

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

Financial Report

For the Years Ended December 31, 2018 and 2017

**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, 2018 and 2017, 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, 2018 and 2017, 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  
April 17, 2019

**North Georgia Community Foundation, Inc.**  
**Consolidated Statements of Financial Position**  
**December 31, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
Current Assets		
Cash	\$ 4,080,664	\$ 2,270,602
Investments	59,388,898	52,285,301
Notes receivable, net	0	29,693
Prepaid expenses and deposits	25,643	11,910
Total Current Assets	63,495,205	54,597,506
Property and equipment, net	1,939,556	1,968,253
Cash held in trust	40,395	30,451
Investments held in trust	2,857,915	4,355,908
<b>TOTAL ASSETS</b>	<b>\$ 68,333,071</b>	<b>\$ 60,952,118</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 29,188	\$ 13,781
Income taxes payable	867	4,190
Security deposits	640	640
Liabilities under split interest agreements	120,415	235,913
Total Current Liabilities	151,110	254,524
Long-Term Liabilities		
Funds held as agency endowments	10,616,418	9,971,585
Liabilities under split interest agreements	619,784	938,002
Annuity liabilities	76,697	76,654
Total Long-Term Liabilities	11,312,899	10,986,241
<b>TOTAL LIABILITIES</b>	<b>11,464,009</b>	<b>11,240,765</b>
Net Assets		
Without donor restriction	55,937,742	47,901,904
With donor restriction	931,320	1,809,449
<b>TOTAL NET ASSETS</b>	<b>56,869,062</b>	<b>49,711,353</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 68,333,071</b>	<b>\$ 60,952,118</b>

**North Georgia Community Foundation, Inc.**  
**Consolidated Statement of Activities**  
**For the year ended December 31, 2018**  
**(with comparative totals for the year ended December 31, 2017)**

	2018			2017 Total
	Without Donor Restriction	With Donor Restriction	Total	
<b>Revenues, Gains and Other Support</b>				
Contributions	\$ 15,773,007	\$ 0	\$ 15,773,007	\$ 10,411,465
Rentals	108,824	0	108,824	96,527
Investment revenue	3,151,512	74,676	3,226,188	2,155,125
Net realized/unrealized gain (loss) on investments	(4,615,530)	(90,369)	(4,705,899)	4,230,105
Change in value of split interest agreements	0	177,260	177,260	(75,156)
Special events	220,368	0	220,368	204,971
Foundation fees, net	111,367	0	111,367	80,512
Administrative fees	271,854	0	271,854	230,847
Other	8,834	0	8,834	2,214
<b>Total Revenue, Gains and Other Support</b>	<b>15,030,236</b>	<b>161,567</b>	<b>15,191,803</b>	<b>17,336,610</b>
<b>Net Assets Released from Restrictions</b>				
Restrictions satisfied by payments	1,039,696	(1,039,696)	0	0
<b>Total Revenue, Gains, Reclassifications and Other Support</b>	<b>16,069,932</b>	<b>(878,129)</b>	<b>15,191,803</b>	<b>17,336,610</b>
<b>Expenses and Losses</b>				
Program Services				
Grants Awarded	6,676,385	0	6,676,385	7,770,576
Other program expense	1,011,347	0	1,011,347	743,860
<b>Total program services</b>	<b>7,687,732</b>	<b>0</b>	<b>7,687,732</b>	<b>8,514,436</b>
General and administrative	185,003	0	185,003	314,715
Fundraising	117,520	0	117,520	108,511
Costs of direct benefits to donors	41,717	0	41,717	37,588
<b>Total Expenses</b>	<b>8,031,972</b>	<b>0</b>	<b>8,031,972</b>	<b>8,975,250</b>
Loss on sale of property and equipment	2,122	0	2,122	0
<b>Total Expenses and Losses</b>	<b>8,034,094</b>	<b>0</b>	<b>8,034,094</b>	<b>8,975,250</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>8,035,838</b>	<b>(878,129)</b>	<b>7,157,709</b>	<b>8,361,360</b>
<b>BEGINNING NET ASSETS</b>	<b>47,901,904</b>	<b>1,809,449</b>	<b>49,711,353</b>	<b>41,349,993</b>
<b>ENDING NET ASSETS</b>	<b>\$ 55,937,742</b>	<b>\$ 931,320</b>	<b>\$ 56,869,062</b>	<b>\$ 49,711,353</b>

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

**North Georgia Community Foundation, Inc.**  
**Consolidated Statement of Activities**  
**For the year ended December 31, 2017**

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
<b>Revenues, Gains and Other Support</b>			
Contributions	\$ 10,411,465	\$ 0	\$ 10,411,465
Rentals	96,527	0	96,527
Investment revenue	2,070,994	84,131	2,155,125
Net realized/unrealized gain (loss) on investments	4,053,815	176,290	4,230,105
Change in value of split interest agreements	0	(75,156)	(75,156)
Special events	204,971	0	204,971
Foundation fees, net	80,512	0	80,512
Administrative fees	230,847	0	230,847
Other	2,214	0	2,214
	17,151,345	185,265	17,336,610
<b>Net Assets Released from Restrictions</b>			
Restrictions satisfied by payments	31,651	(31,651)	0
	17,182,996	153,614	17,336,610
<b>Expenses</b>			
Program Services			
Grants Awarded	7,770,576	0	7,770,576
Other program expense	743,860	0	743,860
Total program services	8,514,436	0	8,514,436
General and administrative	314,715	0	314,715
Fundraising	108,511	0	108,511
Costs of direct benefits to donors	37,588	0	37,588
	8,975,250	0	8,975,250
<b>INCREASE (DECREASE) IN NET ASSETS</b>	8,207,746	153,614	8,361,360
<b>BEGINNING NET ASSETS</b>	39,694,158	1,655,835	41,349,993
<b>ENDING NET ASSETS</b>	\$ 47,901,904	\$ 1,809,449	\$ 49,711,353

**North Georgia Community Foundation, Inc.**  
**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Cash Flows From Operating Activities</b>		
Increase (decrease) in net assets	\$ 7,157,709	\$ 8,361,360
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	72,873	65,465
Net realized/unrealized gain (loss) on investments	4,705,899	(4,230,105)
Loss on the sale of property and equipment	2,122	0
(Increase) decrease in operating assets:		
Prepaid expenses and deposits	(13,733)	12,696
Increase (decrease) in operating liabilities:		
Accounts payable	15,407	11,753
Income taxes payable	(3,323)	(9,865)
Liabilities under split interest agreements	(433,716)	15,669
Funds held as agency endowments	644,833	1,788,920
Annuity liabilities	43	14,223
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>12,148,114</b>	<b>6,030,116</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds from maturity of investments	6,557,003	8,571,081
Purchases of investments	(16,868,506)	(13,546,511)
Principal payments received on notes receivable	29,693	10,068
Purchase of property and equipment	(46,298)	(127,821)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(10,328,108)</b>	<b>(5,093,183)</b>
<b>Cash Flows From Financing Activities</b>		
Principal payments on notes payable	0	(145,261)
<b>NET INCREASE (DECREASE) IN CASH</b>	1,820,006	791,672
CASH, BEGINNING	2,301,053	1,509,381
<b>CASH, ENDING</b>	<b>\$ 4,121,059</b>	<b>\$ 2,301,053</b>
<b>CASH RECONCILIATION</b>		
Cash	\$ 4,080,664	\$ 2,270,602
Cash held in trust	40,395	30,451
Total Cash	<b>\$ 4,121,059</b>	<b>\$ 2,301,053</b>

Supplemental Cash Flow Information:

Cash paid during 2018 and 2017 for interest expense was \$0 and \$2,263, respectively.

**North Georgia Community Foundation, Inc.**  
**Consolidated Statement of Functional Expenses**  
**For the year ended December 31, 2018**  
**(with comparative totals for the year ended December 31, 2017)**

	2018				Totals	2017 Totals
	Program Services	General and Administrative	Fundraising	Direct Benefits to Donors		
Personnel						
Compensation	\$ 242,751	\$ 89,634	\$ 83,356	\$ 0	\$ 415,741	\$ 346,360
Retirement expense	10,543	3,893	3,620	0	18,056	14,022
Employee benefits	25,492	9,413	8,754	0	43,659	36,965
Payroll taxes	19,401	7,164	6,662	0	33,227	28,760
Total personnel expenses	<u>298,187</u>	<u>110,104</u>	<u>102,392</u>	<u>0</u>	<u>510,683</u>	<u>426,107</u>
Marketing						
Advertising	<u>18,963</u>	<u>7,002</u>	<u>6,512</u>	<u>0</u>	<u>32,477</u>	<u>10,979</u>
Office						
Equipment and software support	46,673	1,638	587	0	48,898	72,088
Dues and subscriptions	3,251	114	41	0	3,406	4,180
Postage	4,574	161	58	0	4,793	4,742
Supplies	6,474	227	81	0	6,782	12,901
Printing	4,470	157	56	0	4,683	5,858
Telephone	17,330	608	218	0	18,156	22,976
Other	18,927	664	238	0	19,829	22,230
Total office expenses	<u>101,699</u>	<u>3,569</u>	<u>1,279</u>	<u>0</u>	<u>106,547</u>	<u>144,975</u>
Occupancy						
Insurance	8,984	315	113	0	9,412	9,330
Interest	0	0	0	0	0	2,263
Depreciation	69,557	2,441	874	0	72,872	65,465
Repairs and maintenance	38,782	1,361	488	0	40,631	50,169
Utilities	24,948	876	314	0	26,138	22,856
Total occupancy expenses	<u>142,271</u>	<u>4,993</u>	<u>1,789</u>	<u>0</u>	<u>149,053</u>	<u>150,083</u>
Grants to others	6,676,385	0	0	0	6,676,385	7,770,576
Program expense	233,424	0	0	0	233,424	189,601
Special events	132,211	0	0	41,717	173,928	125,676
Board and committee expense	5,760	0	0	0	5,760	5,272
Professional fees	40,673	252	90	0	41,015	47,832
Travel and training expense	15,131	5,587	5,196	0	25,914	22,488
Investment commissions	2,017	0	0	0	2,017	2,648
Income taxes	0	52,759	0	0	52,759	65,319
Other	21,011	737	262	0	22,010	13,694
Total expenses	<u>\$ 7,687,732</u>	<u>\$ 185,003</u>	<u>\$ 117,520</u>	<u>\$ 41,717</u>	<u>\$ 8,031,972</u>	<u>\$ 8,975,250</u>



**North Georgia Community Foundation, Inc.**  
**Consolidated Statement of Functional Expenses**  
**For the year ended December 31, 2017**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Direct Benefits to Donors</u>	<u>Totals</u>
<b>Personnel</b>					
Compensation	\$ 87,768	\$ 179,657	\$ 78,935	\$ 0	\$ 346,360
Retirement expense	3,553	7,273	3,196	0	14,022
Employee benefits	9,367	19,174	8,424	0	36,965
Payroll taxes	7,288	14,918	6,554	0	28,760
Total personnel expenses	<u>107,976</u>	<u>221,022</u>	<u>97,109</u>	<u>0</u>	<u>426,107</u>
<b>Marketing</b>					
Advertising	<u>2,782</u>	<u>5,695</u>	<u>2,502</u>	<u>0</u>	<u>10,979</u>
<b>Office</b>					
Equipment and software support	68,671	2,545	872	0	72,088
Dues and subscriptions	3,981	148	51	0	4,180
Postage	4,518	167	57	0	4,742
Supplies	12,290	455	156	0	12,901
Printing	5,580	207	71	0	5,858
Telephone	21,887	811	278	0	22,976
Other	<u>21,176</u>	<u>785</u>	<u>269</u>	<u>0</u>	<u>22,230</u>
Total office expenses	<u>138,103</u>	<u>5,118</u>	<u>1,754</u>	<u>0</u>	<u>144,975</u>
<b>Occupancy</b>					
Insurance	8,888	329	113	0	9,330
Interest	2,156	80	27	0	2,263
Depreciation	62,362	2,311	792	0	65,465
Repairs and maintenance	47,791	1,771	607	0	50,169
Utilities	<u>21,772</u>	<u>807</u>	<u>277</u>	<u>0</u>	<u>22,856</u>
Total occupancy expenses	<u>142,969</u>	<u>5,298</u>	<u>1,816</u>	<u>0</u>	<u>150,083</u>
Grants to others	7,770,576	0	0	0	7,770,576
Program expense	189,601	0	0	0	189,601
Special events	88,088	0	0	37,588	125,676
Board and committee expense	5,272	0	0	0	5,272
Professional fees	47,678	115	39	0	47,832
Travel and training expense	5,698	11,665	5,125	0	22,488
Investment commissions	2,648	0	0	0	2,648
Income taxes	0	65,319	0	0	65,319
Other	<u>13,045</u>	<u>483</u>	<u>166</u>	<u>0</u>	<u>13,694</u>
Total expenses	<u>\$ 8,514,436</u>	<u>\$ 314,715</u>	<u>\$ 108,511</u>	<u>\$ 37,588</u>	<u>\$ 8,975,250</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, 2018 and 2017**

**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 Northeast Georgia 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 Financial Accounting Standards Board (FASB) ASC 958, *Financial Statements for Not-for-Profit Organizations*, as updated by Accounting Standards Update 2017-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This standard 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 two classes of net assets, with donor restrictions and without donor restrictions, 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 net assets without donor restrictions.

**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, 2018 and 2017**

**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. The Foundation currently has no level 2 investments.

**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. The Foundation currently has no level 3 investments.

**Fair Value of Financial Instruments**

At December 31, 2018 and 2017, 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 7).

**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, 2018 and 2017**

**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

**Contributions**

Contributions received are recorded as without donor restriction or with donor restriction 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 net assets without donor restriction 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 net assets with donor restriction depending on the nature of the restriction. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction.

**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 contributions with donor restriction. 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 net assets with donor restriction to net assets without donor restriction 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 net assets without donor restriction 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, 2018 and 2017**

**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 December 31, 2018, the Foundation recorded a tax liability of \$55,176 of which \$54,309 in estimated tax payments have been paid during 2018 leaving a net tax liability of \$867. At December 31, 2017, the Foundation recorded a tax liability of \$59,370 of which \$55,180 in estimated tax payments have been paid during 2017 leaving a net tax liability of \$4,190.

**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, 2018 and 2017, indirect expenses have been allocated on the basis of personnel costs or space usage.

**Subsequent Events**

Management has evaluated subsequent events through April 17, 2019, 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**  
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**NOTE 2 – CASH AND INVESTMENTS**

Unrestricted cash and investments for the Foundation at December 31, consist of the following:

	<u>2018</u>	<u>2017</u>
Capital reserve and operating	<u>\$ 775,768</u>	<u>\$ 337,139</u>

Investments presented in the financial statements at December 31, 2018 consist of the following:

	<u>Total</u>	<u>Level 1</u>
<b>Investments</b>		
Money Market Funds	\$ 4,633,138	\$ 4,633,138
Mutual Funds:		
Equity focused funds	35,917,186	35,917,186
Fixed income focused funds	<u>18,838,574</u>	<u>18,838,574</u>
	<u>\$ 59,388,898</u>	<u>\$ 59,388,898</u>
<b>Investments</b>		
<b>Held in Trust</b>		
Money Market Funds	\$ 218,076	\$ 218,076
Mutual Funds:		
Equity focused funds	1,748,759	1,748,759
Fixed income focused funds	<u>891,080</u>	<u>891,080</u>
	<u>\$ 2,857,915</u>	<u>\$ 2,857,915</u>

Investments presented in the financial statements at December 31, 2017 consist of the following:

	<u>Total</u>	<u>Level 1</u>
<b>Investments</b>		
Money Market Funds	\$ 4,092,644	\$ 4,092,644
Domestic Stocks	74,176	74,176
Mutual Funds:		
Equity focused funds	32,672,707	32,672,707
Fixed income focused funds	<u>15,445,774</u>	<u>15,445,774</u>
	<u>\$ 52,285,301</u>	<u>\$ 52,285,301</u>
<b>Investments</b>		
<b>Held in Trust</b>		
Money Market Funds	\$ 336,276	\$ 336,276
Mutual Funds:		
Equity focused funds	2,763,824	2,763,824
Fixed income focused funds	<u>1,255,808</u>	<u>1,255,808</u>
	<u>\$ 4,355,908</u>	<u>\$ 4,355,908</u>

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**NOTE 2 – CASH AND INVESTMENTS, CONTINUED**

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

	<u>2018</u>	<u>2017</u>
Investment revenue	\$ 3,226,188	\$ 2,155,125
Realized/unrealized gain (loss)	<u>(4,705,899)</u>	<u>4,230,105</u>
Total Investment Return	<u>\$ (1,479,711)</u>	<u>\$ 6,385,230</u>

**NOTE 3 - NOTES RECEIVABLE, NET**

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

	<u>2018</u>	<u>2017</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.	\$ 0	\$ 44,034
Less: Current Portion	0	(29,693)
Allowance for Doubtful Accounts	<u>0</u>	<u>(14,341)</u>
Notes Receivable - Long-Term	<u>\$ 0</u>	<u>\$ 0</u>

Interest revenue on notes receivable totaled \$250 and \$591 for 2018 and 2017, respectively.

**NOTE 4 – PREPAID EXPENSES AND DEPOSITS**

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

	<u>2018</u>	<u>2017</u>
Software maintenance contracts	\$ 7,843	\$ 11,910
Prepayment on roof repair	<u>17,800</u>	<u>0</u>
	<u>\$ 25,643</u>	<u>\$ 11,910</u>

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**NOTE 5 - PROPERTY & EQUIPMENT, NET**

Property and equipment consists of the following at December 31:

	<u>2018</u>	<u>2017</u>
Furniture and Equipment	\$ 102,684	\$ 174,533
Buildings	2,015,348	1,996,142
Land and Land Improvements	<u>668,601</u>	<u>660,906</u>
	2,786,633	2,831,581
Less: Accumulated Depreciation	<u>(847,077)</u>	<u>(863,328)</u>
Total Property & Equipment, Net	<u>\$ 1,939,556</u>	<u>\$ 1,968,253</u>

Depreciation expense for 2018 and 2017 was \$72,873 and \$65,465, respectively.

**NOTE 6 - 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, 2018, the Foundation held 69 agency endowment funds with a combined value of \$10,616,418. At December 31, 2017, the Foundation held 60 agency endowment funds with a combined value of \$9,971,585. The following table summarizes activity in such funds during the year:

	<u>2018</u>	<u>2017</u>
Agency Endowment Fund Balances as of January 1	\$ 9,971,585	\$ 8,182,665
Amounts raised	1,493,347	1,016,962
Investment income	657,342	465,254
Investment fees	(111,227)	(92,714)
Unrealized and realized investment gains (losses)	(955,190)	927,580
Transfers	77,162	12,665
Grants	<u>(516,601)</u>	<u>(540,827)</u>
Agency Endowment Fund Balances as of December 31	<u>\$ 10,616,418</u>	<u>\$ 9,971,585</u>



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**NOTE 7 - 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 contribution with donor restriction in the period the trust is established. There were no such contributions in 2018 or 2017. Assets held in the charitable remainder trusts totaled \$1,671,519 and \$2,983,364 at December 31, 2018 and 2017, respectively, and are reported at fair value in the Foundation's Statement of Financial Position. At December 31, 2018, the Foundation held in trust nine Charitable Remainder Unitrusts and three Charitable Lead Annuity Trusts, which are payable as annuities over the life of the donor. The amount of \$740,199 reported as \$120,415 current and \$619,784 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, 2017, 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 \$1,173,915 reported as \$235,913 current and \$938,002 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.

**NOTE 8 - 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 \$76,697 and \$76,654 at December 31, 2018 and 2017, respectively.

**NOTE 9 - 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 \$1,226,791 and \$1,402,995 at December 31, 2018 and 2017, 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, 2018 and 2017, respectively, the present value of future benefits to be received by the Foundation was estimated to be \$520,177 and \$632,675 at December 31, 2018 and 2017, respectively.

**NOTE 10 - NET ASSETS WITH DONOR RESTRICTION**

Net assets with donor restriction consist of the following at December 31:

	2018	2017
Charitable Remainder Trust Contributions (See Note 7)	\$ 931,320	\$ 1,809,449

**NOTE 11 - 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:

	2018	2017
Changes in Charitable Remainder Unitrusts	\$ 1,039,696	\$ 31,651

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**NOTE 12 – LIQUIDITY**

Per its financial policies, the Foundation maintains a minimum operating reserve of 6 months based on their operating budget.

Financial assets available within one year for general operating expenses are as follows as of December 31:

	<u>2018</u>	<u>2017</u>
Cash	\$ 206,355	\$ 157,818
Investments	569,413	179,321
Notes receivable	0	29,693
Prepaid expenses	25,643	11,910
	<u>\$ 801,411</u>	<u>\$ 378,742</u>

The Foundation expects to have these liquid assets available for use on general operating expenses in the next year.

In addition, the Foundation maintains the following donor funds available for grants and donor fund expenses as of December 31:

	<u>2018</u>	<u>2017</u>
Cash	\$ 3,874,309	\$ 2,112,784
Investments	58,819,485	52,105,980
	<u>\$ 62,693,794</u>	<u>\$ 54,218,764</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 12 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, 2018 and 2017 was \$18,056 and \$14,022, 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.

**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 \$4,263,589, of which \$250,000 is insured by the Federal Deposit Insurance Corporation, leaving \$4,013,589 uninsured.

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**NOTE 14 - RISK AND UNCERTAINTIES, CONTINUED**

**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 \$62,445,871 which is at the risk of market change. This amount is secured from brokerage failure for up to \$2,640,477 by the Securities Investor Protection Corporation, leaving \$59,805,394 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>2018</u>	<u>2017</u>
Property and equipment, net	\$ 820,566	\$ 838,090
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, 2018, 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 2015.