

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

Financial Report

For the Years Ended December 31, 2016 and 2015

**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, 2016 and 2015, 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, 2016 and 2015, 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, 2017

North Georgia Community Foundation, Inc.
Consolidated Statements of Financial Position
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash	\$ 1,471,654	\$ 1,173,469
Investments	43,334,749	38,608,524
Notes receivable, net	754	742
Prepaid and deposits	<u>24,606</u>	<u>35,701</u>
Total Current Assets	44,831,763	39,818,436
Notes receivable, net	39,007	39,178
Property and equipment, net	1,905,897	1,967,431
Cash held in trust	37,727	5,613
Investments held in trust	<u>4,100,925</u>	<u>4,295,394</u>
TOTAL ASSETS	<u><u>\$ 50,915,319</u></u>	<u><u>\$ 46,126,052</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 2,028	\$ 16,017
Income taxes payable	14,055	23,853
Payroll liabilities	0	3,283
Security deposits	640	640
Notes payable	7,773	7,525
Liabilities under split interest agreements	<u>223,866</u>	<u>234,172</u>
Total Current Liabilities	<u>248,362</u>	<u>285,490</u>
Long-Term Liabilities		
Notes payable	137,488	167,273
Funds held as agency endowments	8,182,665	9,343,934
Liabilities under split interest agreements	934,380	1,019,051
Annuity liabilities	<u>62,431</u>	<u>62,495</u>
Total Long-Term Liabilities	<u>9,316,964</u>	<u>10,592,753</u>
TOTAL LIABILITIES	<u>9,565,326</u>	<u>10,878,243</u>
Net Assets		
Unrestricted	39,694,158	33,576,983
Temporarily restricted	<u>1,655,835</u>	<u>1,670,826</u>
TOTAL NET ASSETS	<u>41,349,993</u>	<u>35,247,809</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 50,915,319</u></u>	<u><u>\$ 46,126,052</u></u>

North Georgia Community Foundation, Inc.
Consolidated Statement of Activities
For the year ended December 31, 2016
(with comparative totals for the year ended December 31, 2015)

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
Revenues, Gains and Other Support				
Contributions	\$ 8,384,391	\$ 0	\$ 8,384,391	\$ 5,455,775
Rentals	84,758	0	84,758	89,330
Investment revenue	419,391	19,645	439,036	415,919
Realized/unrealized gain (loss) on investments	1,795,213	78,130	1,873,343	229,462
Change in value of split interest agreements	0	(81,345)	(81,345)	(28,003)
Special events	78,536	0	78,536	53,542
Foundation fees, net	103,610	0	103,610	103,565
Administrative fees	211,751	0	211,751	163,503
Other	1,420	0	1,420	4,845
Total Revenue, Gains and Other Support	11,079,070	16,430	11,095,500	6,487,938
Net Assets Released from Restrictions				
Restrictions satisfied by payments	31,421	(31,421)	0	0
Total Revenue, Gains, Reclassifications and Other Support	11,110,491	(14,991)	11,095,500	6,487,938
Expenses and Losses				
Program Services				
Grants Awarded	3,924,971	0	3,924,971	4,839,339
Other program expense	495,734	0	495,734	543,604
Total program services	4,420,705	0	4,420,705	5,382,943
General and administrative	358,026	0	358,026	315,394
Fundraising	178,366	0	178,366	157,044
Costs of direct benefits to donors	36,023	0	36,023	40,307
Total Expenses	4,993,120	0	4,993,120	5,895,688
Loss on sale of property and equipment	196	0	196	447
Total Expenses and Losses	4,993,316	0	4,993,316	5,896,135
INCREASE IN NET ASSETS	6,117,175	(14,991)	6,102,184	591,803
BEGINNING NET ASSETS	33,576,983	1,670,826	35,247,809	34,656,006
ENDING NET ASSETS	\$ 39,694,158	\$ 1,655,835	\$ 41,349,993	\$ 35,247,809

North Georgia Community Foundation, Inc.
Consolidated Statement of Activities
For the year ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support			
Contributions	\$ 5,455,775	\$ 0	\$ 5,455,775
Rentals	89,330	0	89,330
Investment revenue	395,147	20,772	415,919
Realized/unrealized gain (loss) on investments	218,902	10,560	229,462
Change in value of split interest agreements	0	(28,003)	(28,003)
Special events	53,542	0	53,542
Foundation fees, net	103,565	0	103,565
Administrative fees	163,503	0	163,503
Other	4,845	0	4,845
	<hr/>	<hr/>	<hr/>
Total Revenue, Gains and Other	6,484,609	3,329	6,487,938
Net Assets Released from Restrictions			
Restrictions satisfied by payments	32,642	(32,642)	0
	<hr/>	<hr/>	<hr/>
Total Revenue, Gains, Reclassifications and Other Support	6,517,251	(29,313)	6,487,938
	<hr/>	<hr/>	<hr/>
Expenses			
Program Services			
Grants Awarded	4,839,339	0	4,839,339
Other program expense	543,604	0	543,604
	<hr/>	<hr/>	<hr/>
Total program services	5,382,943	0	5,382,943
General and administrative	315,394	0	315,394
Fundraising	157,044	0	157,044
Costs of direct benefits to donors	40,307	0	40,307
	<hr/>	<hr/>	<hr/>
Total Expenses	5,895,688	0	5,895,688
Loss on sale of property and equipment	447	0	447
	<hr/>	<hr/>	<hr/>
Total Expenses and Losses	5,896,135	0	5,896,135
	<hr/>	<hr/>	<hr/>
INCREASE IN NET ASSETS	621,116	(29,313)	591,803
BEGINNING NET ASSETS	32,955,867	1,700,139	34,656,006
	<hr/>	<hr/>	<hr/>
ENDING NET ASSETS	<u>\$ 33,576,983</u>	<u>\$ 1,670,826</u>	<u>\$ 35,247,809</u>

North Georgia Community Foundation, Inc.
Consolidated Statements of Cash Flows
For the years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 6,102,184	\$ 591,803
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	65,791	62,024
Unrealized (gain) loss on investments	(87,892)	(654,927)
Loss on the sale of property and equipment	196	447
(Increase) decrease in operating assets:		
Receivables	0	23,405
Prepaid expenses	11,095	22,853
Increase (decrease) in operating liabilities		
Accounts payable	(13,989)	(18,339)
Income tax payable	(9,798)	23,853
Accrued payroll	(3,283)	3,283
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>6,064,304</u>	<u>54,402</u>
Cash Flows From Investing Activities		
Proceeds from maturity of investments	7,213,330	6,625,693
Purchases of investments	(10,997,678)	(9,071,208)
Principal payments received on notes receivable	159	891
Purchase of property and equipment	(4,453)	(58,104)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(3,788,642)</u>	<u>(2,502,728)</u>
Cash Flows From Financing Activities		
Agency endowment funds received	677,880	1,574,517
Agency endowment grants	(2,372,410)	(424,793)
Net earnings on agency endowments	13,629	19,110
Earnings on annuities	14,735	17,914
Annuity payments	(249,660)	(267,927)
Principal payments on notes payable	(29,537)	(26,265)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(1,945,363)</u>	<u>892,556</u>
NET INCREASE (DECREASE) IN CASH	330,299	(1,555,770)
CASH, BEGINNING	<u>1,179,082</u>	<u>2,734,852</u>
CASH, ENDING	<u><u>\$ 1,509,381</u></u>	<u><u>\$ 1,179,082</u></u>
CASH RECONCILIATION		
Cash	\$ 1,471,654	\$ 1,173,469
Cash held in trust	<u>37,727</u>	<u>5,613</u>
Total Cash	<u><u>\$ 1,509,381</u></u>	<u><u>\$ 1,179,082</u></u>

Supplemental Cash Flow Information:

Cash paid during 2016 and 2015 for interest expense was \$5,864 and \$6,185, respectively.

North Georgia Community Foundation, Inc.
Consolidated Statement of Functional Expenses
For the year ended December 31, 2016
(with comparative totals for the year ended December 31, 2015)

	2016					2015
	Program Services	General and Administrative	Fundraising	Direct Benefits to Donors	Totals	Totals
Personnel						
Compensation	\$ 115,325	\$ 201,006	\$ 100,607	\$ 0	\$ 416,938	\$ 342,143
Retirement expense	5,934	10,342	5,177	0	21,453	10,197
Employee benefits	8,319	14,499	7,257	0	30,075	30,155
Payroll taxes	8,790	15,321	7,668	0	31,779	25,964
Total personnel expenses	138,368	241,168	120,709	0	500,245	408,459
Marketing						
Advertising	2,183	3,806	1,905	0	7,894	44,484
Office						
Equipment and software support	20,385	35,530	17,783	0	73,698	51,012
Dues and subscriptions	1,326	2,312	1,157	0	4,795	14,146
Postage	1,174	2,046	1,024	0	4,244	4,704
Supplies	2,047	3,568	1,786	0	7,401	4,418
Printing	918	1,600	801	0	3,319	4,107
Telephone	6,907	12,039	6,026	0	24,972	28,966
Other	3,799	6,622	3,314	0	13,735	11,173
Total office expenses	36,556	63,717	31,891	0	132,164	118,526
Occupancy						
Insurance	8,595	405	147	0	9,147	7,796
Interest	5,510	260	94	0	5,864	6,185
Depreciation	61,817	2,915	1,059	0	65,791	62,024
Repairs and maintenance	29,766	1,403	510	0	31,679	31,986
Utilities	22,880	1,079	392	0	24,351	26,283
Total occupancy expenses	128,568	6,062	2,202	0	136,832	134,274
Grants to others	3,924,971	0	0	0	3,924,971	4,839,339
Program expense	60,540	0	0	0	60,540	134,964
Special events	60,377	0	0	36,023	96,400	93,745
Board and committee expense	5,321	0	0	0	5,321	3,889
Professional fees	36,488	2,690	1,346	0	40,524	48,688
Travel and training expense	7,834	13,655	6,835	0	28,324	14,526
Investment commissions	4,050	0	0	0	4,050	5,863
Income taxes	13,428	23,404	11,714	0	48,546	43,978
Other	2,021	3,524	1,764	0	7,309	4,953
Total expenses	<u>\$ 4,420,705</u>	<u>\$ 358,026</u>	<u>\$ 178,366</u>	<u>\$ 36,023</u>	<u>\$ 4,993,120</u>	<u>\$ 5,895,688</u>

North Georgia Community Foundation, Inc.
Consolidated Statement of Functional Expenses
For the year ended December 31, 2015

	Program Services	General and Administrative	Fundraising	Direct Benefits to Donors	Totals
Personnel					
Compensation	\$ 94,637	\$ 164,947	\$ 82,559	\$ 0	\$ 342,143
Retirement expense	2,820	4,916	2,461	0	10,197
Employee benefits	8,341	14,538	7,276	0	30,155
Payroll taxes	7,182	12,517	6,265	0	25,964
Total personnel expenses	112,980	196,918	98,561	0	408,459
Marketing					
Advertising	12,304	21,446	10,734	0	44,484
Office					
Equipment and software support	14,110	24,593	12,309	0	51,012
Dues and subscriptions	3,913	6,820	3,413	0	14,146
Postage	1,301	2,268	1,135	0	4,704
Supplies	1,222	2,130	1,066	0	4,418
Printing	1,136	1,980	991	0	4,107
Telephone	8,012	13,965	6,989	0	28,966
Other	3,090	5,387	2,696	0	11,173
Total office expenses	32,784	57,143	28,599	0	118,526
Occupancy					
Insurance	7,325	345	126	0	7,796
Interest	5,811	274	100	0	6,185
Depreciation	58,277	2,748	999	0	62,024
Repairs and maintenance	30,054	1,417	515	0	31,986
Utilities	24,696	1,164	423	0	26,283
Total occupancy expenses	126,163	5,948	2,163	0	134,274
Grants to others	4,839,339	0	0	0	4,839,339
Program expense	134,964	0	0	0	134,964
Special events	53,438	0	0	40,307	93,745
Board and committee expense	3,889	0	0	0	3,889
Professional fees	43,667	3,346	1,675	0	48,688
Travel and training expense	4,018	7,003	3,505	0	14,526
Investment commissions	5,863	0	0	0	5,863
Income taxes	12,164	21,202	10,612	0	43,978
Other	1,370	2,388	1,195	0	4,953
Total expenses	<u>\$ 5,382,943</u>	<u>\$ 315,394</u>	<u>\$ 157,044</u>	<u>\$ 40,307</u>	<u>\$ 5,895,688</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, 2016 and 2015

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.

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.

NORTH GEORGIA COMMUNITY FOUNDATION, INC.
Consolidated Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fair Value Measurement, continued

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, 2016 and 2015, 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 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.

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.

NORTH GEORGIA COMMUNITY FOUNDATION, INC.
Consolidated Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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, 2016 and 2015

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, 2016, the Foundation recorded a tax liability of \$48,838 of which \$27,637 in estimated tax payments have been paid during 2016 and \$7,146 in overpayments of taxes paid in the prior year leaving a net tax liability of \$14,055. 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 2016 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, 2016 and 2015, indirect expenses have been allocated on the basis of personnel costs or space usage.

Subsequent Events

Management has evaluated subsequent events through March 29, 2017, 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.

NORTH GEORGIA COMMUNITY FOUNDATION, INC.
Consolidated Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

NOTE 2 - INVESTMENTS

Investments presented in the financial statements at December 31, 2016 consist of the following:

	<u>Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Money Market Funds	\$ 1,861,855	\$ 1,861,855	\$ 0	\$ 0
Domestic Stocks	20,158,038	20,158,038	0	0
Foreign Stocks	5,744,291	5,744,291	0	0
Bonds	14,346,851	14,346,851	0	0
Convertibles and Preferred Stocks	1,223,714	1,223,714	0	0
	<u>\$ 43,334,749</u>	<u>\$ 43,334,749</u>	<u>\$ 0</u>	<u>\$ 0</u>
Investments Held in Trust				
Money Market Funds	171,419	171,419	0	0
Domestic Stocks	1,906,521	1,906,521	0	0
Foreign Stocks	542,552	542,552	0	0
Bonds	1,363,147	1,363,147	0	0
Convertibles and Preferred Stocks	117,286	117,286	0	0
	<u>\$ 4,100,925</u>	<u>\$ 4,100,925</u>	<u>\$ 0</u>	<u>\$ 0</u>

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>

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NOTE 2 – INVESTMENTS, CONTINUED

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

	<u>2016</u>	<u>2015</u>
Investment revenue	\$ 439,036	\$ 415,919
Realized/unrealized gain (loss)	<u>1,873,343</u>	<u>229,462</u>
Total Investment Return	<u><u>\$ 2,312,379</u></u>	<u><u>\$ 645,381</u></u>

NOTE 3 - NOTES RECEIVABLE, NET

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

	<u>2016</u>	<u>2015</u>
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.		
	\$ 44,095	\$ 44,355
Less: Current Portion	(754)	(742)
Allowance for Doubtful Accounts	<u>(4,334)</u>	<u>(4,435)</u>
Notes Receivable - Long-Term	<u><u>\$ 39,007</u></u>	<u><u>\$ 39,178</u></u>

Interest revenue on notes receivable totaled \$591 and \$2,908 for 2016 and 2015, respectively.

NOTE 4 – PREPAIDS AND DEPOSITS

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

	<u>2016</u>	<u>2015</u>
Software Maintenance Contracts	\$ 24,606	\$ 22,541
Purchase of Software	<u>0</u>	<u>13,160</u>
Total Prepaids and Deposits	<u><u>\$ 24,606</u></u>	<u><u>\$ 35,701</u></u>

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NOTE 5 - PROPERTY & EQUIPMENT, NET

Property and equipment consists of the following at December 31:

	<u>2016</u>	<u>2015</u>
Furniture and Equipment	\$ 187,393	\$ 190,802
Buildings	1,920,884	1,920,884
Land and Land Improvements	<u>642,096</u>	<u>642,096</u>
	2,750,373	2,753,782
Less: Accumulated Depreciation	<u>(844,476)</u>	<u>(786,351)</u>
Total Property & Equipment, Net	<u><u>\$ 1,905,897</u></u>	<u><u>\$ 1,967,431</u></u>

Depreciation expense for 2016 and 2015 was \$65,791 and \$62,024, respectively.

NOTE 6 - NOTES PAYABLE

	<u>2016</u>	<u>2015</u>
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.	\$ 145,261	\$ 174,798
Less: Current Portion	<u>(7,773)</u>	<u>(7,525)</u>
Long-Term Portion of Notes Payable	<u><u>\$ 137,488</u></u>	<u><u>\$ 167,273</u></u>

Maturity of notes payable
for the year ended December 31,

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 7,773	\$ 6,627	\$ 14,400
2018	<u>137,488</u>	<u>4,276</u>	<u>141,764</u>
	<u><u>\$ 145,261</u></u>	<u><u>\$ 10,903</u></u>	<u><u>\$ 156,164</u></u>

Interest expense for 2016 and 2015 was \$5,864 and \$6,185, 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, 2016, the Foundation held 54 agency endowment funds with a combined value of \$8,182,665. At December 31, 2015, the Foundation held 53 agency endowment funds with a combined value of \$9,343,934. The following table summarizes activity in such funds during the year:

	<u>2016</u>	<u>2015</u>
Agency Endowment Fund balances as of January 1	\$ 9,343,934	\$ 8,110,182
Amounts raised	677,880	1,574,517
Investment Income	111,723	114,734
Investment Fees	(93,886)	(92,000)
Unrealized and realized investment gains (losses)	519,632	64,918
Transfers	(1,500)	74,438
Grants	<u>(2,375,118)</u>	<u>(502,855)</u>
Agency Endowment Fund Balances as of December 31	<u>\$ 8,182,665</u>	<u>\$ 9,343,934</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 2016 or 2015. Assets held in the charitable remainder trusts totaled \$2,814,082 and \$2,924,050 at December 31, 2016 and 2015, respectively, and are reported at fair value in the Foundation's Statement of Financial Position. At December 31, 2016, 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 \$1,158,246 shown as \$223,866 current and \$934,380 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, 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. 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 \$62,431 and \$62,495 at December 31, 2016 and 2015, 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 \$1,324,570 and \$1,376,957 at December 31, 2016 and 2015, 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, 2016 and 2015, respectively, the present value of future benefits to be received by the Foundation was estimated to be \$742,962 and \$846,436 at December 31, 2016 and 2015, respectively. The Foundation received payments from the trusts totaling \$124,873 and \$124,873 during the years ended December 31, 2016 and 2015, respectively.

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2016</u>	<u>2015</u>
Charitable Remainder Trust Contributions (See Note 8)	<u>\$ 1,655,835</u>	<u>\$ 1,670,826</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>2016</u>	<u>2015</u>
Changes in Charitable Remainder Unitrusts	<u>\$ 31,421</u>	<u>\$ 32,642</u>

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 6% 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, 2016 and 2015 was \$21,453 and \$10,197, respectively.

The Foundation 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.

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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 \$1,597,209, of which \$259,914 is insured by the Federal Deposit Insurance Corporation, leaving \$1,337,295 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 \$47,437,306, which is at the risk of market change. This amount is secured from brokerage failure for up to \$1,360,046 by the Securities Investor Protection Corporation, leaving \$46,077,260 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.

Trustee Capacity

The Foundation serves as Trustee for certain entities of which it receives a trustee fee for this capacity. Trustee responsibilities increase the fiduciary risk of the Foundation.

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>2016</u>	<u>2015</u>
Property and equipment, net	\$ 855,614	\$ 873,138
Depreciation expense	17,524	17,524

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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, 2016, 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 2013.