

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

Financial Report

For the Years Ended December 31, 2021 and 2020

**NORTH GEORGIA COMMUNITY FOUNDATION, INC.
TABLE OF CONTENTS**

INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	3
Consolidated Statement of Activities for the year ended December 31, 2021	4
Consolidated Statement of Activities for the year ended December 31, 2020	5
Consolidated Statements of Cash Flows	6
Consolidated Statement of Functional Expenses for the year ended December 31, 2021	7
Consolidated Statement of Functional Expenses for the year ended December 31, 2020	8
Consolidated Notes to the Financial Statements	9-18

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related consolidated notes to the financial statements.

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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of North Georgia Community Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about North Georgia Community Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 North Georgia Community Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about North Georgia Community Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Rushton, LLC

Certified Public Accountants
Gainesville, Georgia
April 6, 2022

North Georgia Community Foundation, Inc.
Consolidated Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
ASSETS		
Current Assets		
Cash	\$ 7,764,367	\$ 2,932,642
Investments	99,152,005	89,412,124
Fees receivable	406,865	346,086
Prepaid expenses and deposits	10,167	26,040
Total Current Assets	107,333,404	92,716,892
Property and equipment, net	1,897,523	1,931,084
Cash held in trust	51,368	1,606
Investments held in trust	12,030,169	12,498,893
TOTAL ASSETS	\$ 121,312,464	\$ 107,148,475
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 28,331	\$ 29,943
Unearned revenue	20,500	20,750
Security deposits	640	640
Liabilities under split interest agreements	624,329	1,833,360
Total Current Liabilities	673,800	1,884,693
Long-Term Liabilities		
Funds held as agency endowments	22,155,901	16,943,501
Liabilities under split interest agreements	3,018,918	3,052,660
Annuity liabilities	88,901	89,678
Total Long-Term Liabilities	25,263,720	20,085,839
TOTAL LIABILITIES	25,937,520	21,970,532
Net Assets		
Without donor restriction		
Undesignated	86,524,225	77,243,921
Board-designated - reserves	1,500,389	1,110,803
Total without donor restriction	88,024,614	78,354,724
With donor restriction	7,350,330	6,823,219
TOTAL NET ASSETS	95,374,944	85,177,943
TOTAL LIABILITIES AND NET ASSETS	\$ 121,312,464	\$ 107,148,475

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, 2021
(with comparative totals for the year ended December 31, 2020)

	2021			2020 Total
	Without Donor Restriction	With Donor Restriction	Total	
Revenues, Gains and Other Support				
Contributions	\$ 16,026,898	\$ 25,488	\$ 16,052,386	\$ 22,602,468
Rentals	104,770	0	104,770	108,866
Investment revenue	4,411,154	366,171	4,777,325	1,557,598
Net realized/unrealized gain (loss) on investments	5,259,106	357,122	5,616,228	9,628,448
Change in value of split interest agreements	0	(148,136)	(148,136)	(220,875)
Special events	161,667	0	161,667	61,311
Foundation fees, net	275,011	0	275,011	196,414
Administrative fees	292,459	0	292,459	285,733
Other	21,815	0	21,815	152,734
Total Revenue, Gains and Other Support	26,552,880	600,645	27,153,525	34,372,697
Net Assets Released from Restrictions				
Restrictions satisfied by payments	73,534	(73,534)	0	0
Total Revenue, Gains, Reclassifications and Other Support	26,626,414	527,111	27,153,525	34,372,697
Expenses and Losses				
Program Services				
Grants awarded	15,195,213	0	15,195,213	11,262,458
Other program expense	1,213,465	0	1,213,465	1,122,029
Total program services	16,408,678	0	16,408,678	12,384,487
General and administrative	321,015	0	321,015	313,884
Fundraising	218,620	0	218,620	162,189
Costs of direct benefits to donors	7,878	0	7,878	56,407
Total Expenses	16,956,191	0	16,956,191	12,916,967
Loss on sale of property and equipment	333	0	333	866
Total Expenses and Losses	16,956,524	0	16,956,524	12,917,833
INCREASE (DECREASE) IN NET ASSETS	9,669,890	527,111	10,197,001	21,454,864
BEGINNING NET ASSETS, (RESTATEd)	78,354,724	6,823,219	85,177,943	63,723,079
ENDING NET ASSETS	\$ 88,024,614	\$ 7,350,330	\$ 95,374,944	\$ 85,177,943

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, 2020

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Revenues, Gains and Other Support			
Contributions	\$ 16,580,345	\$ 6,022,123	\$ 22,602,468
Rentals	108,866	0	108,866
Investment revenue	1,508,035	49,563	1,557,598
Net realized/unrealized gain (loss) on investments	9,373,001	255,447	9,628,448
Change in value of split interest agreements	0	(220,875)	(220,875)
Special events	61,311	0	61,311
Foundation fees, net	196,414	0	196,414
Administrative fees	285,733	0	285,733
Other	152,734	0	152,734
Total Revenue, Gains and Other Support	<u>28,266,439</u>	<u>6,106,258</u>	<u>34,372,697</u>
Net Assets Released from Restrictions			
Restrictions satisfied by payments	26,115	(26,115)	0
Total Revenue, Gains, Reclassifications and Other Support	<u>28,292,554</u>	<u>6,080,143</u>	<u>34,372,697</u>
Expenses			
Program Services			
Grants awarded	11,262,458	0	11,262,458
Other program expense	1,122,029	0	1,122,029
Total program services	<u>12,384,487</u>	<u>0</u>	<u>12,384,487</u>
General and administrative	313,884	0	313,884
Fundraising	162,189	0	162,189
Costs of direct benefits to donors	56,407	0	56,407
Total Expenses	<u>12,916,967</u>	<u>0</u>	<u>12,916,967</u>
Loss on sale of property and equipment	866	0	866
Total Expenses and Losses	<u>12,917,833</u>	<u>0</u>	<u>12,917,833</u>
INCREASE (DECREASE) IN NET ASSETS	15,374,721	6,080,143	21,454,864
BEGINNING NET ASSETS, (RESTATED)	<u>62,980,003</u>	<u>743,076</u>	<u>63,723,079</u>
ENDING NET ASSETS	<u>\$ 78,354,724</u>	<u>\$ 6,823,219</u>	<u>\$ 85,177,943</u>

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

North Georgia Community Foundation, Inc.
Consolidated Statements of Cash Flows
For the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 10,197,001	\$ 21,454,864
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	72,788	73,548
Net realized/unrealized gain (loss) on investments	(5,616,228)	(9,628,448)
Loss on the sale of property and equipment	333	866
(Increase) decrease in operating assets:		
Fees receivable	(60,779)	(52,627)
Prepaid expenses and deposits	18,149	(13,139)
Increase (decrease) in operating liabilities:		
Accounts payable	(3,888)	1,705
Unearned revenue	(250)	20,750
Liabilities under split interest agreements	(1,242,773)	4,124,439
Funds held as agency endowments	5,212,400	4,010,308
Annuity liabilities	(777)	5,788
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>8,575,976</u>	<u>19,998,054</u>
Cash Flows From Investing Activities		
Proceeds from sale of investments	12,589,729	22,838,330
Purchases of investments	(16,244,658)	(41,465,459)
Purchase of property and equipment	(39,560)	(10,489)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(3,694,489)</u>	<u>(18,637,618)</u>
NET INCREASE (DECREASE) IN CASH	4,881,487	1,360,436
CASH, BEGINNING	<u>2,934,248</u>	<u>1,573,812</u>
CASH, ENDING	<u>\$ 7,815,735</u>	<u>\$ 2,934,248</u>
 CASH RECONCILIATION		
Cash	\$ 7,764,367	\$ 2,932,642
Cash held in trust	51,368	1,606
Total Cash	<u>\$ 7,815,735</u>	<u>\$ 2,934,248</u>

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

North Georgia Community Foundation, Inc.
Consolidated Statement of Functional Expenses
For the year ended December 31, 2021
(with comparative totals for the year ended December 31, 2020)

	2021				Totals	2020 Totals
	Program Services	General and Administrative	Fundraising	Direct Benefits to Donors		
Personnel						
Compensation	\$ 351,868	\$ 192,568	\$ 158,879	\$ 0	\$ 703,315	\$ 684,921
Retirement expense	14,166	7,753	6,396	0	28,315	25,683
Employee benefits	44,805	24,521	20,231	0	89,557	82,990
Payroll taxes	32,168	17,605	14,525	0	64,298	49,999
Total personnel expenses	<u>443,007</u>	<u>242,447</u>	<u>200,031</u>	<u>0</u>	<u>885,485</u>	<u>843,593</u>
Marketing						
Advertising	<u>11,777</u>	<u>6,445</u>	<u>5,318</u>	<u>0</u>	<u>23,540</u>	<u>24,602</u>
Office						
Equipment and software support	70,468	3,173	1,365	0	75,006	53,072
Dues and subscriptions	7,104	320	138	0	7,562	6,610
Postage	2,608	117	51	0	2,776	2,755
Supplies	7,921	357	153	0	8,431	6,282
Printing	2,675	120	52	0	2,847	5,253
Telephone	5,024	226	97	0	5,347	4,923
Other	11,059	498	214	0	11,771	10,014
Total office expenses	<u>106,859</u>	<u>4,811</u>	<u>2,070</u>	<u>0</u>	<u>113,740</u>	<u>88,909</u>
Occupancy						
Insurance	15,335	690	297	0	16,322	15,977
Depreciation	68,384	3,079	1,325	0	72,788	73,548
Repairs and maintenance	123,863	5,577	2,399	0	131,839	81,946
Utilities	20,889	940	405	0	22,234	21,034
Total occupancy expenses	<u>228,471</u>	<u>10,286</u>	<u>4,426</u>	<u>0</u>	<u>243,183</u>	<u>192,505</u>
Grants to others	15,195,213	0	0	0	15,195,213	11,262,458
Program expense	206,182	0	0	0	206,182	273,569
Special events	78,977	0	0	7,878	86,855	82,272
Board and committee expense	39,949	0	0	0	39,949	7,648
Professional fees	60,494	464	200	0	61,158	43,551
Travel and training expense	13,573	7,428	6,129	0	27,130	27,448
Investment commissions	1,177	0	0	0	1,177	1,292
Income taxes	0	48,098	0	0	48,098	52,824
Other	22,999	1,036	446	0	24,481	16,296
Total expenses	<u>\$ 16,408,678</u>	<u>\$ 321,015</u>	<u>\$ 218,620</u>	<u>\$ 7,878</u>	<u>\$ 16,956,191</u>	<u>\$ 12,916,967</u>

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

North Georgia Community Foundation, Inc.
Consolidated Statement of Functional Expenses
For the year ended December 31, 2020

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Direct Benefits to Donors</u>	<u>Totals</u>
Personnel					
Compensation	\$ 376,501	\$ 188,627	\$ 119,793	\$ 0	\$ 684,921
Retirement expense	14,118	7,073	4,492	0	25,683
Employee benefits	45,620	22,855	14,515	0	82,990
Payroll taxes	27,484	13,770	8,745	0	49,999
Total personnel expenses	<u>463,723</u>	<u>232,325</u>	<u>147,545</u>	<u>0</u>	<u>843,593</u>
Marketing					
Advertising	<u>13,524</u>	<u>6,775</u>	<u>4,303</u>	<u>0</u>	<u>24,602</u>
Office					
Equipment and software support	49,596	2,510	966	0	53,072
Dues and subscriptions	6,177	313	120	0	6,610
Postage	2,575	130	50	0	2,755
Supplies	5,871	297	114	0	6,282
Printing	4,909	248	96	0	5,253
Telephone	4,600	233	90	0	4,923
Other	9,358	474	182	0	10,014
Total office expenses	<u>83,086</u>	<u>4,205</u>	<u>1,618</u>	<u>0</u>	<u>88,909</u>
Occupancy					
Insurance	14,930	756	291	0	15,977
Depreciation	68,730	3,479	1,339	0	73,548
Repairs and maintenance	76,579	3,876	1,491	0	81,946
Utilities	19,656	995	383	0	21,034
Total occupancy expenses	<u>179,895</u>	<u>9,106</u>	<u>3,504</u>	<u>0</u>	<u>192,505</u>
Grants to others	11,262,458	0	0	0	11,262,458
Program expense	273,569	0	0	0	273,569
Special events	25,865	0	0	56,407	82,272
Board and committee expense	7,648	0	0	0	7,648
Professional fees	43,111	318	122	0	43,551
Travel and training expense	15,088	7,559	4,801	0	27,448
Investment commissions	1,292	0	0	0	1,292
Income taxes	0	52,824	0	0	52,824
Other	15,228	772	296	0	16,296
Total expenses	<u>\$ 12,384,487</u>	<u>\$ 313,884</u>	<u>\$ 162,189</u>	<u>\$ 56,407</u>	<u>\$ 12,916,967</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, 2021 and 2020

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 2016-14, *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, 2021 and 2020

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.

Fair Value of Financial Instruments

At December 31, 2021 and 2020, 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, 2021 and 2020

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, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Revenue and Revenue Recognition

The Foundation recognizes revenue from foundation fees and administrative fees as services are provided. Foundation fees for services are performed and recognized quarterly. Administrative fees for services are performed and recognized monthly.

The Foundation records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

Facility rentals are recognized when the performance obligation of providing space for the event is satisfied. These typically are satisfied and recognized monthly.

The Foundation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. There are currently no conditional promises to give to report.

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, 2021, the Foundation recorded a tax liability of \$51,579 of which \$49,303 in estimated tax payments have been paid during 2021 leaving a net tax liability of \$2,276, which is included in accounts payable. At December 31, 2020, the Foundation recorded a tax liability of \$52,925 of which \$53,903 in estimated tax payments have been paid during 2020 leaving a net tax asset of \$978, which is included in prepaid expenses.

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, 2021 and 2020, payroll related items have been allocated on the basis of personnel time spent and overhead costs have been allocated on the basis of space usage.

Advertising Expenses

The Foundation uses advertising to promote its programs. The costs for advertising are expensed as incurred. During 2021 and 2020, advertising costs totaled \$23,540 and \$24,602, respectively.

NORTH GEORGIA COMMUNITY FOUNDATION, INC.
Consolidated Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

NOTE 2 – CASH AND INVESTMENTS

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

	<u>2021</u>	<u>2020</u>
Capital reserve and operating	<u>\$ 1,693,232</u>	<u>\$ 1,321,894</u>

Investments presented in the financial statements at December 31, 2021 consist of the following:

	<u>Total</u>	<u>Level 1</u>	<u>Level 3</u>
Investments			
Money Market Funds	\$ 4,598,951	\$ 4,598,951	\$ 0
Mutual Funds:			
Equity focused funds	62,171,233	62,171,233	0
Fixed income focused funds	<u>32,381,821</u>	<u>32,381,821</u>	<u>0</u>
	<u>\$ 99,152,005</u>	<u>\$ 99,152,005</u>	<u>\$ 0</u>
Investments			
Held in Trust			
Money Market Funds	\$ 586,844	\$ 586,844	\$ 0
Mutual Funds:			
Equity focused funds	7,216,324	7,216,324	0
Fixed income focused funds	3,787,129	3,787,129	0
Privately held company stock	<u>439,872</u>	<u>0</u>	<u>439,872</u>
	<u>\$ 12,030,169</u>	<u>\$ 11,590,297</u>	<u>\$ 439,872</u>

Investments presented in the financial statements at December 31, 2020 consist of the following:

	<u>Total</u>	<u>Level 1</u>	<u>Level 3</u>
Investments			
Money Market Funds	\$ 4,406,218	\$ 4,406,218	\$ 0
Mutual Funds:			
Equity focused funds	54,083,016	54,083,016	0
Fixed income focused funds	<u>30,922,890</u>	<u>30,922,890</u>	<u>0</u>
	<u>\$ 89,412,124</u>	<u>\$ 89,412,124</u>	<u>\$ 0</u>
Investments			
Held in Trust			
Money Market Funds	\$ 1,138,928	\$ 1,138,928	\$ 0
Mutual Funds:	0		
Equity focused funds	6,979,815	6,979,815	0
Fixed income focused funds	3,939,700	3,939,700	0
Privately held company stock	<u>440,450</u>	<u>0</u>	<u>440,450</u>
	<u>\$ 12,498,893</u>	<u>\$ 12,058,443</u>	<u>\$ 440,450</u>

The privately held company stock listed as level 3 is carried at original value rather than fair value.

NORTH GEORGIA COMMUNITY FOUNDATION, INC.
Consolidated Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

NOTE 2 – CASH AND INVESTMENTS, CONTINUED

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

	<u>2021</u>	<u>2020</u>
Investment revenue	\$ 4,777,325	\$ 1,557,598
Realized/unrealized gain (loss)	5,616,228	9,628,448
Total Investment Return	<u>\$ 10,393,553</u>	<u>\$ 11,186,046</u>

NOTE 3 – 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>2021</u>	<u>2020</u>
Cash	\$ 695,930	\$ 422,394
Investments	997,302	899,500
	<u>\$ 1,693,232</u>	<u>\$ 1,321,894</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>2021</u>	<u>2020</u>
Cash	\$ 7,068,437	\$ 2,510,248
Investments	98,154,703	88,512,624
	<u>\$ 105,223,140</u>	<u>\$ 91,022,872</u>

NOTE 4 – PREPAID EXPENSES AND DEPOSITS

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

	<u>2021</u>	<u>2020</u>
Insurance	\$ 10,167	\$ 7,835
Special event expenses	0	17,227
Income taxes	0	978
	<u>\$ 10,167</u>	<u>\$ 26,040</u>

NORTH GEORGIA COMMUNITY FOUNDATION, INC.
Consolidated Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

NOTE 5 - PROPERTY & EQUIPMENT, NET

Property and equipment consists of the following at December 31:

	<u>2021</u>	<u>2020</u>
Furniture and Equipment	\$ 52,852	\$ 94,631
Buildings	2,177,649	2,142,089
Land and Land Improvements	<u>668,601</u>	<u>668,601</u>
	2,899,102	2,905,321
Less: Accumulated Depreciation	<u>(1,001,579)</u>	<u>(974,237)</u>
Total Property & Equipment, Net	<u><u>\$ 1,897,523</u></u>	<u><u>\$ 1,931,084</u></u>

Depreciation expense for 2021 and 2020 was \$72,788 and \$73,548, 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, 2021, the Foundation held 87 agency endowment funds with a combined value of \$22,155,901. At December 31, 2020, the Foundation held 82 agency endowment funds with a combined value of \$16,943,501. The following table summarizes activity in such funds during the year:

	<u>2021</u>	<u>2020</u>
Agency Endowment Fund Balances as of January 1	\$ 16,943,501	\$ 12,933,193
Amounts raised	4,254,016	1,939,379
Investment income	1,160,255	322,496
Investment fees	(200,722)	(142,077)
Unrealized and realized investment gains (losses)	1,282,148	2,283,986
Transfers	0	42,904
Grants	<u>(1,283,297)</u>	<u>(436,380)</u>
Agency Endowment Fund Balances as of December 31	<u><u>\$ 22,155,901</u></u>	<u><u>\$ 16,943,501</u></u>

NORTH GEORGIA COMMUNITY FOUNDATION, INC.
Consolidated Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

NOTE 7 - LIABILITIES UNDER SPLIT INTEREST AGREEMENTS

The Foundation administers various charitable trusts. A charitable 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 become available for charitable purposes. The portion of the trust attributable to the present value of the future benefits to be received by for charitable purposes is recorded in the Statement of Activities as a contribution with donor restriction in the period the trust is established. There was \$25,488 in contributions in 2021 and \$6,022,123 for 2020. Assets held in the charitable trusts totaled \$12,081,537 and \$12,500,499 at December 31, 2021 and 2020, respectively, and are reported at fair value in the Foundation's Statement of Financial Position. At December 31, 2021, the Foundation held in trust seven Charitable Remainder Unitrusts (CRT), three Charitable Remainder Annuity Trusts (CRAT) and three Charitable Lead Annuity Trusts (CLAT), which are payable as annuities over the life of the donor. The amount of \$3,643,247 reported as \$624,329 current and \$3,018,918 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, 2020, the Foundation held in trust six Charitable Remainder Unitrusts (CRT), three Charitable Remainder Annuity Trusts (CRAT) and two Charitable Lead Annuity Trusts (CLAT), which are payable as annuities over the life of the donor. The amount of \$4,886,020 reported as \$1,833,360 current and \$3,052,660 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 \$88,901 and \$89,678 at December 31, 2021 and 2020, respectively.

NOTE 9 - NET ASSETS BOARD DESIGNATED

The Foundation board has designated assets for the following at December 31:

	<u>2021</u>	<u>2020</u>
Operating reserve	\$ 971,753	\$ 871,971
Capital reserve	528,636	238,832
	<u>\$ 1,500,389</u>	<u>\$ 1,110,803</u>

NOTE 10 - NET ASSETS WITH DONOR RESTRICTION

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

	<u>2021</u>	<u>2020</u>
Charitable Trust Contributions (See Note 7)	<u>\$ 7,350,330</u>	<u>\$ 6,823,219</u>

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:

	<u>2021</u>	<u>2020</u>
Changes in Charitable Trusts (See Note 7)	<u>\$ 73,534</u>	<u>\$ 26,115</u>

NORTH GEORGIA COMMUNITY FOUNDATION, INC.
Consolidated Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

NOTE 12 - 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, 2021 and 2020 was \$28,315 and \$25,683, respectively.

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

NOTE 13 - 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 \$8,543,559, of which \$250,000 is insured by the Federal Deposit Insurance Corporation, leaving \$8,293,559 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 \$115,540,028 which is at the risk of market change. This amount is secured from brokerage failure for up to \$2,782,509 by the Securities Investor Protection Corporation, leaving \$112,757,519 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.

NORTH GEORGIA COMMUNITY FOUNDATION, INC.
Consolidated Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

NOTE 14 - 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>2021</u>	<u>2020</u>
Property and equipment, net	\$ 767,994	\$ 785,518
Depreciation expense	17,524	17,524

NOTE 15 - 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, 2021, 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 2018.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 6, 2022 the date the financial statements were available to be issued.

NOTE 17 – CHANGES IN BEGINNING BALANCES

In 2021 the Foundation changed their accounting for foundation fees to accrue the prior quarter amounts billed in arrears. This change resulted in a restatement of the 2020 beginning net assets to increase net assets in the amount of \$293,460.