

COMMUNITY FOUNDATION  
OF WASHINGTON COUNTY, INC.

FINANCIAL STATEMENTS

December 31, 2018

COMMUNITY FOUNDATION  
OF WASHINGTON COUNTY, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
Community Foundation of Washington County, Inc.

We have audited the accompanying financial statements of Community Foundation of Washington County, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and cash flows for the year 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.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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 Community Foundation of Washington County, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Dayle Sandifer*  
*& Associates, LLP*

Greenville, Mississippi  
May 8, 2019

COMMUNITY FOUNDATION OF WASHINGTON COUNTY, INC.  
STATEMENT OF FINANCIAL POSITION  
December 31, 2018

| Assets                               |  |                                |
|--------------------------------------|--|--------------------------------|
| Cash                                 |  | \$ 301,312                     |
| Investments                          |  | 1,251,434                      |
| Equipment, net                       |  | <u>26</u>                      |
| <br>Total Assets                     |  | <br><u><u>\$ 1,552,772</u></u> |
| <br>Liabilities and Net Assets       |  |                                |
| Liabilities:                         |  |                                |
| Accounts payable                     |  | \$ 22,603                      |
| Payroll taxes payable                |  | 1,098                          |
| Agency funds                         |  | <u>155,654</u>                 |
| Total Liabilities                    |  | <u>179,355</u>                 |
| Net Assets:                          |  |                                |
| Without donor restrictions           |  | 1,092,873                      |
| With donor restrictions              |  | <u>280,544</u>                 |
| <br>Total Net Assets                 |  | <br><u>1,373,417</u>           |
| <br>Total Liabilities and Net Assets |  | <br><u><u>\$ 1,552,772</u></u> |

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

COMMUNITY FOUNDATION OF WASHINGTON COUNTY, INC.  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2018

|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total        |
|--|-------------------------------|----------------------------|--------------|
| Revenues, gains and other support        |                               |                            |              |
| Contributions                            | \$ 131,324                    | \$ 384,956                 | \$ 516,280   |
| Net assets released from restrictions:   |                               |                            | -            |
| Satisfaction of program restrictions     | 356,063                       | (356,063)                  | -            |
| Total revenues, gains, and other support | 487,387                       | 28,893                     | 516,280      |
| Expenses and losses                      |                               |                            |              |
| Investment losses, net                   | 27,161                        | 9,088                      | 36,249       |
| Program services                         | 414,394                       | -                          | 414,394      |
| Fund raising                             | 4,736                         | -                          | 4,736        |
| General and administrative               | 27,520                        | -                          | 27,520       |
| Total expenses and losses                | 473,811                       | 9,088                      | 482,899      |
| Changes in net assets                    | 13,576                        | 19,805                     | 33,381       |
| Net assets at beginning of year          | 1,079,297                     | 260,739                    | 1,340,036    |
| Net assets at end of year                | \$ 1,092,873                  | \$ 280,544                 | \$ 1,373,417 |

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

COMMUNITY FOUNDATION OF WASHINGTON COUNTY, INC.  
STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2018

|  |                          |
|--|--------------------------|
| Cash flows from operating activities:  |                          |
| Change in net assets   | \$ 33,381                |
| Adjustments to reconcile change in net assets<br>to net cash provided by operating activities: |                          |
| Depreciation expense   | 309                      |
| Increase in accrued payables   | 19,251                   |
| Increase in agency funds   | 145,629                  |
| Realized and unrealized gains on investments   | 35,616                   |
| Securities transferred in  | (1,115)                  |
| Net cash transferred to investments  | <u>(30,424)</u>          |
| Net cash flows from operating activities   | <u>202,647</u>           |
| Cash flows from investing activities:  |                          |
| Proceeds from sale of investments  | (377,292)                |
| Purchase of investments  | <u>216,067</u>           |
| Net cash flows from investing activities   | <u>(161,225)</u>         |
| Net increase in cash   | 41,422                   |
| Cash, beginning of year  | <u>259,890</u>           |
| Cash, end of year  | <u><u>\$ 301,312</u></u> |

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

COMMUNITY FOUNDATION OF WASHINGTON COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS

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1. Summary of Significant Accounting Policies

Organization and Nature of Activities

The Community Foundation of Washington County, Inc., (“the Foundation”) is a Mississippi nonprofit corporation classified by the Internal Revenue Service as tax-exempt under Section 501(c)(3). The Foundation serves as a leader, catalyst, and resource for philanthropy and seeks to improve the lives of individuals in Washington County, Mississippi. The Foundation accomplishes this by developing partnerships with philanthropic individuals, community leaders, and the non-profit sector to ensure that together they can build permanent endowments, make prudent grants for charitable causes, be a catalyst to solve community concerns and strengthen non-profit organizations. The Foundation was established in 2012. The mission of the Foundation is connecting people who care with causes that matter to create a thriving community for all.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Net Asset Classifications

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the Foundation are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

*Net assets without donor restrictions.* Consist of donations and bequests that are available for the support of the operations of the Foundation, and for discretionary and donor advised granting needs.

*Net assets with donor restrictions.* The Foundation reports gifts of cash and other assets as net assets with donor restrictions if the support is received with donor stipulations that limit the use of the donated assets for a specific purpose or are not available for use until a specific time. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time restriction ends or the purpose of the restriction is accomplished, or both.



COMMUNITY FOUNDATION OF WASHINGTON COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS, continued

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Concentration of Credit Risks

The Foundation places its cash and cash equivalents in bank deposit accounts at high-credit, quality financial institutions. At times, such accounts may be in excess of the Federal Deposit Insurance Corporation insurance limit. The Foundation has not incurred losses related to these accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investment securities, in general are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Financial Position. The Board routinely reviews the performance of its investments.

Investments

Investments in money market funds and marketable securities are reported at their fair market values based upon published quotations. Investments for which the fair market values are not readily determinable are recorded at cost or, if received as a contribution, at their fair market values as determined at the time of the gift. Securities are generally held in custodial investment accounts administered by financial institutions. Cash and cash equivalents held at securities institutions and not used for operations are treated as investments.

Investment purchases and sales are accounted for on a trade-date basis. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Interest and dividend income is recorded when earned. Gains or losses and interest and dividend income are reflected in the Statement of Activities as net investment income (loss).

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs - quoted prices in active markets for identical assets

Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs - estimates using the best information available given little or no market.

COMMUNITY FOUNDATION OF WASHINGTON COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS, continued

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The Foundation is required to measure contribution receivable, certain investments, and charitable gift annuities at fair value. The specific techniques used to measure fair value for these financial statement elements are described in the notes below that relate to each element.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to one thousand dollars and the useful life is greater than one year.

Since its inception, the Foundation has received donated equipment the value of which did meet its criteria for capitalization and have been capitalized.

Donated Materials and Services

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

Income Taxes

The Foundation is exempt from taxation under Internal Revenue Code Section 501(c)(3) and similar provisions of the State of Mississippi.

The Foundation returns are subject to examination by federal and state taxing authorities, generally for three years after they are filed.

Functional Allocation of Expenses

The costs of providing the Foundation's programs and other activities have been summarized on a functional basis in the accompanying statement of activities and change in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

COMMUNITY FOUNDATION OF WASHINGTON COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS, continued

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Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could vary from those estimates.

Recently Adopted Accounting Standards

In August 2016, the Financial Accounting Standards Board issued Accounting Standard Updated (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958)*. The amendments of this ASU include two classes of net asset classifications, options for presenting cash flow from operations and a number of additional disclosure requirements. This guidance was effective for the Foundation on January 1, 2018, and was applied retrospectively. Total net assets did not change as a result of this new standard.

Subsequent Events

Management has evaluated subsequent events through the review report date, the date which the financial statements were available for issue. No events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

2. Liquidity and Availability

The financial assets as of December 31, 2018, which are available for general expenditures within one year of the statement of financial position date comprise the following:

|                                 |                   |
|---------------------------------|-------------------|
| Total cash and cash equivalents | \$ 301,312        |
| Less cash restricted as to use  | (156,998)         |
|                                 | \$ <u>144,314</u> |

COMMUNITY FOUNDATION OF WASHINGTON COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS, continued

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3. Investments

Investments at December 31, 2018 consist of the following:

|                          |                     |
|--------------------------|---------------------|
| Core Account             | \$ 106,723          |
| Mutual funds             | 477,120             |
| Stocks                   | 46,520              |
| Exchange traded products | 277,302             |
| Bonds                    | <u>343,769</u>      |
| Total                    | \$ <u>1,251,434</u> |

Investment income, net presented on the financial statements includes the following:

|                                  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total              |
|----------------------------------|-------------------------------|----------------------------|--------------------|
| Net realized and unrealized gain | \$ (45,127)                   | \$ (15,346)                | \$ (60,473)        |
| Interest and dividends           | 20,276                        | 6,896                      | 27,172             |
| Less: investment fees            | <u>(2,200)</u>                | <u>(748)</u>               | <u>(2,948)</u>     |
| Net investment income            | \$ <u>(27,051)</u>            | \$ <u>(9,198)</u>          | \$ <u>(36,249)</u> |

4. Fair Value Measurements

The table below presents the balances of assets measured at fair value at December 31, 2018:

|                                   | Level 1/Total       |
|-----------------------------------|---------------------|
| Investments:                      |                     |
| Core Account                      |                     |
| Fidelity Government Cash Reserves | \$ 106,723          |
| Mutual Funds:                     |                     |
| Stock                             | 366,400             |
| Bond                              | 110,720             |
| Equity ETPs                       | 277,302             |
| Preferred Stock                   | 46,520              |
| Municipal Bonds                   | <u>343,769</u>      |
| Total                             | \$ <u>1,251,434</u> |

The fair value of investments has been measured on a recurring basis using quoted prices for identical assets in active markets (Level 1 inputs).

COMMUNITY FOUNDATION OF WASHINGTON COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS, continued

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5. Equipment

Equipment consists of the following at December 31, 2018:

|                          |                |
|--------------------------|----------------|
| Equipment                | \$ 1,545       |
| Accumulated depreciation | <u>(1,519)</u> |
| Net equipment            | \$ <u>26</u>   |

Depreciation expense for the year ended December 31, 2018 was \$309.

6. Endowment Funds

The Foundation endowment consists of funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

The Foundation's management and investment of donor restricted endowment funds conforms to the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Based on the Foundation's interpretation of the provisions of UPMIFA, the organization is required to act prudently when making decisions to spend or accumulate donor restricted endowment assets and in doing so to consider a number of factors including the duration and preservation of its donor restricted endowment funds. Some of those factors include maintaining overall portfolio risk at a reasonable level, providing for the reasonable diversification of investment, acting with prudence, and being cost conscious when investing.

The endowment funds that are temporarily restricted can make annual distributions up to 4% per annum based on the average balance of all cash and the market value of investment in the fund in the previous year.

COMMUNITY FOUNDATION OF WASHINGTON COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS, continued

Endowment net assets consist of the following:

|                  | Without<br>Donor<br>Restrictions | With Donor<br>Restrictions | Total               |
|------------------|----------------------------------|----------------------------|---------------------|
| Board designated | \$ 951,686                       | \$ -                       | \$ 951,686          |
| Donor restricted | <u>-</u>                         | <u>109,452</u>             | <u>109,452</u>      |
| Total            | <u>\$ 951,686</u>                | <u>\$ 109,452</u>          | <u>\$ 1,061,138</u> |

Activity in endowment net assets is as follows:

|                                   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total               |
|-----------------------------------|-------------------------------|----------------------------|---------------------|
| Endowment fund, beginning of year | \$ 964,885                    | \$ 119,376                 | \$ 1,084,261        |
| Contributions                     | 23,915                        | 525                        | 24,440              |
| Loss                              | (27,401)                      | (9,199)                    | (36,600)            |
| Release from restriction          | <u>(9,713)</u>                | <u>(1,250)</u>             | <u>(10,963)</u>     |
| Endowment fund, end of year       | <u>\$ 951,686</u>             | <u>\$ 109,452</u>          | <u>\$ 1,061,138</u> |

7. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes:

|   |                   |
|---|-------------------|
| <i>Academic enrichment and leadership development</i> | \$ 132,902        |
| <i>Cultural arts and community beautification</i>     | 52,165            |
| <i>Disaster relief and humanitarian aid</i>           | 86,732            |
| <i>Law Enforcement Assistance</i>                     | 2,746             |
| <i>Workforce development</i>                          | <u>5,999</u>      |
| Net assets with donor restrictions                    | <u>\$ 280,544</u> |

COMMUNITY FOUNDATION OF WASHINGTON COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS, continued

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Project expenses include the following for the year ended December 31, 2018:

|   |                   |
|---|-------------------|
| <i>Academic enrichment and leadership development</i> | \$ 66,343         |
| <i>Cultural arts and community beautification</i>     | 41,325            |
| <i>Disaster relief and humanitarian aid</i>           | 203,449           |
| <i>Law Enforcement Assistance</i>                     | 8,823             |
| <i>Workforce development</i>                          | 63,991            |
| <i>Early childhood education</i>                      | <u>30,464</u>     |
| Total project expenses                                | \$ <u>414,395</u> |

8. Agency Funds

The Foundation has accepted donations which are treated as agency funds. These funds are treated as assets and liabilities in these financial statements.

9. Donated Materials and Services

The following donated value received and related expense have been recorded as administrative expense in these financial statements for the year ended December 31, 2018:

|                    |                 |
|--------------------|-----------------|
| Rent expense       | \$ 3,850        |
| Accounting expense | <u>750</u>      |
| Total              | \$ <u>4,600</u> |

COMMUNITY FOUNDATION OF WASHINGTON COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS, continued

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10. Functional Expenses

The following is a breakdown of functional expenses for the year ended December 31, 2018:

| Functional<br>Expense | Programs          | Fundraising     | General and<br>Administration | Total             |
|-----------------------|-------------------|-----------------|-------------------------------|-------------------|
| Advertising           | \$ -              | \$ -            | \$ 3,306                      | \$ 3,306          |
| Office                | -                 | 1,851           | 4,534                         | 6,385             |
| Payroll Taxes         | -                 | -               | 4,415                         | 4,415             |
| Insurance             | -                 | -               | 900                           | 900               |
| Dues                  | -                 | -               | 895                           | 895               |
| Miscellaneous         | -                 | -               | 2,390                         | 2,390             |
| Projects              | 365,343           | -               | -                             | 365,343           |
| Accounting            | -                 | -               | 5,000                         | 5,000             |
| Salary                | 49,051            | 2,885           | 5,771                         | 57,707            |
| Depreciation          | -                 | -               | 309                           | 309               |
|                       | <hr/>             | <hr/>           | <hr/>                         | <hr/>             |
| Total                 | <u>\$ 414,394</u> | <u>\$ 4,736</u> | <u>\$ 27,520</u>              | <u>\$ 446,650</u> |