The Foundation has adopted ASC 958, *Financial Statements for Not-for-Profit Organizations*. 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. ASC 958 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 ASC 958, a liability has been established for the fair value of the funds, which is generally equivalent to the value of future payments expected to be made to the NPOs.

At December 31, 2015, the Foundation was the owner of 53 agency endowment funds with a combined value of \$9,343,934. At December 31, 2014, the Foundation was the owner of 42 agency endowment funds with a combined value of \$8,110,182. The following table summarizes activity in such funds during the year:

	<u>2015</u>	<u>2014</u>
Agency Endowment Fund balances as of January 1	\$ 8,110,182	\$ 7,483,311
Amounts raised	1,574,517	667,645
Investment Income	114,734	100,374
Investment Fees	(92,000)	(83,770)
Unrealized and realized investment gains (losses)	64,918	424,296
Transfers	74,438	0
Grants	<u>(502,855)</u>	<u>(481,674)</u>
Agency Endowment Fund Balances as of December 31	<u>\$ 9,343,934</u>	<u>\$ 8,110,182</u>

NOTE 8 - LIABILITIES UNDER SPLIT INTEREST AGREEMENTS

The Foundation administers various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiary over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the Foundation's use. The portion of the trust attributable to the present value of the future benefits to be received by the Foundation is recorded in the Statement of Activities as a temporarily restricted contribution in the period the trust is established. There were no such contributions in 2015 or 2014. Assets held in the charitable remainder trusts totaled \$2,924,050 and \$3,166,092 at December 31, 2015 and 2014, respectively, and are reported at fair value in the Foundation's Statement of Financial Position. At December 31, 2015, the Foundation held in trust ten Charitable Remainder Unitrusts and three Charitable Lead Annuity Trusts, which are payable as annuities over the life of the donor. The amount of \$1,253,223 shown as \$234,172 current and \$1,019,051 long-term is the present value of the remaining annuity calculated using a discount rate of 2.0% and applicable Internal Revenue Service life expectancy tables. At December 31, 2014, the Foundation held in trust ten Charitable Remainder Unitrusts and three Charitable Lead Annuity Trusts, which are payable as annuities over the life of the donor. The amount of \$1,466,127, shown as \$255,176 current and \$1,210,951 long-term is the present value of the remaining annuity calculated using a discount rate of 2.0% and applicable Internal Revenue Service life expectancy tables. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions.

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NOTE 9 - ANNUITY LIABILITIES

The Foundation held one deferred gift annuity, which is an insurance annuity that begins payment 15 years after the date of gift. The present value of the annuity was \$62,495 and \$72,041 at December 31, 2015 and 2014, respectively.

NOTE 10 - CHARITABLE LEAD TRUSTS

At various times, donors will establish trusts with the Foundation naming the Foundation as a lead beneficiary of charitable lead trusts. Under the terms of the split-interest agreements, the Foundation is to receive a percentage of the trust assets for a specified term. Assets held in the charitable lead trusts totaled \$1,376,957 and \$1,487,991 at December 31, 2015 and 2014, respectively, and are reported at fair value in the Foundation's Statement of Financial Position. The trust assets are valued at the beginning of the calendar year and the distributions are made as specified in the trusts. At the time of termination, the assets remaining in the trusts are to be distributed to others. Using a discount rate of 2.0% and 2.0% at December 31, 2015 and 2014, respectively, the present value of future benefits to be received by the Foundation was estimated to be \$846,436 and \$960,255 at December 31, 2015 and 2014, respectively. The Foundation received payments from the trusts totaling \$124,873 and \$113,623 during the years ended December 31, 2015 and 2014, respectively.

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31:

	<u>2015</u>	<u>2014</u>
Charitable Remainder Trust Contributions (See Note 8)	\$ 1,670,826	\$ 1,699,967
Contributions for the Benevolent Fund	<u>0</u>	<u>172</u>
Total Temporarily Restricted Net Assets	<u>\$ 1,670,826</u>	<u>\$ 1,700,139</u>

NOTE 12 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets in the following amounts were released from restriction by satisfying the restricted purpose during the year ended December 31:

	<u>2015</u>	<u>2014</u>
Changes in Charitable Remainder Unitrusts	<u>\$ 32,642</u>	<u>\$ 32,870</u>

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NOTE 13 - RETIREMENT PLAN

The Foundation provides retirement benefits for its employees through a SIMPLE IRA retirement plan, which is administered by an independent third party. Any full-time employee may participate in the plan. After 6 months of service, the Foundation will match employee contributions up to 3% of the employee's annual salary. All employee contributions are optional.

Funds are vested 100% at the time of contribution. Amounts held in the plan are not available to the employees until termination, retirement, death, or unforeseeable emergency.

The employer's contributions into the retirement plan for the years ended December 31, 2015 and 2014 was \$10,197 and \$8,584, respectively.

The Organization has no fiduciary relationship with the plan, and plan assets are not available to the Organization or its general creditors. Plan assets are held in trust by the administrator for the exclusive benefit of the participants of the plan.

NOTE 14 - RISK AND UNCERTAINTIES

Concentration of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

The Foundation maintains several interest and non-interest bearing deposit accounts in local banks. The total of these deposits is \$1,900,687, of which \$260,075 is insured by the Federal Deposit Insurance Corporation, leaving \$2,038,704 uninsured.

Concentration of Credit Risk Arising from Uncollateralized Investments

The Foundation maintains deposits and investments in various money market and mutual fund accounts. The total of these is \$43,808,736, which is at the risk of market change. This amount is secured from brokerage failure for up to \$1,469,313 by the Securities Investor Protection Corporation, leaving \$42,339,423 unsecured.

Testamentary Gifts

The Foundation has been named a beneficiary in various testamentary documents. These documents may be changed at any time and, therefore, are not considered completed gifts. The values of these contingent gifts are not determinable at this time and have not been recorded in the financial statements.

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NOTE 15 - CONSOLIDATION

The financial statements of the Foundation are presented as consolidated to include the statements of the wholly-owned entity of Lake Rabun Pavilion, LLC. The Foundation is the only Member of the Lake Rabun Pavilion, LLC. The LLC was created to construct and own a pavilion on Lake Rabun, Georgia for the public benefit of the local community. The LLC also has a donor advised fund at the Foundation. All interrelated transactions have been eliminated in the consolidation. The following is a summary of the amounts that are included in the financial statements as of December 31:

	<u>2015</u>	<u>2014</u>
Property and equipment, net	\$ 873,138	\$ 890,662
Depreciation expense	17,524	17,524

NOTE 16 - UNCERTAIN TAX POSITIONS

Effective January 1, 2010, the Foundation implemented the new accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board [FASB] ASC 740, Income Taxes. The guidance prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of December 31, 2015, the Foundation has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

The Foundation has various revenue from charges for services which creates unrelated business income tax. The Foundation pays the required federal and state income tax at the corporate tax rates.

With few exceptions, the Foundation is no longer subject to U.S. federal, state, and local income tax examinations by tax authorities for years before fiscal year 2012.