

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

Financial Report

For the Years Ended December 31, 2022 and 2021

**NORTH GEORGIA COMMUNITY FOUNDATION, INC.
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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, 2022 and 2021, 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, 2022 and 2021, 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 7, 2023

North Georgia Community Foundation, Inc.
Consolidated Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
ASSETS		
Current Assets		
Cash	\$ 6,247,896	\$ 7,764,367
Investments	86,422,393	99,152,005
Other receivables	3,638	0
Fees receivable	312,029	406,865
Prepaid expenses and deposits	20,034	10,167
Total Current Assets	93,005,990	107,333,404
Property and equipment, net	2,430,088	1,897,523
Operating lease right-to-use asset, net	1,916,081	0
Cash held in trust	94,726	51,368
Investments held in trust	9,419,154	12,030,169
TOTAL ASSETS	\$ 106,866,039	\$ 121,312,464
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 79,104	\$ 28,331
Unearned revenue	20,500	20,500
Security deposits	640	640
Operating lease liability	176,810	0
Liabilities under split interest agreements	590,051	624,329
Total Current Liabilities	867,105	673,800
Long-Term Liabilities		
Funds held as agency endowments	23,975,425	21,989,019
Operating lease liability	1,739,271	0
Liabilities under split interest agreements	2,411,606	3,018,918
Annuity liabilities	86,874	88,901
Total Long-Term Liabilities	28,213,176	25,096,838
TOTAL LIABILITIES	29,080,281	25,770,638
Net Assets		
Without donor restriction		
Undesignated	70,930,508	86,524,225
Board-designated - reserves	1,167,753	1,667,271
Total without donor restriction	72,098,261	88,191,496
With donor restriction	5,687,497	7,350,330
TOTAL NET ASSETS	77,785,758	95,541,826
TOTAL LIABILITIES AND NET ASSETS	\$ 106,866,039	\$ 121,312,464

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, 2022
(with comparative totals for the year ended December 31, 2021)

	2022			2021 Total
	Without Donor Restriction	With Donor Restriction	Total	
Revenues, Gains and Other Support				
Contributions	\$ 11,010,155	\$ 185,882	\$ 11,196,037	\$ 16,219,268
Rentals	133,027	0	133,027	104,770
Investment revenue	2,440,716	234,052	2,674,768	4,777,325
Net realized/unrealized gain (loss) on investments	(17,458,168)	(1,428,112)	(18,886,280)	5,616,228
Change in value of split interest agreements	0	(574,581)	(574,581)	(148,136)
Special events	258,309	0	258,309	161,667
Foundation fees, net	140,414	0	140,414	275,011
Administrative fees	239,147	0	239,147	292,459
Other	95,656	0	95,656	21,815
Total Revenue, Gains and Other Support	(3,140,744)	(1,582,759)	(4,723,503)	27,320,407
Net Assets Released from Restrictions				
Restrictions satisfied by payments	80,074	(80,074)	0	0
Total Revenue, Gains, Reclassifications and Other Support	(3,060,670)	(1,662,833)	(4,723,503)	27,320,407
Expenses and Losses				
Program Services				
Grants awarded	11,015,869	0	11,015,869	15,195,213
Other program expense	1,323,292	0	1,323,292	1,213,465
Total program services	12,339,161	0	12,339,161	16,408,678
General and administrative	362,995	0	362,995	321,015
Fundraising	259,073	0	259,073	218,620
Costs of direct benefits to donors	71,336	0	71,336	7,878
Total Expenses	13,032,565	0	13,032,565	16,956,191
Loss on sale of property and equipment	0	0	0	333
Total Expenses and Losses	13,032,565	0	13,032,565	16,956,524
INCREASE (DECREASE) IN NET ASSETS	(16,093,235)	(1,662,833)	(17,756,068)	10,363,883
BEGINNING NET ASSETS, (RESTATED)	88,191,496	7,350,330	95,541,826	85,177,943
ENDING NET ASSETS	\$ 72,098,261	\$ 5,687,497	\$ 77,785,758	\$ 95,541,826

North Georgia Community Foundation, Inc.
Consolidated Statement of Activities
For the year ended December 31, 2021

	Without Donor Restriction	With Donor Restriction	Total
Revenues, Gains and Other Support			
Contributions	\$ 16,193,780	\$ 25,488	\$ 16,219,268
Rentals	104,770	0	104,770
Investment revenue	4,411,154	366,171	4,777,325
Net realized/unrealized gain (loss) on investments	5,259,106	357,122	5,616,228
Change in value of split interest agreements	0	(148,136)	(148,136)
Special events	161,667	0	161,667
Foundation fees, net	275,011	0	275,011
Administrative fees	292,459	0	292,459
Other	21,815	0	21,815
Total Revenue, Gains and Other Support	26,719,762	600,645	27,320,407
Net Assets Released from Restrictions			
Restrictions satisfied by payments	73,534	(73,534)	0
Total Revenue, Gains, Reclassifications and Other Support	26,793,296	527,111	27,320,407
Expenses			
Program Services			
Grants awarded	15,195,213	0	15,195,213
Other program expense	1,213,465	0	1,213,465
Total program services	16,408,678	0	16,408,678
General and administrative	321,015	0	321,015
Fundraising	218,620	0	218,620
Costs of direct benefits to donors	7,878	0	7,878
Total Expenses	16,956,191	0	16,956,191
Loss on sale of property and equipment	333	0	333
Total Expenses and Losses	16,956,524	0	16,956,524
INCREASE (DECREASE) IN NET ASSETS	9,836,772	527,111	10,363,883
BEGINNING NET ASSETS, (RESTATED)	78,354,724	6,823,219	85,177,943
ENDING NET ASSETS	\$ 88,191,496	\$ 7,350,330	\$ 95,541,826

North Georgia Community Foundation, Inc.
Consolidated Statements of Cash Flows
For the years ended December 31, 2022 and 2021

	2022	2021
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (17,756,068)	\$ 10,363,883
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	73,269	72,788
Net realized/unrealized (gain) loss on investments	18,886,280	(5,616,228)
Loss on the sale of property and equipment	0	333
(Increase) decrease in operating assets:		
Accounts receivable	(3,638)	0
Fees receivable	94,836	(60,779)
Prepaid expenses and deposits	(9,867)	18,149
Increase (decrease) in operating liabilities:		
Accounts payable	50,773	(3,888)
Unearned revenue	0	(250)
Liabilities under split interest agreements	(641,590)	(1,242,773)
Funds held as agency endowments	1,986,406	5,045,518
Annuity liabilities	(2,027)	(777)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2,678,374	8,575,976
Cash Flows From Investing Activities		
Proceeds from sale of investments	11,618,056	12,589,729
Purchases of investments	(15,163,709)	(16,244,658)
Purchase of property and equipment	(605,834)	(39,560)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(4,151,487)	(3,694,489)
NET INCREASE (DECREASE) IN CASH	(1,473,113)	4,881,487
CASH, BEGINNING	7,815,735	2,934,248
CASH, ENDING	\$ 6,342,622	\$ 7,815,735
CASH RECONCILIATION		
Cash	\$ 6,247,896	\$ 7,764,367
Cash held in trust	94,726	51,368
Total Cash	\$ 6,342,622	\$ 7,815,735

Noncash Activities:

Additions of right-to-use assets through operating lease liability of \$1,995,221.

North Georgia Community Foundation, Inc.
Consolidated Statement of Functional Expenses
For the year ended December 31, 2022
(with comparative totals for the year ended December 31, 2021)

	2022					2021 Totals
	Program Services	General and Administrative	Fundraising	Direct Benefits to Donors	Totals	
Personnel						
Compensation	\$ 434,925	\$ 223,022	\$ 178,285	\$ 0	\$ 836,232	\$ 703,315
Retirement expense	20,637	10,582	8,460	0	39,679	28,315
Employee benefits	62,858	32,233	25,767	0	120,858	89,557
Payroll taxes	30,987	15,889	12,702	0	59,578	64,298
Total personnel expenses	<u>549,407</u>	<u>281,726</u>	<u>225,214</u>	<u>0</u>	<u>1,056,347</u>	<u>885,485</u>
Marketing						
Advertising	18,972	9,729	7,777	0	36,478	23,540
Office						
Equipment and software support	48,058	3,204	2,136	0	53,398	75,006
Dues and subscriptions	9,320	621	414	0	10,355	7,562
Postage	2,835	189	126	0	3,150	2,776
Supplies	8,247	550	367	0	9,164	8,431
Printing	3,878	259	172	0	4,309	2,847
Telephone	13,592	906	604	0	15,102	5,347
Other	7,058	471	314	0	7,843	11,771
Total office expenses	<u>92,988</u>	<u>6,200</u>	<u>4,133</u>	<u>0</u>	<u>103,321</u>	<u>113,740</u>
Occupancy						
Insurance	24,677	1,645	1,097	0	27,419	16,322
Depreciation	65,942	4,396	2,931	0	73,269	72,788
Repairs and maintenance	57,453	3,830	2,553	0	63,836	131,839
Utilities	21,952	1,463	976	0	24,391	22,234
Rent	87,509	5,834	3,889	0	97,232	0
Total occupancy expenses	<u>257,533</u>	<u>17,168</u>	<u>11,446</u>	<u>0</u>	<u>286,147</u>	<u>243,183</u>
Grants to others	11,015,869	0	0	0	11,015,869	15,195,213
Program expense	245,236	0	0	0	245,236	206,182
Special events	58,157	0	0	71,336	129,493	86,855
Board and committee expense	10,475	0	0	0	10,475	39,949
Professional fees	45,598	614	409	0	46,621	61,158
Travel and training expense	22,464	11,519	9,208	0	43,191	27,130
Investment commissions	2,524	0	0	0	2,524	1,177
Income taxes	0	34,710	0	0	34,710	48,098
Other	19,938	1,329	886	0	22,153	24,481
Total expenses	<u>\$ 12,339,161</u>	<u>\$ 362,995</u>	<u>\$ 259,073</u>	<u>\$ 71,336</u>	<u>\$ 13,032,565</u>	<u>\$ 16,956,191</u>

North Georgia Community Foundation, Inc.
Consolidated Statement of Functional Expenses
For the year ended December 31, 2021

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Direct Benefits to Donors</u>	<u>Totals</u>
Personnel					
Compensation	\$ 351,868	\$ 192,568	\$ 158,879	\$ 0	\$ 703,315
Retirement expense	14,166	7,753	6,396	0	28,315
Employee benefits	44,805	24,521	20,231	0	89,557
Payroll taxes	32,168	17,605	14,525	0	64,298
Total personnel expenses	<u>443,007</u>	<u>242,447</u>	<u>200,031</u>	<u>0</u>	<u>885,485</u>
Marketing					
Advertising	<u>11,777</u>	<u>6,445</u>	<u>5,318</u>	<u>0</u>	<u>23,540</u>
Office					
Equipment and software support	70,468	3,173	1,365	0	75,006
Dues and subscriptions	7,104	320	138	0	7,562
Postage	2,608	117	51	0	2,776
Supplies	7,921	357	153	0	8,431
Printing	2,675	120	52	0	2,847
Telephone	5,024	226	97	0	5,347
Other	11,059	498	214	0	11,771
Total office expenses	<u>106,859</u>	<u>4,811</u>	<u>2,070</u>	<u>0</u>	<u>113,740</u>
Occupancy					
Insurance	15,335	690	297	0	16,322
Depreciation	68,384	3,079	1,325	0	72,788
Repairs and maintenance	123,863	5,577	2,399	0	131,839
Utilities	20,889	940	405	0	22,234
Total occupancy expenses	<u>228,471</u>	<u>10,286</u>	<u>4,426</u>	<u>0</u>	<u>243,183</u>
Grants to others	15,195,213	0	0	0	15,195,213
Program expense	206,182	0	0	0	206,182
Special events	78,977	0	0	7,878	86,855
Board and committee expense	39,949	0	0	0	39,949
Professional fees	60,494	464	200	0	61,158
Travel and training expense	13,573	7,428	6,129	0	27,130
Investment commissions	1,177	0	0	0	1,177
Income taxes	0	48,098	0	0	48,098
Other	22,999	1,036	446	0	24,481
Total expenses	<u>\$ 16,408,678</u>	<u>\$ 321,015</u>	<u>\$ 218,620</u>	<u>\$ 7,878</u>	<u>\$ 16,956,191</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, 2022 and 2021

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, 2022 and 2021

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, 2022 and 2021, 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, 2022 and 2021

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
Leasehold improvements	10

Right-to-Use Leased Assets

The Foundation has recorded right-to-use leased assets as a result of implementing FASB 2016-02 Topic 842, *Leases*. The right-to-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use leased assets are amortized on a straight-line basis over the shorter of the estimated useful life of the leased asset or life of the related lease.

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.

NORTH GEORGIA COMMUNITY FOUNDATION, INC.
Consolidated Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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, 2022, the Foundation recorded a tax liability of \$36,594 of which \$38,973 in estimated tax payments have been paid during 2022 leaving a net tax asset of \$2,379, which is included in prepaid expenses. 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.

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, 2022 and 2021, 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 2022 and 2021, advertising costs totaled \$36,478 and \$23,540, respectively.

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NOTE 2 – CASH AND INVESTMENTS

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

	<u>2022</u>	<u>2021</u>
Capital reserve and operating	<u>\$ 1,507,727</u>	<u>\$ 1,693,232</u>

Investments presented in the financial statements at December 31, 2022 consist of the following:

	<u>Total</u>	<u>Level 1</u>	<u>Level 3</u>
Investments			
Money Market Funds	\$ 10,940,507	\$ 10,940,507	\$ 0
Mutual Funds:			
Equity focused funds	48,508,029	48,508,029	0
Fixed income focused funds	<u>26,973,857</u>	<u>26,973,857</u>	<u>0</u>
	<u>\$ 86,422,393</u>	<u>\$ 86,422,393</u>	<u>\$ 0</u>
Investments Held in Trust			
Money Market Funds	\$ 619,531	\$ 619,531	\$ 0
Mutual Funds:			
Equity focused funds	5,324,371	5,324,371	0
Fixed income focused funds	3,034,802	3,034,802	0
Privately held company stock	<u>440,450</u>	<u>0</u>	<u>440,450</u>
	<u>\$ 9,419,154</u>	<u>\$ 8,978,704</u>	<u>\$ 440,450</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:	0		
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>

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

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NOTE 2 – CASH AND INVESTMENTS, CONTINUED

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

	<u>2022</u>	<u>2021</u>
Investment revenue	\$ 2,674,768	\$ 4,777,325
Realized/unrealized gain (loss)	<u>(18,886,280)</u>	<u>5,616,228</u>
	<u>\$ (16,211,512)</u>	<u>\$ 10,393,553</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>2022</u>	<u>2021</u>
Cash	\$ 638,285	\$ 695,930
Investments	<u>869,442</u>	<u>997,302</u>
	<u>\$ 1,507,727</u>	<u>\$ 1,693,232</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>2022</u>	<u>2021</u>
Cash	\$ 5,609,611	\$ 7,068,437
Investments	<u>85,552,951</u>	<u>98,154,703</u>
	<u>\$ 91,162,562</u>	<u>\$ 105,223,140</u>

NOTE 4 – PREPAID EXPENSES

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

	<u>2022</u>	<u>2021</u>
Insurance	\$ 17,655	\$ 10,167
Income taxes	<u>2,379</u>	<u>0</u>
	<u>\$ 20,034</u>	<u>\$ 10,167</u>

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NOTE 5 - PROPERTY & EQUIPMENT, NET

Property and equipment consists of the following at December 31:

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 301,622	\$ 52,852
Buildings	2,177,649	2,177,649
Land and land improvements	668,601	668,601
Leasehold improvements	355,536	0
	<u>3,503,408</u>	<u>2,899,102</u>
Less: accumulated depreciation	<u>(1,073,320)</u>	<u>(1,001,579)</u>
Property & equipment, net	<u>\$ 2,430,088</u>	<u>\$ 1,897,523</u>

Depreciation expense for 2022 and 2021 was \$73,269 and \$72,788, 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, 2022, the Foundation held 91 agency endowment funds with a combined value of \$23,975,425. At December 31, 2021, the Foundation held 87 agency endowment funds with a combined restated value of \$21,989,019. The following table summarizes activity in such funds during the year:

	<u>2022</u>	<u>2021</u>
Beginning agency endowment fund balances, restated	\$ 21,989,019	\$ 16,943,501
Amounts raised	6,770,243	4,087,134
Investment income	714,934	1,160,255
Investment fees	(231,793)	(200,722)
Unrealized and realized investment gains (losses)	(4,738,017)	1,282,148
Grants	<u>(528,961)</u>	<u>(1,283,297)</u>
Ending agency endowment fund balances, restated	<u>\$ 23,975,425</u>	<u>\$ 21,989,019</u>

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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 \$185,882 in contributions in 2022 and \$25,488 for 2021. Assets held in the charitable trusts totaled \$9,513,880 and \$12,081,537 at December 31, 2022 and 2021, respectively, and are reported at fair value in the Foundation's Statement of Financial Position. At December 31, 2022, the Foundation held in trust seven 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 \$3,001,657 reported as \$590,051 current and \$2,411,606 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, 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. 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 \$86,874 and \$88,901 at December 31, 2022 and 2021, respectively.

NOTE 9 - BOARD DESIGNATED NET ASSETS

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

	<u>2022</u>	<u>2021</u>
Operating reserve	\$ 943,921	\$ 1,138,635
Capital reserve	223,832	528,636
	<u>\$ 1,167,753</u>	<u>\$ 1,667,271</u>

NOTE 10 - NET ASSETS WITH DONOR RESTRICTION

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

	<u>2022</u>	<u>2021</u>
Charitable Trust Contributions (See Note 7)	<u>\$ 5,687,497</u>	<u>\$ 7,350,330</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>2022</u>	<u>2021</u>
Changes in Charitable Trusts (See Note 7)	<u>\$ 80,074</u>	<u>\$ 73,534</u>

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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, 2022 and 2021 was \$39,679 and \$28,315, 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 \$6,080,292, of which \$504,728 is insured by the Federal Deposit Insurance Corporation, leaving \$5,575,564 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 \$94,619,997 which is at the risk of market change. This amount is secured from brokerage failure for up to \$3,136,965 by the Securities Investor Protection Corporation, leaving \$91,483,032 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 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>2022</u>	<u>2021</u>
Property and equipment, net	\$ 750,470	\$ 767,994
Depreciation expense	17,524	17,524

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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, 2022, 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 2019.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

Operating Lease

The Foundation entered into an office space lease agreement beginning January 12, 2022, through October 15, 2032. At commencement, the Foundation recorded an operating lease liability of \$1,995,221. Calculations were based on a 130-month non-cancelable term and assumed a discount rate of 1.456%, 10-year daily Treasury rate for January 12, 2022.

The following is a schedule of future minimum payments required under our operating lease liabilities together with their present value at December 31, 2022:

Year Ending December 31,	Amount
2023	\$ 176,810
2024	179,402
2025	183,560
2026	190,869
2027	193,667
2028-32	<u>991,772</u>
Total lease payments due under operating lease liabilities	<u>\$ 1,916,081</u>

Right-to-Use Assets

On January 1, 2022 the Foundation recorded a right-to-use asset of \$1,995,221. The calculations were based on the initial operating lease liability. The subsequent measurement date is based on the carrying amount of the lease liability adjusted for straight-line rent accrual.

As of December 31, 2022, the right-to-use asset balance was \$1,916,081.

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NOTE 17 – CHANGES IN BEGINNING BALANCES

In 2022 the Foundation changed their accounting for one fund from an agency endowment fund to a designated fund. This change resulted in a restatement of the 2021 agency endowment fund liability, reducing it by \$166,882, and increasing the 2021 total of contribution revenue without donor restrictions by \$166,882.

NOTE 18 – NEW ACCOUNTING PRONOUNCEMENTS

The Foundation implemented FASB 2016-02 Topic 842, *Leases*, effective for the Foundation's current year. The requirements of this standard are effective for periods beginning after December 15, 2021. This pronouncement had no effect on net assets.

NOTE 19 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 7, 2023 the date the financial statements were available to be issued.